SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
SEC Accession No. 0000950129-04-006013

(HTML Version on secdatabase.com)

FILER

GENESIS ENERGY LP

CIK:**1022321**| IRS No.: **760513049** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-12295** | Film No.: **04969913**
SIC: **5171** Petroleum bulk stations & terminals

Mailing Address
500 DALLAS SUITE 2500
HOUSTON TX 77002

Business Address
500 DALLAS SUITE 2500
HOUSTON TX 77002
7138602500

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

==

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

FORM 10-Q

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

For the quarterly period ended June 30, 2004

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 jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 DALLAS, SUITE 2500, HOUSTON, TEXAS	77002
(Address of principal executive offices)	(Zip Code)

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

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 [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act.)

Yes [ ] No [X]

==

This report contains 33 pages

GENESIS ENERGY, L.P.

FORM 10-Q

INDEX

<TABLE>
<CAPTION>

	Page
<S>	<C>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets - June 30, 2004 and December 31, 2003..............................	3

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2004 and 2003	4
	Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2004 and 2003	5
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2004 and 2003	6
	Consolidated Statement of Partners' Capital for the Six Months Ended June 30, 2004	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	32
Item 4.	Controls and Procedures	32
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	32
Item 6.	Exhibits and Reports on Form 8-K	33
SIGNATURES		33

</TABLE>

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

<TABLE>
<CAPTION>

<S>	June 30, 2004 <C>	December 31, 2003 <C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,732	$ 2,869
Accounts receivable-trade	77,227	66,732
Inventories	1,165	1,546
Insurance receivable	1,363	15,524
Other	1,119	1,540
Total current assets	82,606	88,211
FIXED ASSETS, at cost	72,654	70,695
Less: Accumulated depreciation	(38,336)	(36,724)
Net fixed assets	34,318	33,971
CO2 ASSETS, net of amortization	22,937	24,073
OTHER ASSETS, net of amortization	1,516	860
TOTAL ASSETS	$ 141,377	$ 147,115
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts payable -		
Trade	$ 66,381	$ 60,108
Related party	10,665	7,067
Accrued liabilities	8,717	20,069
Total current liabilities	85,763	87,244

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

LONG-TERM DEBT	5,500	7,000
COMMITMENTS AND CONTINGENCIES (Note 11)		
MINORITY INTERESTS	517	517
PARTNERS' CAPITAL		
Common unitholders, 9,314 units issued and outstanding	48,597	51,299
General partner	1,000	1,055
Total partners' capital	49,597	52,354
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 141,377	$ 147,115

</TABLE>

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

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

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
<S>	<C>	<C>	<C>	<C>
REVENUES:				
Crude oil gathering and marketing	$ 225,872	$ 143,149	$ 418,868	$ 314,842
Crude oil pipeline	4,086	3,521	8,171	7,510
CO2 revenues	2,149	-	3,980	-
Total revenues	232,107	146,670	431,019	322,352
COSTS AND EXPENSES:				
Crude oil costs:				
Unrelated parties	192,327	123,682	358,299	274,561
Related parties	28,424	13,684	51,399	28,866
Field operating	3,195	2,716	6,238	5,558
Crude oil pipeline operating costs	2,429	2,327	4,661	4,805
CO2 transportation costs - related party	688	-	1,279	-
General and administrative	2,022	2,359	5,186	4,636
Depreciation and amortization	1,627	998	3,174	2,142
Net gain on disposal of surplus assets	(75)	(3)	(75)	(47)
Change in fair value of derivatives	(18)	-	(18)	-
OPERATING INCOME	1,488	907	876	1,831
OTHER INCOME (EXPENSE):				
Interest income	4	7	28	15
Interest expense	(332)	(165)	(526)	(715)
Income from continuing operations	1,160	749	378	1,131
(Loss) income from operations of discontinued Texas System	(61)	1,141	(284)	1,638
NET INCOME	$ 1,099	$ 1,890	$ 94	$ 2,769
NET INCOME (LOSS) PER COMMON UNIT - BASIC AND DILUTED:				
Income from continuing operations	$ 0.12	$ 0.08	$ 0.04	$ 0.12
Income (loss) income from discontinued operations	0.00	0.13	(0.03)	0.19
NET INCOME	$ 0.12	$ 0.21	$ 0.01	$ 0.31

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

WEIGHTED AVERAGE NUMBER OF COMMON UNITS OUTSTANDING..	9,314	8,625	9,314	8,625

</TABLE>

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

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

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
<S>	<C>	<C>	<C>	<C>
NET INCOME..	$ 1,099	$ 1,890	$ 94	$ 2,769
OTHER COMPREHENSIVE INCOME:				
Change in fair value of derivatives used for hedging purposes...........................	-	-	-	39
COMPREHENSIVE INCOME................................	$ 1,099	$ 1,890	$ 94	$ 2,808

</TABLE>

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

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

<TABLE>
<CAPTION>

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income..	$ 94	$ 2,769
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation..	2,038	2,678
Amortization of CO2 contracts and covenant not-to-compete...................	1,136	206
Amortization and write-off of credit facility issuance costs................	194	841
Change in fair value of derivatives...	(18)	39
Gain on asset disposals...	(75)	(47)
Other non-cash charges..	592	-
Changes in components of working capital -		
Accounts receivable...	(10,495)	3,869
Inventories...	(529)	3,027
Other current assets..	14,582	1,141
Accounts payable..	9,871	(7,358)
Accrued liabilities...	(11,926)	(916)
Net cash provided by operating activities..	5,464	6,249
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment..	(1,479)	(3,509)
Change in other assets...	(11)	(2)
Proceeds from sale of assets...	79	87

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Net cash used in investing activities	(1,411)	(3,424)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) of debt	(1,500)	500
Credit facility issuance fees	(839)	(1,093)
Distributions to common unitholders	(2,794)	(431)
Distributions to General Partner	(57)	(9)
Net cash used in financing activities	(5,190)	(1,033)
Net (decrease) increase in cash and cash equivalents	(1,137)	1,792
Cash and cash equivalents at beginning of year	2,869	1,071
Cash and cash equivalents at end of period	$ 1,732	$ 2,863

</TABLE>

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

GENESIS ENERGY, L.P.
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(In thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Partners' Capital			
	Number of Common Units	Common Unitholders	General Partner	Total
<S>	<C>	<C>	<C>	<C>
Partners' capital at January 1, 2004	9,314	$ 51,299	$ 1,055	$ 52,354
Net income for the six months ended June 30, 2004	-	92	2	94
Distributions to partners during the six months ended June 30, 2004	-	(2,794)	(57)	(2,851)
Partners' capital at June 30, 2004	9,314	$ 48,597	$ 1,000	$ 49,597

</TABLE>

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Genesis Energy, L.P. (GELP or the Partnership) is a publicly traded Delaware limited partnership engaged in gathering, marketing and transportation of crude oil and wholesale marketing of carbon dioxide (CO_2). We were formed in December 1996 through an initial public offering of 8.6 million Common Units, representing limited partner interests in GELP of 98%. The General Partner of GELP is Genesis Energy, Inc. (the General Partner) which owns a 2% general

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

partner interest in GELP. The General Partner is owned by Denbury Gathering & Marketing, Inc. a subsidiary of Denbury Resources Inc. Denbury and its subsidiaries are hereafter referred to as Denbury.

In November 2003, an additional 0.7 million Common Units were sold to our general partner in a private placement. These Common Units are not registered with the Securities and Exchange Commission. See Note 4.

Genesis Crude Oil, L.P. is the operating limited partnership and is owned 99.99% by GELP and 0.01% by the General Partner. Genesis Crude Oil, L.P. has two subsidiary partnerships, Genesis Pipeline Texas, L.P. and Genesis Pipeline USA, L.P. Genesis Crude Oil, L.P. and its subsidiary partnerships will be referred to as GCOLP.

Basis of Presentation

The accompanying financial statements and related notes present the consolidated financial position as of June 30, 2004 and December 31, 2003 for GELP, its results of operations and changes in comprehensive income for the three and six months ended June 30, 2004 and 2003, and its cash flows and changes in partners' capital for the six months ended June 30, 2004 and 2003.

The 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) which 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. These financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2003 filed with the SEC.

All significant intercompany transactions have been eliminated. Certain reclassifications were made to prior period amounts to conform to current period presentation. Such reclassifications had no effect on reported net income, total assets, total liabilities or partners' equity.

No provision for income taxes related to the operation of GELP is included in the accompanying consolidated financial statements; as such income will be taxable directly to the partners holding partnership interests in the Partnership.

2. NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), which requires the consolidation of variable interest entities, as defined. FIN 46, as revised, was applicable to financial statements of companies that have interests in "special purpose entities", as defined, during 2003. FIN 46 is applicable to financial statements of companies that have interests in all other types of entities, in the first quarter of 2004. We did not have any variable interest entities that were required to be consolidated as a result of FIN 46.

3. DEBT

On June 1, 2004, we finalized a $100 million senior secured bank credit facility with a group of five lenders (New Credit Facility). The New Credit Facility consists of a $50 million revolving line of credit for acquisitions and

a $50 million working capital revolving credit facility. The facility matures in June 2008. This facility replaced our existing $65 million facility.

The working capital portion of the New Credit Facility has a sublimit of $15 million for working capital loans with the remainder of the $50 million

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

portion available for letters of credit.

The key terms of the New Credit Facility are as follows:

- Letter of credit fees are based on the usage of the working capital portion of the New Credit Facility in relation to the borrowing base and will range from 1.75% to 2.75%. At June 30, 2004, the rate was 2.25%.

- The interest rate on working capital borrowings is also based on the usage of the New Credit Facility in relation to the borrowing base. Loans may be based on the prime rate or the LIBOR rate, at our option. The interest rate on prime rate loans can range from the prime rate plus 0.25% to the prime rate plus 1.25%. The interest rate for LIBOR-based loans can range from the LIBOR rate plus 1.75% to the LIBOR rate plus 2.75%. At June 30, 2004, we borrowed at the prime rate plus 0.75%.

- The interest rate on acquisition borrowings may be based on the prime rate or the LIBOR rate, at our option. The interest rate on prime rate loans will be the prime rate plus 1.50%. The interest rate for LIBOR-based loans will be the LIBOR rate plus 3.00%. At June 30, 2004, we had no debt outstanding under this portion of the New Credit Facility.

- We pay a commitment fee on the unused portion of the $100 million commitment. The commitment fee on the working capital portion is based on the usage of that portion of the New Credit Facility in relation to the borrowing base and will range from 0.375% to 0.50%. At June 30, 2004, the commitment fee rate was 0.50%. The commitment fee rate on the acquisition portion is 0.50%.

- The amount that we may have outstanding cumulatively in working capital borrowings and letters of credit is subject to a Borrowing Base calculation. The Borrowing Base is defined in the New Credit Facility generally to include cash balances, net accounts receivable and inventory, less deductions for certain accounts payable, and is calculated monthly. The Borrowing Base is limited to $50 million. At June 30, 2004, the Borrowing Base was $50 million.

- Collateral under the New Credit Facility consists of our accounts receivable, inventory, cash accounts, margin accounts and fixed assets.

- The New Credit Facility contains covenants requiring a minimum current ratio, a minimum leverage ratio, a minimum cash flow coverage ratio, a maximum ratio of indebtedness to capitalization, and a minimum EBITDA (earnings before interest, taxes, depreciation and amortization).

At June 30, 2004, we had $5.5 million outstanding under the working capital portion of the New Credit Facility. Due to the revolving nature of loans under the New Credit Facility, additional borrowings and periodic repayments and re-borrowings may be made until the maturity date of June 1, 2008. At June 30, 2004, we had letters of credit outstanding under the New Credit Facility totaling $20.6 million, comprised of $10.0 million and $9.8 million for crude oil purchases related to June 2004 and July 2004, respectively and $0.8 million related to other business obligations.

We have no limitations on making distributions in our New Credit Agreement, except as to the effects of distributions in covenant calculations. The New Credit Agreement requires we maintain a cash flow coverage ratio of 1.1 to 1.0. In general, this calculation compares operating cash inflows, as adjusted in accordance with the New Credit Agreement, less maintenance capital expenditures to the sum of interest expense and distributions. At June 30, 2004, the calculation resulted in a ratio of 1.2 to 1.0.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

4. PARTNERS' CAPITAL AND DISTRIBUTIONS

Partners' Capital

Until November 2003, partnership equity consisted of the general partner interest of 2% and 8.6 million Common Units representing limited partner interests of 98%. The Common Units were sold to the public in an initial public offering in December 1996. In November 2003, we issued 688,811 additional Common Units to our General Partner. At June 30, 2004, a total of 9,313,811 Common Units were outstanding.

The general partner interest is held by our General Partner. The Partnership is managed by the General Partner. The General Partner also holds a 0.01% general partner interest in GCOLP, which is reflected as a minority interest in the consolidated balance sheet at June 30, 2004.

The Partnership Agreement authorizes the General Partner to cause GCOLP to issue additional limited partner interests and other equity securities, the proceeds from which could be used to provide additional funds for acquisitions or other GCOLP needs.

Distributions

Generally, we will distribute 100% of our Available Cash within 45 days after the end of each quarter to Unitholders of record and to the General Partner. Available Cash consists generally of all of our cash receipts less cash disbursements adjusted for net changes to reserves. The target minimum quarterly distribution (MQD) for each quarter is $0.20 per unit. For the first three quarters of 2003, we paid a regular quarterly distribution of $0.05 per unit ($0.4 million in total per quarter). Beginning with the fourth quarter of 2003, we increased our quarterly distribution to $0.15 per unit ($1.4 million in total). We have declared a $0.15 per unit distribution for the second quarter of 2004, payable on August 13, 2004 to unitholders of record on July 30, 2004.

Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, the general partner generally is entitled to receive 13.3% of any distributions in excess of $0.25 per unit, 23.5% of any distributions in excess of $0.28 per unit and 49% of any distributions in excess of $0.33 per unit without duplication. We have not paid any incentive distributions through June 30, 2004.

Net Income Per Common Unit

The following table sets forth the computation of basic net income per Common Unit.

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(in thousands, except per unit amounts)			
<S>	<C>	<C>	<C>	<C>
Numerators for basic and diluted net income per common unit:				
Income from continuing operations	$ 1,160	$ 749	$ 378	$ 1,131
Less general partner 2% ownership	23	15	8	23
Income from continuing operations available for common unitholders	$ 1,137	$ 734	$ 370	$ 1,108

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Loss) income from discontinued operations	$ (61)	$ 1,141	$ (284)	$ 1,638
Less general partner 2% ownership	(1)	23	(6)	33
(Loss) income from discontinued operations available for common unitholders	$ (60)	$ 1,118	$ (278)	$ 1,605
Denominator for basic and diluted per Common Unit - weighted average number of Common Units outstanding	9,314	8,625	9,314	8,625
Basic and diluted net income (loss) per Common Unit:				
Income from continuing operations	$ 0.12	$ 0.08	$ 0.04	$ 0.12
Income (Loss) from discontinued operations ...	0.00	0.13	(0.03)	0.19
Net income	$ 0.12	$ 0.21	$ 0.01	$ 0.31

</TABLE>

5. BUSINESS SEGMENT INFORMATION

Our operations consist of three operating segments: (1) Crude Oil Gathering and Marketing - the purchase and sale of crude oil at various points along the distribution chain; (2) Crude Oil Pipeline Transportation - interstate and intrastate crude oil pipeline transportation; and (3) CO2 marketing - the sale of CO2 acquired under a volumetric production payment to industrial customers. Prior to 2003, we managed our crude oil gathering, marketing and pipeline operations as a single segment. The tables below reflect all periods presented as though the current segment designations had existed, and include only continuing operations data.

We evaluate segment performance based on segment margin before depreciation and amortization. All of our revenues are derived from, and all of our assets are located in the United States.

<TABLE>
<CAPTION>

	Crude Oil			
	Gathering and Marketing	Pipeline	CO2 Marketing	Total
		(in thousands)		
<S>	<C>	<C>	<C>	<C>
Three Months Ended June 30, 2004				
Revenues:				
External Customers	$225,872	$ 3,206	$ 2,149	$231,227
Intersegment (a)	-	880	-	880
Total revenues of reportable segments ...	$225,872	$ 4,086	$ 2,149	$232,107
Segment margin excluding depreciation and amortization (b)	$ 1,944	1,657	$ 1,461	$ 5,062
Capital expenditures	$ 24	$ 1,055	$ -	$ 1,079
Maintenance capital expenditures	$ 24	$ 231	$ -	$ 255
Three Months Ended June 30, 2003				
Revenues:				
External Customers	$143,149	$ 2,472	$ -	$145,621
Intersegment (a)	-	1,049	-	1,049
Total revenues of reportable segments ...	$143,149	$ 3,521	$ -	$146,670

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Segment margin excluding depreciation and amortization (b)	$ 3,067	1,194	$ -	$ 4,261
Capital expenditures	$ 186	$ 565	$ -	$ 751
Maintenance capital expenditures	$ 186	$ 565	$ -	$ 751
Six Months Ended June 30, 2004				
Revenues:				
External Customers	$418,868	$ 6,469	$ 3,980	$429,317
Intersegment (a)	-	1,702	-	1,702
Total revenues of reportable segments ...	$418,868	$ 8,171	$ 3,980	$431,019
Segment margin excluding depreciation and amortization (b)	$ 2,950	3,510	$ 2,701	$ 9,161
Capital expenditures	$ 75	$ 1,404	$ -	$ 1,479
Maintenance capital expenditures	$ 75	$ 335	$ -	$ 410
Net fixed and other long-term assets	$ 6,654	$ 29,181	$ 22,937	$ 58,772
Six Months Ended June 30, 2003				
Revenues:				
External Customers	$314,842	$ 5,683	$ -	$320,525
Intersegment (a)	-	1,827	-	1,827
Total revenues of reportable segments ...	$314,842	$ 7,510	$ -	$322,352
Segment margin excluding depreciation and amortization (b)	$ 5,857	2,705	$ -	$ 8,562
Capital expenditures	$ 322	$ 1,377	$ -	$ 1,699
Maintenance capital expenditures	$ 322	$ 1,377	$ -	$ 1,699

</TABLE>

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

b) Segment margin was calculated as revenues less cost of sales and operations expense. A reconciliation of segment margin to operating income from continuing operations for period presented is as follows:

<TABLE>
<CAPTION>

<S>	Three Months Ended June 30, 2004 <C>	2003 <C>	Six Months Ended June 30, 2004 <C>	2003 <C>
	(in thousands)			
Segment margin excluding depreciation and amortization	$ 5,062	$ 4,261	$ 9,161	$ 8,562
General and administrative expenses	2,022	2,359	5,186	4,636
Depreciation, amortization and impairment	1,627	998	3,174	2,142
Net gain on disposal of surplus assets	(75)	(3)	(75)	(47)
Operating income from continuing operations ...	$ 1,488	$ 907	$ 876	$ 1,831

</TABLE>

6. DISCONTINUED OPERATIONS

In the fourth quarter of 2003, we sold a significant portion of our Texas Pipeline System and the related crude oil gathering and marketing operations to TEPPCO Crude Oil, L.P. Additionally we sold other segments of our Texas Pipeline System that had been idled in 2002 to Blackhawk Pipeline, L.P., an affiliate of Multifuels, Inc. Some remaining segments not sold to these parties were abandoned in place.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Costs incurred to dismantle abandoned segments during the first and second quarters of 2004 are included in discontinued operations. For the three and six months ended June 30, 2003, discontinued operations includes the operating results of the assets sold or abandoned in the fourth quarter of 2003.

Operating results from the discontinued operations for the three and six months ended June 30, 2004 and 2003 were as follows:

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(in thousands)			
Revenues:				
Crude oil gathering and marketing	$ -	$ 71,383	$ -	$ 155,654
Crude oil pipeline	-	1,896	-	3,825
Total revenues	-	73,279	-	159,479
Costs and expenses:				
Crude oil costs	-	68,946	-	151,176
Field operating costs	1	1,312	8	2,609
Crude oil pipeline operating costs	60	1,423	276	3,141
General and administrative	-	86	-	173
Depreciation and amortization	-	371	-	742
Total costs and expenses	61	72,138	284	157,841
(Loss) income from operations from discontinued Texas System before minority interests	$ (61)	$ 1,141	$ (284)	$ 1,638

7. 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 those conducted with unaffiliated parties.

Purchases of Crude Oil

Purchases of crude oil from Denbury for the six months ended June 30, 2004 and 2003 were $51.4 million and $28.9 million, respectively. Purchases from Denbury are partially secured by letters of credit.

General and Administrative Services

We do not directly employ any persons to manage or operate our business. Those functions are provided by the General Partner. We reimburse the General Partner for all direct and indirect costs of these services. Total costs reimbursed to the General Partner by us were $6.7 million and $7.9 million for the six months ended June 30, 2004 and 2003, respectively.

Due to Related Parties

At June 30, 2004 and December 31, 2003, we owed Denbury $10.2 million and $6.9 million, respectively, for purchases of crude oil. Additionally, we owed Denbury $0.5 million and $0.1 million for CO2 transportation services at June 30, 2004 and December 31, 2003, respectively. We had advanced $0.4 million to the General Partner at June 30, 2004 for administrative services. We owed the General Partner $0.1 million at December 31, 2003 for administrative services.

Directors' Fees

In each of the six months ended June 30, 2004 and 2003, we paid $60,000 to Denbury for the services of four of Denbury's officers who serve as directors of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the General Partner, the same rate at which our independent directors were paid.

CO2 Volumetric Production Payment and Transportation

We acquired a volumetric production payment from Denbury in November 2003 for $24.4 million. Denbury charges us a transportation fee of $0.16 per Mcf (adjusted for inflation) to deliver the CO2 for us to our customers. For the six months ended June 30, 2004, we incurred $1.2 million for transportation services related to our sales of CO2.

Financing

Our general partner guarantees our obligations under the New Credit Facility. Our general partner is a wholly-owned subsidiary of Denbury. The obligations are not guaranteed by Denbury or any of its other subsidiaries.

8. MAJOR CUSTOMERS AND CREDIT RISK

We derive our revenues from customers primarily in the crude oil industry. This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers could be affected by similar changes in economic, industry or other conditions. However, we believe that the credit risk posed by this industry concentration is offset by the creditworthiness of our customer base. Our portfolio of accounts receivable is comprised in large part of major international corporate entities with stable payment experience. The credit risk related to contracts which are traded on the NYMEX is limited due to the daily cash settlement procedures and other NYMEX requirements.

We have established various procedures to manage our credit exposure, including initial credit approvals, credit limits, collateral requirements and rights of offset. Letters of credit, prepayments and guarantees are also utilized to limit credit risk to ensure that our established credit criteria are met.

Occidental Energy Marketing, Inc. and Marathon Ashland Petroleum LLC accounted for 16% and 15% of total revenues for the six months ended June 30, 2004. Marathon Ashland Petroleum LLC, ExxonMobil Corporation and Shell Oil Company accounted for 25%, 14% and 12% of total revenues during the first six months of 2003. The majority of the revenues from these four customers in both periods relate to our crude oil gathering and marketing operations.

9. SUPPLEMENTAL CASH FLOW INFORMATION

Cash received by the Partnership for interest was $28,000 and $15,000 for the six months ended June 30, 2004 and 2003, respectively. Payments of interest and commitment fees were $214,000 and $170,000 for the six months ended June 30, 2004 and 2003, respectively.

10. DERIVATIVES

Our market risk in the purchase and sale of crude oil contracts is the potential loss that can be caused by a change in the market value of the asset or commitment. In order to hedge our exposure to such market fluctuations, we may enter into various financial contracts, including futures, options and swaps. Historically, any contracts we have used to hedge market risk were less than one year in duration.

We may utilize crude oil futures contracts and other financial derivatives to reduce our exposure to unfavorable changes in crude oil prices. Every derivative instrument (including certain derivative instruments embedded in other contracts) must be recorded in the balance sheet as either an asset or liability measured at its fair value. Changes in the derivative's fair value must be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement. Companies must formally document, designate and assess the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

effectiveness of transactions that receive hedge accounting.

We mark to fair value our derivative instruments at each period end with changes in fair value of derivatives not designated as hedges being recorded as unrealized gains or losses. Such unrealized gains or losses will change, based on prevailing market prices, at each balance sheet date prior to the period in which the transaction actually occurs. Unrealized gains or losses on derivative transactions qualifying as hedges are reflected in other comprehensive income.

We regularly review our contracts to determine if the contracts qualify for treatment as derivatives. At June 30, 2004, we had one swap contract qualifying as a derivative that did not meet the criteria for hedge accounting. The fair value of this contract was determined based on quoted prices from independent sources. We marked this contract to fair value at June 30, 2004, and recorded income of $18,000 which is included in the consolidated statement of operations under the caption "Change in Fair Value of Derivatives". The consolidated balance sheet includes $18,000 in other current assets as a result of recording the fair value of this derivative contract. The contract will settle in October 2004. We determined that the remainder of our derivative contracts qualified for the normal purchase and sale exemption and were designated as such at June 30, 2004 and December 31, 2003.

11. CONTINGENCIES

Guarantees

We have guaranteed $3.4 million of residual value related to our leases of tractors and trailers. We believe the likelihood that we would be required to perform or otherwise incur any significant losses associated with this guarantee is remote.

GELP has guaranteed crude oil purchases of GCOLP. These guarantees, totaling $12.4 million, were provided to counterparties. To the extent liabilities exist under the contracts subject to these guarantees, such liabilities are included in the consolidated balance sheet.

GELP, the General Partner and the subsidiaries of GCOLP have guaranteed the payments by GCOLP to the bank under the terms of the New Credit Facility related to borrowings and letters of credit. Borrowings at June 30, 2004 were $5.5 million and are reflected in the consolidated balance sheet. To the extent liabilities exist under the letters of credit, such liabilities are included in the consolidated balance sheet.

Pennzoil Litigation

We were named a defendant in a complaint filed on January 11, 2001, in the 125th District Court of Harris County, Texas, Cause No. 2001-01176. From Genesis, Pennzoil-Quaker State Company (PQS) was seeking

property damages, loss of use and business interruption suffered as a result of a fire and explosion that occurred at the Pennzoil Quaker State refinery in Shreveport, Louisiana, on January 18, 2000. PQS claimed the fire and explosion were caused, in part, by Genesis selling to PQS crude oil that was contaminated with organic chlorides. In December 2003, our insurance carriers settled this litigation for $12.8 million. The settlement was funded in February 2004, with certain insurance companies directly funding $5.9 million of the payment and $6.9 million was funded by us. We received reimbursement of the $6.9 million from the insurance company on May 3, 2004.

PQS is also a defendant in five suits brought by neighbors living in the vicinity of the PQS Shreveport, Louisiana refinery in the First Judicial District Court, Caddo Parish, Louisiana, Cause Nos. 455,647-A. 455,658-B, 455,655-A, 456,574-A, and 458,379-C. PQS has brought a third party demand against Genesis and others for indemnity with respect to the fire and explosion of January 18, 2000. We believe that the demand against Genesis is without merit and intend to vigorously defend ourselves in this matter.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Environmental

On December 20, 1999, we had a release of crude oil from our Mississippi System. Approximately 8,000 barrels of oil were released from the pipeline near Summerland, Mississippi, and entered a creek nearby. A portion of the oil then flowed into the Leaf River. The clean up of the release is covered by insurance and the direct financial impact to us of the cost of the clean-up has not been material. Included in insurance receivable on the consolidated balance sheet at June 30, 2004 and December 31, 2003 is $1.4 million and $2.8 million, respectively, related to this release. Management of the Partnership reached an agreement with the US Environmental Protection Agency and the Mississippi Department of Environmental Quality for the payment of fines of $3.0 million under environmental laws with respect to this oil spill. The consent order to these fines was entered on July 27, 2004. In 2001 and 2002, a total accrual of $3.0 million was recorded for these fines. The fines will not be covered by insurance. In addition to the fines, we have other obligations under the consent order to restore the environment to a condition it was in prior to the release. Management believes such costs are covered by insurance and are included in the insurance receivable described above.

In 1992, Howell Crude Oil Company (Howell) entered into a sublease (the Sublease) with Koch Industries, Inc., (Koch) of land located in Santa Rosa County, Florida to operate a crude oil trucking station (the Jay Station). The Sublease provided that Howell would indemnify Koch for environmental contamination on the property under certain circumstances. Howell operated Jay Station from 1992 until December of 1996 when this operation was sold to us. We operated Jay Station as a crude oil trucking station until 2003. Koch has indicated that they may make a claim against us under the indemnification provisions of the Sublease for environmental contamination on the site and surrounding areas.

Genesis and Howell, now a subsidiary of Anadarko Petroleum Corporation, are investigating whether Genesis and/or Howell may have liability for this contamination, and if so, to what extent. Based upon the early stage of this investigation, and subject to resolution of the allocation of responsibility between us and Howell and the method and timing of any required remediation, currently we have no reason to believe that this matter would have a material financial effect on our financial position, results of operations, or cash flows.

We are subject to various environmental laws and regulations. Policies and procedures are in place to monitor compliance and to detect and address any 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.

Other Matters

We have taken additional security measures since the terrorist attacks of September 11, 2001 in accordance with guidance provided by the Department of Transportation and other government agencies. We cannot assure you that these security measures would prevent our facilities from a concentrated attack. Any future attacks on us or our customers or competitors could have a material effect on our business, whether insured or not. We believe we are adequately insured for public liability and property damage to others and that our coverage is similar to other companies with operations similar to ours. No assurance can be made that we will be able to maintain adequate insurance in the future at premium rates that we consider reasonable.

We are subject to lawsuits in the normal course of business and examination by tax and other regulatory authorities. Such matters presently pending are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

12. SUBSEQUENT EVENT

On July 16, 2004, the Board of Directors of the General Partner declared a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

cash distribution of $0.15 per Unit for the quarter ended June 30, 2004. The distribution will be paid August 13, 2004, to the General Partner and all Common Unitholders of record as of the close of business on July 30, 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Included in Management's Discussion and Analysis are the following sections:

- Overview
- Results of Operations and Outlook for the Remainder of 2004 and Beyond
- Liquidity and Capital Resources
- Commitments and Off-Balance Sheet Arrangements
- Other Matters

In the discussions that follow, we will focus on two measures that we use to manage the business and to review the results of our operations. Those two measures are segment margin and available cash. Our profitably depends to a significant extent upon our ability to maximize segment margin. Segment margin is calculated as revenues less costs of sales and operating expense, and does not include depreciation and amortization. A reconciliation of Segment Margin (a non-GAAP financial measure) to operating income from continuing operations is included in our segment disclosures in Note 5 to the consolidated financial statements. Available Cash is a non-GAAP liquidity measure calculated as net income with several adjustments, the most significant of which are the elimination of gains and losses on asset sales, except those from the sale of surplus assets, the addition of non-cash expenses such as depreciation and amortization, and the subtraction of maintenance capital expenditures, which are expenditures to sustain existing cash flows but not to provide new sources of revenues. For additional information on Available Cash and a reconciliation of this measure to cash flows from operations, see "Non-GAAP Financial Measure" below.

OVERVIEW

We operate in three business segments - crude oil gathering and marketing, crude oil pipeline transportation and CO2 marketing. Our revenues are earned by selling crude oil and CO2 and by charging fees for transportation of crude oil through our pipelines. Our focus is on the margin we earn on these revenues, which is calculated by subtracting the costs of the crude oil, the costs of transporting the crude oil and CO2 to the customer, and the costs of operating our assets.

Our primary goal is to generate Available Cash for distribution to our unitholders. For the first six months of 2004, we have generated $0.6 million more Available Cash before reserves than the distributions we have paid or are paying with respect to those six months.

In June 2004, we obtained a new $100 million bank credit facility that replaced our existing $65 million facility. This facility provides a total of $50 million for working capital borrowings and letters of credit and $50 million for acquisitions. This facility provides us with financing for growth opportunities.

We have a stock appreciation rights plan under which employees and directors are granted rights to receive cash upon exercise for the difference between the strike price of the rights and the market price for our units at the time of exercise. These rights vest over several years. As of June 30, 2004, no rights were vested. As the market price for our units increases or decreases, we record an increase or a decrease in our liability under this plan. In the first half of 2004, our unit price increased 15%. As our unit price rose from $9.80 at December 31, 2003 to $12.45 per unit at March 31, 2004, we increased our liability during the first quarter from $0.2 million to $1.3 million, recording a charge of $1.1 million. In the second quarter of 2004, the unit price declined

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

from $12.45 at March 31, 2004 to $11.25 per unit at June 30, 2004. As a result, we reduced our liability to $0.8 million during the second quarter and recognized a reduction in expense of $0.5 million. In total for the six month period, we increased the liability by $0.6 million and recorded expense of the same amount.

RESULTS OF OPERATIONS AND OUTLOOK FOR THE REMAINDER OF 2004 AND BEYOND

CRUDE OIL GATHERING AND MARKETING OPERATIONS

The key drivers affecting our crude oil gathering and marketing segment margin include production volumes, volatility of P-Plus, volatility of grade differentials, inventory management, field operating costs, and credit costs.

Segment margins from gathering and marketing operations are a function of volumes purchased and the difference between the price of crude oil at the point of purchase and the price of crude oil at the point of sale, minus the associated costs of aggregation and transportation. The absolute price levels for crude oil do not necessarily bear a relationship to segment margin as absolute price levels normally impact revenues and cost of sales by equivalent amounts. Because period-to-period variations in revenues and cost of sales are not generally meaningful in analyzing the variation in segment margin for gathering and marketing operations, such changes are not addressed in the following discussion.

Some of our contracts for the purchase and sale of crude oil have components in the pricing provisions such that the price paid or received is adjusted for changes in certain market indices for crude oil. Often the pricing in a contract to purchase crude oil will consist of the market price component and a bonus, which is generally a fixed amount ranging from a few cents to several dollars. Under some contracts, the pricing in a contract to sell crude oil will consist of the market price component and a bonus that is not fixed, but instead is based on another market index. This floating index is usually the price quoted by Platt's for WTI "P-Plus". When the bonus for purchases of crude oil is fixed and P-Plus floats in the sales contracts, the margin on individual transactions can vary from month-to-month depending on changes in the P-Plus component. When the purchase and sale contracts both have bonuses that float with changes in P-Plus, that margin is generally fixed and our volatility caused by price changes is reduced.

P-Plus does not consistently move in correlation with the price of crude oil in the market. P-Plus is affected by numerous factors such as future expectations for changes in crude oil prices that can cause the variance from current changes in crude oil prices.

Another factor that can contribute to volatility in our earnings is inventory management. Generally contracts for the purchase of crude oil will state that we will buy all of the production for the month from a particular well. We generally aggregate the volumes purchased from numerous wells and deliver it into a pipeline where we sell the crude oil to a third party. While oil producers can make estimates of the volume of oil that their wells will produce in a month, they cannot state absolutely how much oil will be produced. Our sales contracts typically state a specific volume to be sold. Consequently, if a well produces more than expected, we will purchase volumes in a month that we have not contracted to sell. These volumes are then held as inventory and are sold in a later month. Should the market price of crude oil decline below its cost while we have these inventory volumes, we would have to recognize a loss in our financial statements. Should market prices rise, we will realize a gain when we sell the unexpected volume of inventory in a later month at higher prices. We make every effort to limit our exposure to these price fluctuations by minimizing inventory builds and draws.

Field operating costs primarily consist of the costs to operate our fleet of 51 trucks used to transport crude oil, and the costs to maintain the trucks and assets used in the crude oil gathering operation. Approximately 55%

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

of these costs are variable and increase and decrease with volumetric changes. Such costs include payroll and benefits (as drivers are paid on a commission basis based on volumes), maintenance costs for the trucks (as we lease the trucks under full service maintenance contracts under which we pay a maintenance fee per mile driven), and fuel costs. Fuel costs also fluctuate based on changes in the market price of diesel fuel. Fixed costs include the base lease payment for the vehicle, insurance costs and costs for environmental and safety related operations.

Operating results from continuing operations for our crude oil gathering and marketing segment were as follows:

<TABLE>

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(in thousands, except volumes per day)			
<S>	<C>	<C>	<C>	<C>
Revenues	$ 225,872	$ 143,149	$ 418,868	$ 314,842
Crude oil costs	220,751	137,366	409,698	303,427
Field operating costs	3,195	2,716	6,238	5,558
Change in fair value of derivatives	(18)	-	(18)	-
Segment margin	$ 1,944	$ 3,067	$ 2,950	$ 5,857
Volumes per day from continuing operations:				
Crude oil wellhead - barrels	49,128	42,701	48,787	44,276
Crude oil total - barrels	65,164	53,697	62,877	54,998

</TABLE>

Crude oil gathering and marketing segment margins from continuing operations decreased $1.1 million or 37% for the three months ended June 30, 2004, as compared to the three months ended June 30, 2003. Contributing to this reduction in segment margin were three primary factors as follows:

- A $1.6 million decrease in the average difference between the price of crude oil at the point of purchase and the price of crude oil at the point of sale. During the second half of 2003, we changed the pricing structure on a significant portion of our wellhead volume purchase contracts from a fixed bonus to a bonus that floats with changes in P-Plus in order to reduce volatility in segment margin to changes in P-Plus. We realized larger margins on these volumes during the first two months of the second quarter of 2003 when P-Plus prices increased more than the fixed price bonuses.

- A $0.5 million increase in field operating costs, from increased fuel costs to operate our tractor/trailers, additional employee compensation and benefit costs due to additional volumes, and higher insurance costs. Although we reduced operations in 2004 from 2003 levels with the sale of a large part of our Texas operations, our insurance costs did not decline proportionately. Competitive pressures made it difficult to reduce crude oil purchase prices to offset the increases in field operating costs.

- A reduction in crude oil inventory volumes during 2003, at a time when posted prices and P-Plus were rising, contributed $0.2 million to 2003 segment margin that did not recur in 2004.

Partially offsetting these decreases was a 21% increase in wellhead, bulk and exchange purchase volumes between the second quarters of 2003 and 2004, resulting in a $1.2 million increase in segment margin.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

For the six month periods, crude oil gathering and marketing segment margins from continuing operations decreased $2.9 million in 2004 from the prior year period. Contributing to this reduction in segment margin were the following three factors:

- A $2.8 million decrease in the average difference between the price of crude oil at the point of purchase and the price of crude oil at the point of sale;

- A $0.7 million increase in field operating costs, again from higher fuel costs, higher employee costs and higher insurance costs; and

- A reduction in crude oil inventory volumes of 130,000 barrels in 2003 from December 31, 2002 volumes, at a time when posted prices rose over $3 per barrel and P-Plus rose over $1 per barrel. The sale of this inventory in the 2003 first quarter contributed more than $1.0 million to 2003 in segment margin. There was no such inventory sale in the 2004 period.

Partially offsetting this decrease was an increase in purchase volumes. Volumes increased 7,879 barrels per day, or 15%, adding $1.6 million to segment margin. Volumes purchased at the wellhead contributed 4,511 barrels per day of that increase.

Outlook

We expect volatility in our gathering and marketing segment margins to continue. During 2004, we expect our crude oil gathering and marketing business to generate less segment margin than it did in 2003. Additionally we are reviewing our costs and operating methods to reduce costs and increase efficiencies.

Beginning in September 2004, we expect Denbury to begin shipping on our Mississippi pipeline rather than selling the crude oil to us to ship. After this point, our relationship with Denbury will primarily be one of providing transportation services on a fee basis. This change will reduce our crude oil gathering and marketing volumes and revenues. We do not expect this change to materially adversely affect segment gross margin.

CRUDE OIL PIPELINE OPERATIONS

We operate three common carrier pipeline systems in a five state area. We refer to these pipelines as our Texas System, Mississippi System and Jay System. Average volumes shipped on these systems for the three months and six months ended June 30, 2004 and 2003 are as follows:

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(barrels per day)			
Texas - continuing operations	39,672	45,850	40,939	44,521
Florida	15,523	13,723	15,702	14,485
Mississippi	11,961	8,133	11,228	8,711

Volumes on our Texas System averaged 39,672 barrels per day during the second quarter of 2004. The crude oil that enters our system comes to us at West Columbia where we have a connection to TEPPCO's South Texas System and at Webster where we have connections to two other pipelines. One of these connections at Webster is with ExxonMobil Pipeline and is used to receive volumes that originate from TEPPCO's pipelines. Under the terms of our 2003 sale

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

of portions of the pipeline to TEPPCO, we have a joint tariff with TEPPCO through September 2004 under which we earn $0.40 per barrel on the majority of the barrels we deliver to the shipper's facilities and $0.50 per barrel on heavier crude oil we deliver. The volumes received from ExxonMobil's pipeline are subject to a joint tariff with TEPPCO and ExxonMobil. Most of the volume being shipped on our Texas System goes to three refineries on the Texas Gulf Coast. We are still transporting approximately 90% of the volumes that we were shipping before the sale to TEPPCO, however our tariff revenue is much less than before the sale, as we ship the crude oil over a shorter distance.

The Mississippi System is best analyzed in two segments. The first segment is the portion of the pipeline that begins in Soso, MS and extends to Liberty, MS. At Liberty, shippers can transfer the crude oil to a connection to Capline, a pipeline system that moves crude oil from the Gulf Coast to refineries in the Midwest. The segment from Soso to Liberty has been improved to handle the increased volumes produced by Denbury and transported on the pipeline. In order to handle future increases in production volumes in the area that are expected, we have made capital expenditures for tank, station and pipeline improvements and we intend to make further improvements. See Capital Expenditures under "Liquidity and Capital Resources" below.

The second segment of the pipeline from Liberty to near Baton Rouge, LA has been out of service since February 1, 2002. A connecting carrier tested its pipeline and decided not to reactivate its pipeline at this time. During the second quarter of 2004 we displaced the crude oil in this segment with inhibited water until the connecting carrier either repairs its system or we identify an alternative use for this segment. In 2004 and 2003, this segment made no contribution to pipeline revenues. Any future plans for this segment will require sufficient economic activity to justify the costs to perform integrity testing as required under integrity management program

regulations and upgrades that may be necessary as a result of that testing. Future plans for this segment may include connecting the segment to alternative transportation services or selling the right-of-way to other parties.

The Jay pipeline system in Florida/Alabama ships crude oil from fields with relatively short remaining production lives. Volumes between the first halves of 2004 and 2003 have increased approximately 1,200 barrels per day, due to increases in production in one field connected to the pipeline.

Historically, the largest operating costs in our crude oil pipeline segment have consisted of personnel costs, power costs, maintenance costs and costs of regulatory compliance. Some of these costs are not predictable, such as failure of equipment, or are not within our control, like power cost increases. We perform regular maintenance on our assets to keep them in good operational condition to minimize cost increases.

Operating results from continuing operations for our crude oil pipeline segment were as follows:

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(in thousands, except volumes per day)			
<S>	<C>	<C>	<C>	<C>
Revenues	$ 4,086	$ 3,521	$ 8,171	$ 7,510
Pipeline operating costs	2,429	2,327	4,661	4,805
Segment margin	$ 1,657	$ 1,194	$ 3,510	$ 2,705
Volumes per day from continuing operations:				
Crude oil pipeline - barrels	67,156	67,706	67,869	67,717

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Pipeline segment margin increased $0.5 million or 39% to $1.7 million for the three months ended June 30, 2004, as compared to $1.2 million for the three months ended June 30, 2003. The increase in pipeline segment margin is primarily attributable to an increase in pipeline revenues. Revenues increased $0.4 million in the 2004 second quarter compared to the prior year period due to the combination of higher tariffs, offset by a slight decline in volume. Higher crude oil prices increased the sales price of volumetric gain volumes, resulting in an increase of $0.2 million in revenues.

For the six months ended June 30, 2004, pipeline segment margin increased $0.8 million or 30%, as compared to the same period in 2003. Revenues increased due to higher tariffs in the 2004 period, which contributed $0.3 million. An increase in volumes of 152 barrels per day provided additional revenues of $0.1 million. Higher sales prices for crude oil, which increased the revenues from volumetric gain barrels, resulted in a $0.3 million increase in revenues.

Outlook

Through September 2004, we will continue to receive a tariff of $0.40 on the volumes shipped from the ExxonMobil connection in Texas. After September 2004, we expect to receive less tariff income from those shipments than we are receiving under the current joint tariff with TEPPCO and ExxonMobil.

The light crude oil volumes that we currently receive from TEPPCO at West Columbia are expected to be received through the ExxonMobil connection at Webster after September 2004. We are currently reviewing the costs for testing, repairs and system modifications to continue to use the West Columbia to Webster segment for transportation of heavy crude oil. We expect to complete that evaluation during the third quarter. We are also examining strategic opportunities to place the remaining segments in alternative service after the arrangement with TEPPCO expires.

We anticipate that volumes on the Texas System may decline as refiners on the Texas Gulf Coast compete for crude oil with other markets connected to TEPPCO's pipeline systems.

Denbury is the largest oil and gas producer in Mississippi. Our Mississippi pipeline is adjacent to several of Denbury's existing and prospective oil fields. There are mutual benefits to Denbury and us due to this common production and transportation area. As Denbury continues to acquire and develop old oil fields using CO2 based

tertiary recovery operations, Denbury would expect to add crude oil gathering and CO2 supply infrastructure to these fields. Further, as the fields are developed over time, it may create increased demand for our crude oil transportation services. Beginning in September 2004, we expect Denbury to begin shipping on our Mississippi pipeline rather than selling the crude oil to us to ship. We are also restructuring our Mississippi tariffs to provide additional return on the investments we have made and will continue to make in the Mississippi System.

The production shipped from oil fields surrounding our Jay system comes from a combination of new fields with estimated short production lives and older fields that have been producing for twenty to thirty years and are in the later stages of their economic lives. We believe that the highest and best use of the Jay system would be to convert it to natural gas service. We continue to review strategic alternatives to develop this opportunity. This initiative is in a very preliminary stage. Part of the process will involve finding alternative methods for us to continue to provide crude oil transportation services in the area. While we believe this initiative has long-term potential, it is not expected to have a substantial impact on us during 2004 or 2005.

Pipeline segment margins from continuing operations for 2004 should improve over margins for the 2003 period. We expect volume increases on the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Mississippi system and the tariff increases on the Jay and Mississippi systems to substantially offset increases in fixed costs, including the costs for testing under the integrity management program.

CARBON DIOXIDE (CO2) OPERATIONS

In November 2003, we acquired a volumetric production payment of 167.5 Bcf of CO2 from Denbury. Denbury owns 1.6 trillion cubic feet of estimated proved reserves of CO2 in the Jackson Dome area near Jackson, Mississippi. In addition to the production payment, Denbury also assigned to us three of their existing long-term CO2 contracts with industrial customers. Denbury owns the pipeline that is used to transport the CO2 to our customers as well as to its own tertiary recovery operations.

The industrial customers treat the CO2 and transport it to their own customers. The primary industrial applications of CO2 by these customers include beverage carbonation and food chilling and freezing. Based on Denbury's experience, we can expect some seasonality in our sales of CO2, as the dominant months for beverage carbonation and freezing food are from April to October, when warm weather drives up demand for beverages and the approaching holidays increase demand for frozen foods.

Operating results from continuing operations for our CO2 marketing segment were as follows:

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2004	2003	Six Months Ended June 30, 2004	2003
	(in thousands, except volumes per day)			
Revenues	$ 2,149	$ -	$ 3,980	$ -
CO2 transportation and other costs	688	-	1,279	-
Segment margin	$ 1,461	$ -	$ 2,701	$ -
Volumes per day from continuing operations:				
CO2 marketing - Mcf	45,480	-	42,164	-

</TABLE>

Volumes sold by Denbury during the three months and six months ended June 30, 2003 under the contracts that we acquired averaged 42,223 and 39,819 Mcf per day. The increase in volume in the second quarter was expected due to the seasonality discussed above. We paid Denbury $0.16 per Mcf, or $0.7 million for the three months and $1.2 million for the six months, to transport the CO2 to our customers on Denbury's pipeline.

Outlook

We expect to generate approximately $5.0 million of annual segment margin from this business during each of the first five years. The purchase of these assets provides us with diversity in our asset base and a stable long-term source of cash flow. The remaining volume due under the production payment at June 30, 2004, was 155.0 Bcf.

DISCONTINUED OPERATIONS

In the fourth quarter of 2003, we sold a significant portion of our Texas Pipeline System and related crude oil gathering and marketing operations to TEPPCO Crude Oil, L.P. Additionally we sold other segments of our Texas Pipeline System that had been idled in 2002 to Blackhawk Pipeline, L.P., an affiliate of Multifuels, Inc. Other remaining segments not sold to these parties were abandoned in place.

During the three and six months ended June 30, 2004, we incurred

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

costs totaling $0.1 million and $0.3 million, respectively, related to the dismantlement of assets that we abandoned. During the three and six months ended June 30, 2003, the assets we sold during the fourth quarter of 2003 generated $1.1 million and $1.6 million of segment margin, respectively.

OTHER COSTS AND INTEREST

General and administrative expenses were as follows:

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
Expenses excluding effect of stock appreciation rights plan	$ 2,534	$ 2,359	$ 4,594	$ 4,636
Stock appreciation rights plan expense (credit)	(512)	-	592	-
Total general and administrative expenses	$ 2,022	$ 2,359	$ 5,186	$ 4,636

</TABLE>

General and administrative expenses, excluding the effects of our stock appreciation rights (SAR) plan, increased $0.2 million in the 2004 second quarter as compared to these costs in the 2003 period. In the second quarter of 2004, we incurred expenses of $0.4 million for professional services to assist us in the internal control documentation and assessment provisions of the Sarbanes-Oxley Act. Offsetting this increase was a decline in the amount accrued for the quarter under our employee bonus plan.

For each of the six months ended June 30, 2004 and 2003, general and administrative expenses excluding the effects of our SAR plan were $4.6 million. While we incurred costs of $0.5 million in the six month 2004 period related to the internal control documentation project, we reduced bonus plan expense by $0.2 million. Legal fees were $0.3 million less in the 2004 period, primarily due to a charge that we took in the 2003 period for unamortized legal and consultant costs related to a credit facility that was replaced.

During the second quarter of 2004, we reduced by $0.5 million the expense recorded in the first quarter related to our SAR plan for employees and directors in the first quarter of 2004. This plan is a long-term incentive plan whereby rights are granted for the grantee to receive cash equal to the difference between the grant price and Common Unit price at date of exercise. The rights vest over several years. Our unit price rose 27% from $9.80 at December 31, 2003 to $12.45 at March 31, 2004 resulting in a $1.1 million increase to the accrual for this liability in the first quarter of 2004. The unit price declined to $11.25 at June 30, 2004, resulting in the reduction in expense in the second quarter. For the year total expense related to the SAR plan is $0.6 million.

Excluding the effect of changes in our unit price on our accrual for our stock appreciation rights plan, we expect general and administrative expenses in 2004 to be higher than those of 2003, primarily due to the increased costs for consultants to assist in the internal control documentation project and fees related to the audit of those internal controls.

Interest expense, net was as follows:

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(in thousands)			

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<S> <C> <C> <C> <C>

Interest expense, including commitment fees	$ 258	$ 91	$ 378	$ 185
Amortization and write-off of facility fees	74	74	148	530
Interest income	(4)	(7)	(28)	(15)
Net interest expense	$ 328	$ 158	$ 498	$ 700

</TABLE>

Interest expense increased in the three and six months ended June 30, 2004 as compared to the same periods in 2003 due to variances in outstanding debt, the increased commitment beginning June 1, 2004, and differences in rates.

The amortization of facility fees in the 2003 six month period included the write-off of facility fees related to a credit agreement that was replaced in March 2003.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL RESOURCES

In June 2004, we replaced our existing bank credit facility with a group of banks led by Fleet National Bank as agent with a $100 million senior secured bank credit facility (New Credit Facility) with a group of five lenders including three of the previous banks. The New Credit Facility consists of a $50 million revolving line of credit for acquisitions and a $50 million working capital revolving credit facility. The facility matures in June 2008.

The working capital portion of the New Credit Facility has a sub-limit of $15 million for working capital loans with the remainder of the $50 million portion available for letters of credit.

Interest rates and fees under the New Credit Facility are slightly better than the terms of the prior facility.

At June 30, 2004 we had borrowed $5.5 million under the working capital portion of the New Credit Facility and had no obligations outstanding under the acquisitions portion. Due to the revolving nature of loans under the New Credit Facility, additional borrowings and periodic repayments and re-borrowings may be made until the maturity date of June 1, 2008. At June 30, 2004, we had letters of credit outstanding under the New Credit Facility totaling $20.6 million, comprised of $10.0 million and $9.8 million for crude oil purchases related to June 2004 and July 2004, respectively and $0.8 million related to other business obligations. Outstanding letters of credit issued to Denbury for the purchase of crude oil at June 30, 2004, totaled $10.7 million, and are included in the $20.6 million total above. When we no longer purchase the crude oil from Denbury for shipment and Denbury begins shipping the oil on our Mississippi System in the third quarter of 2004, we will no longer provide Denbury with letters of credit.

CAPITAL EXPENDITURES

A summary of our capital expenditures in the six months ended June 30, 2004 and 2003 is as follows:

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2004	2003
	(in thousands)	
<S>	<C>	<C>
Maintenance capital expenditures:		
Texas pipeline system..	$ 86	$ 1,366
Mississippi pipeline system...	240	1,068

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Jay pipeline system	9	184
Crude oil gathering assets	-	144
Administrative assets	75	178
Total maintenance capital expenditures	410	2,940
Growth capital expenditures:		
Mississippi pipeline system	1,069	-
Crude oil gathering assets	-	569
Total growth capital expenditures	1,069	569
Total capital expenditures	$ 1,479	$ 3,509

</TABLE>

Maintenance capital expenditures in 2004 included station improvements in Mississippi to handle increased volumes. Administrative assets included computer software and hardware. In the 2003 period, maintenance capital expenditures included installation of pipeline satellite monitoring equipment and an upgrade to the West Columbia to Markham segment of our Texas pipeline. The expenditures on the Mississippi system included additional improvements to the pipeline from Soso to Gwinville, where the crude release had occurred in December 1999, to restore this segment to service. In 2003, we also improved the pipeline from Gwinville to Liberty to be able to handle increased volumes on that segment by upgrading pumps and meters and completing additional tankage.

Growth capital expenditures in 2004 related to the acquisition of right-of-way and the initial construction costs for a ten mile extension of our crude oil pipeline and a CO2 pipeline extending from Denbury's CO2 pipeline to Brookhaven field. This extension should be complete during the fourth quarter of 2004. We also started construction of a tank and initial right-of-way work related to an extension from our existing crude oil pipeline to move crude oil from Denbury's Smithdale/McComb fields. Growth capital expenditures in 2003 included the acquisition of a condensate storage facility in Texas that was subsequently sold to TEPPCO.

Including the amounts expended through June 30, 2004 and based on the information available to us at this time, we currently anticipate that our maintenance capital expenditures will be as follows for the periods shown:

<TABLE>
<CAPTION>

<S>	2004 <C>	2005 (in thousands) <C>	2006 <C>
Maintenance capital expenditures:			
Texas System	$ 88	$ 396	$ 199
Mississippi System	817	685	465
Jay System	39	145	75
Other	167	60	60
Total maintenance capital expenditures	$ 1,111	$ 1,286	$ 799

</TABLE>

In 2004, we expect the expenditures on our Texas system to relate primarily to corrosion control and in 2005 and 2006, to improvements to our control and monitoring system.

The maintenance capital expenditure estimates for our Mississippi system include corrosion control expenditures, minor facility improvements and rehabilitation of the pipeline as a result of integrity management test results.

We have made commitments totaling $4.6 million related to the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

construction of the pipelines to the Brookhaven field and the construction of facilities related to the Smithdale/McComb project in Mississippi. Including estimates of the other costs to complete the projects, we expect the total costs of these two projects to be $7.7 million. Through June 30, 2004, we have expended $1.0 million toward these projects. We are also in discussions to acquire another CO2 production payment and industrial sales contract from Denbury. We expect to fund these capital expenditures from our New Credit Facility.

Expenditures for capital assets to grow the partnership distribution will depend on our access to debt and capital discussed below in "Sources of Future Capital." Denbury owns additional CO2 industrial sales contracts that we may be able to purchase along with additional volume under our production payment. We may also construct and operate additional CO2 pipelines next to crude oil pipelines to supply Denbury's fields with the CO2 for tertiary recovery and then to move the resulting crude oil production to market. We will also look for opportunities to acquire assets from other parties that meet our criteria for stable cash flows.

SOURCES OF FUTURE CAPITAL

Prior to 2003, we funded our capital commitments from operating cash and borrowings under bank facilities. In 2003, we issued common units to our general partner for cash and sold assets to fund growth. Our plans for the future include a combination of borrowings and the issuance of additional common units to the public.

The New Credit Facility provides us with $50 million of capacity for acquisitions. We expect to use our acquisition facility for the projects discussed under Capital Expenditures as well as other future projects. The acquisition portion of the New Credit Facility is a revolving facility.

CASH FLOWS

Our primary sources of cash flows are operations and credit facilities. Our primary uses of cash flows are capital expenditures and distributions. A summary of our cash flows is as follows:

<TABLE>
<CAPTION>

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ 5,464	$ 6,249
Investing activities	$ (1,411)	$ (3,424)
Financing activities	$ (5,190)	$ (1,033)

</TABLE>

Operating. Net cash from operating activities for each period have been comprised of the following:

<TABLE>
<CAPTION>

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(in thousands)	
Net income	$ 94	$ 2,769
Depreciation and amortization	3,174	2,884
Gain on sales of assets	(75)	(47)
Other non-cash items	768	880
Changes in components of working capital, net	1,503	(237)
Net cash from operating activities	$ 5,464	$ 6,249

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Our operating cash flows are affected significantly by changes in items of working capital. Affecting all periods is the timing of capital expenditures and their effects on our recorded liabilities.

Our accounts receivable settle monthly and collection delays generally relate only to discrepancies or disputes as to the appropriate price, volume or quality of crude oil delivered. Of the $77.2 million aggregate receivables on our consolidated balance sheet at June 30, 2004, approximately $75.0 million, or 97%, were less than 30 days past the invoice date.

Investing. Cash flows used in investing activities in the first half of 2004 were $1.4 million as compared to $3.4 million in 2003 period. As discussed above, in 2004 we expended cash for the first phase of an addition to our Mississippi System. We also expended funds to begin construction of a new tank on the Mississippi System. We expended cash for other capital improvements related to our corporate office and to handling the increased volumes on our Mississippi System more efficiently. We received $0.1 million from the sale of surplus assets.

In the first half of 2003 we expended $3.5 million for property and equipment additions, and received $0.1 million from the sale of surplus assets. The expenditures included replacement of pipe in Texas and satellite communication equipment for our control and monitoring system for all three of our pipelines, as well as improvements on the Mississippi System.

Financing. In the first half of 2004, financing activities utilized net cash of $5.2 million. Our outstanding debt decreased $1.5 million. Distributions to our partners utilized $2.9 million. We also incurred $0.8 million of costs related to our new credit facility.

Net cash expended for financing activities was $1.0 million in the first half of 2003. In 2003 we reduced our outstanding long-term debt balance by $0.5 million from the balance at December 31, 2002. We also paid $1.1 million in credit facility issuance costs related to a credit facility put in place in March 2003 and we paid distribution to our partners totaling $0.4 million.

DISTRIBUTIONS

As a master limited partnership, the key consideration of our Unitholders is the amount of our distribution, its reliability and the prospects for distribution growth. Normally we distribute 100% of our Available Cash within 45 days after the end of each quarter to Unitholders of record and to the General Partner. Available Cash consists generally of all of our cash receipts less cash disbursements adjusted for net changes to reserves. The targeted minimum quarterly distribution (MQD) for each quarter is $0.20 per unit. Beginning with the distribution for the first quarter of 2003, we paid a regular quarterly distribution of $0.05 per unit ($0.4 million in total per quarter). For the fourth quarter of 2003, we increased our quarterly distribution to $0.15 per unit ($1.4 million in total), and have distributed $0.15 per unit for each subsequent quarter.

We have no limitations on making distributions in our New Credit Agreement, except as to the effects of distributions in covenant calculations. The New Credit Agreement requires we maintain a cash flow coverage ratio of 1.1 to 1.0. In general, this calculation compares operating cash inflows, as adjusted in accordance with the new Fleet Agreement, less maintenance capital expenditures to the sum of interest expense and distributions. At June 30, 2004, the calculation resulted in a ratio of 1.2 to 1.0.

Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, the general partner generally is entitled to receive 13.3% of any distributions in excess of $0.25 per unit, 23.5% of any distributions in excess of $0.28 per unit and 49% of any distributions in excess of $0.33 per unit without duplication. We have not paid any incentive distributions through

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

December 31, 2003. The likelihood and timing of the payment of any incentive distributions will depend on our ability to make accretive acquisitions and generate cash flows from those acquisitions. We do not expect to make incentive distributions during 2004.

We believe we will be able to sustain a regular quarterly distribution at $0.15 per unit during 2004. We do not expect to be able to restore the distribution to the targeted minimum quarterly distribution level of $0.20 per unit until 2005. However, our ability to restore the distribution to the targeted minimum quarterly distribution may depend in part on our success at developing and executing capital projects and making accretive acquisitions.

Available Cash before reserves for the three and six months ended June 30, 2004, is as follows (in thousands):

	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
AVAILABLE CASH BEFORE RESERVES:		
Net income	$ 1,099	$ 94
Depreciation and amortization	1,627	3,174
Cash proceeds in excess of gains on asset sales	4	4
Net non-cash (credits) charges	(530)	574
Maintenance capital expenditures	(255)	(410)
Available Cash before reserves	$ 1,945	$ 3,436

Distributions for the three and six month period total $1.4 million and $2.9 million, respectively.

Available Cash (a non-GAAP liquidity measure) has been reconciled to cash flow from operating activities (the GAAP measure) for the three and six months ended June 30, 2004 below.

We believe that investors benefit from having access to the same financial measures being utilized by management. Available Cash is a liquidity measure used by our management to compare cash flows generated by the Partnership to the cash distribution we pay to our limited partners and the general partner. This is an important financial measure to our public unitholders since it is an indicator of our ability to provide a cash return on their investment. Specifically, this financial measure tells investors whether or not the Partnership is generating cash flows at a level that can support a quarterly cash distribution to our partners. Lastly, Available Cash (also referred to as distributable cash flow) is a quantitative standard used throughout the investment community with respect to publicly-traded partnerships.

Several adjustments to net income are required to calculate Available Cash. These adjustments include: (1) the addition of non-cash expenses such as depreciation and amortization expense; (2) miscellaneous non-cash adjustments such as the addition of increases and subtraction of decreases in the accrual for our stock appreciation rights plan in excess of any actual cash payments under the plan and changes in the fair value of derivatives; and (3) the subtraction of maintenance capital expenditures. Maintenance capital expenditures are capital expenditures (as defined by GAAP) to replace or enhance partially or fully depreciated assets in order to sustain the existing operating capacity or efficiency of our assets and extend their useful lives. See "Distributions" above.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The reconciliation of Available Cash (a non-GAAP liquidity measure) to cash flow from operating activities (the GAAP measure) for the three and six months ended June 30, 2004, is as follows:

	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
Cash flows from operating activities	$ 9,067	$ 5,464
Adjustments to reconcile operating cash flows to Available Cash:		
Maintenance capital expenditures	(255)	(410)
Proceeds from asset sales	79	79
Amortization of credit facility issuance fees	(101)	(194)
Net effect of changes in working capital accounts not included in calculation of Available Cash	(6,845)	(1,503)
Available Cash before reserves	$ 1,945	$ 3,436

COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

CONTRACTUAL OBLIGATION AND COMMERCIAL COMMITMENTS

In addition to the New Credit Facility discussed above, we have contractual obligations under operating leases as well as commitments to purchase crude oil. The table below summarizes our obligations and commitments at June 30, 2004.

	Payments Due by Period				
Contractual Cash Obligations	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years	Total
			(in thousands)		
Long-term Debt	$ -	$ -	$ 5,500	$ -	$ 5,500
Operating Leases	2,835	1,946	1,226	786	6,793
Mississippi oil spill fine	3,000	-	-	-	3,000
Offshore pipeline removal	1,130	-	-	-	1,130
Capital expenditure commitments	6,700	-	-	-	6,700
Unconditional Purchase Obligations	100,287	-	-	-	100,287
Total Contractual Cash Obligations	$ 113,952	$ 1,946	$ 6,726	$ 786	$ 123,410

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements, special purpose entities, or financing partnerships, other than as disclosed in this section, nor do we have any debt or equity triggers based upon our unit or commodity prices.

NEW ACCOUNTING PRONOUNCEMENTS

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

For information on new accounting pronouncements see Note 2 to the consolidated financial statements.

FORWARD LOOKING STATEMENTS

The statements in this Quarterly Report on Form 10-Q that are not historical information may be "forward looking statements" within the meaning of the various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements, other than historical facts, included in this document that address activities,

events or developments that we expect or anticipate will or may occur in the future, including things such as plans for growth of the business, future capital expenditures, competitive strengths, goals, references to future goals or intentions and other such references are forward-looking statements. These statements include, but are not limited to, statements identified by the words "anticipate," "believe," "estimate," "expect," "plan," or "intend" and similar expressions and statements regarding our business strategy, plans and objectives of our management for future operations. These statements are made by us based on our past experience and our perception of historical trends, current conditions and expected future developments as well as other considerations we believe are appropriate under the circumstances. Whether actual results and developments in the future will conform to our expectations is subject to numerous risks and uncertainties, many of which are beyond our control. These risks and uncertainties include general economic conditions, market and business conditions, opportunities that may be presented and pursued by us or the lack of such opportunities, competitive actions by other companies in our industries, changes in laws and regulations, access to capital, and other factors. Therefore, all the forward-looking statements made in this document are qualified in their entirety by these cautionary statements, and no assurance can be made that our goals will be achieved or that expectations regarding future developments will prove to be correct. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Price Risk Management and Financial Instruments

Our primary price risk relates to the effect of crude oil price fluctuations on its inventories and the fluctuations each month in grade and location differentials and their effects on future contractual commitments. We utilize New York Mercantile Exchange (NYMEX) commodity based futures contracts and forward contracts to hedge our exposure to these market price fluctuations as needed. At June 30, 2004, the Partnership had entered into a swap agreement in its hedging program that will be settled in October 2004. Information about this contract is contained in the table set forth below.

	Sell (Short) Contracts	Buy (Long) Contracts
Crude Oil Inventory:		
Volume (1,000 bbls)		34
Carrying value (in thousands)		$ 1,109
Fair value (in thousands)		$ 1,141
Commodity Swap Agreement:		
Contract volumes (1,000 bbls)	62	
Weighted average price per bbl	$ 37.50	

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Contract value (in thousands)	$ 2,325
Mark-to-market change (in thousands)	(18)
Market settlement value (in thousands)	$ 2,307

</TABLE>

The table above presents notional amounts in barrels, the weighted average contract price, total contract amount and total fair value amount in U.S. dollars. Fair values were determined by using the notional amount in barrels multiplied by the June 30, 2004 quoted market prices for the applicable components of the price formula in the contract.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures and internal controls designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our chief executive officer and chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q and have determined that such disclosure controls and procedures are adequate and effective in all material respects in providing to them on a timely basis material information relating to us (including our consolidated subsidiaries) required to be disclosed in this quarterly report.

There have been no significant changes in our internal controls over financial reporting during the three months ended June 30, 2004, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Part I. Item 1. Note 11 to the Consolidated Financial Statements entitled "Contingencies", which is incorporated herein by reference.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

Exhibit 10.1 Consent Decree with United States of America, The Mississippi Commission on Environmental Quality, Genesis Energy, Inc., Genesis Crude Oil, L.P. and Genesis Pipeline USA, L.P.

Exhibit 31.1 Certification by Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

Exhibit 31.2 Certification by Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

Exhibit 32.1 Certification by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

A report on Form 8-K was filed on May 4, 2004, which included a press release of the Partnership's earnings for the quarter ended March 31, 2004.

A report on Form 8-K was filed on June 7, 2004, which included a press release announcing that the Partnership replaced its existing $65 million credit facility with a new $100 million facility.

A report on Form 8-K was filed on June 28, 2004, which included a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

press release announcing a settlement with the Justice Department, the U.S. Environmental Protection Agency, and the State of Mississippi for penalties and natural resource restoration and damages resulting from the Leaf River oil spill that occurred in Mississippi in December of 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENESIS ENERGY, L.P.
(A Delaware Limited Partnership)

By: GENESIS ENERGY, INC., as
General Partner

Date: August 12, 2004

By: /s/ ROSS A. BENAVIDES

Ross A. Benavides
Chief Financial Officer

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10.1

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
HATTIESBURG DIVISION

UNITED STATES OF AMERICA, and THE MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY, an agency of the State of Mississippi,	)	
Plaintiffs,	)	Civil Action No. 2:04CV217BN
v.	)	
GENESIS ENERGY, INC., GENESIS CRUDE OIL, L.P., and GENESIS PIPELINE USA, L.P.	)	
Defendants.	)	

CONSENT DECREE

A. Plaintiff the United States of America, on behalf of the United States Environmental Protection Agency ("EPA"), and the United States Department of the Interior ("DOI") (acting by and through the United States Fish and Wildlife Service ("USFWS")), and Plaintiff the Mississippi Commission on Environmental Quality ("Commission"), an agency of the State of Mississippi ("State"), authorized to file suit in the name of the State to enforce both state and federally enforceable environmental protection statutes and regulations, have filed a Complaint in this action concurrently with this Consent Decree, alleging that Defendants Genesis Energy, Inc. (successor to Genesis Energy, L.L.C.), Genesis Crude Oil, L.P., and Genesis Pipeline USA, L.P. are liable for natural resource damage claims under the Oil Pollution Act of 1990, 33 U.S.C. Section 2701, et seq. ("OPA"), in particular, Section 1002(a) of OPA, 33 U.S.C. Section 2702(a), and the Mississippi Air and Water Pollution Control Law ("MAWPCL"), Miss. Code

Ann. Section 49-17-1, et seq. (Rev. 2003), in particular, Section 49-17-43, and civil penalty claims under Section 311 of the Clean Water Act ("CWA"), 33 U.S.C. Section 1321, as amended by OPA, P.L. 101-380, and under Miss. Code Ann. Sections 49-17-29, 49-17-43 (Rev. 2003).

B. The Complaint against Defendants seeks restoration and compensation for injuries and losses to natural resources, and the assessment of penalties in

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

accordance with applicable statutes due to the discharge of crude oil from a ruptured pipeline owned and operated by Defendants and located near Soso, Jones County, Mississippi. The discharge of crude oil from Defendants' pipeline was discovered and reported to the National Response Center on December 20, 1999, and is estimated to have begun on approximately November 26, 1999 and continued for approximately twenty-five (25) days, releasing an estimated eight thousand (8,000) barrels of crude oil ("the Spill"). The Spill emanated from a pipeline segment known as Genesis Pipeline USA, L.P. No. 2, an 8 inch pipeline running approximately thirty (30) miles between Soso and Gwinville Junction, Mississippi (the "Soso-Gwinville Junction Segment No. 2"). Analysis of the pipeline showed internal corrosion was the likely cause of the Spill. Much of the estimated 8,000 barrels of crude oil released reached an unnamed tributary, which flows into the Leaf River. The Spill injured the unnamed tributary, wetlands, groundwater, and wildlife.

C. To resolve Defendants' civil liability for the claims asserted in the Complaint, Defendants will pay a civil penalty of $1 million plus interest, pay at least $110,137.57 for costs associated with natural resource damages assessment and restoration, perform a Supplemental Environmental Project ("SEP") at a cost of at least $2 million, conduct restoration work, and satisfy all other terms of this Consent Decree.

D. WHEREAS, the Natural Resource Trustees (as defined in Section III below) have

undertaken a restoration planning process to determine restoration efforts that will restore or compensate for the lost use of the injured resources, including the stream bed and riparian zone of an unnamed tributary of the Leaf River, wetlands associated with the tributary, and wood ducks. The specific projects are detailed in sections 3.3.2, 3.3.3 and 3.3.5 of the Restoration Plan, at Attachment A to this Decree, and are summarized in Paragraph 5c and Section V of this Decree.

E. WHEREAS, groundwater at the point of rupture of the pipeline is contaminated with benzene and this constitutes an injury to groundwater, and Defendants have removed, treated and replaced crude-oil contaminated soil that acts as a source area and are currently undertaking groundwater treatment. The Trustees have determined to rely on ongoing remedial actions to restore groundwater. As discussed in section 3.3.4 of the Restoration Plan, Defendants will monitor and the Trustees will evaluate groundwater contamination for five (5) years, and if groundwater quality is not restored, the Groundwater Assessment and Remediation Division ("GARD") of the Mississippi Department of Environmental Quality ("MDEQ") may take further action as necessary. The Trustees expressly reserve in this Consent Decree their rights to obtain restoration and compensation for groundwater injury.

F. WHEREAS, this Consent Decree provides for Defendants to conduct a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

land acquisition and conservation SEP that Plaintiffs believe: (1) is highly valuable because of its diverse forms of flora and fauna; (2) will significantly enhance or restore habitat in ecologically significant areas; and (3) will benefit the watershed in which the Spill occurred.

G. WHEREAS, Defendants represent they have spent at least $20 million in response costs cleaning up the Spill; and Defendants have paid all removal costs billed by the

Coast Guard, both the bill issued April 2001 for $121,206.95, and the bill issued June 2003 for $26,289.19, for a total payment of $147,496.14; and Defendants have paid the State $13,671.86 for MDEQ response costs.

H. WHEREAS, Defendants have developed and implemented leak prevention and leak detection programs for the Mississippi Pipeline System (the "Mississippi System") to decrease the likelihood of another such spill, including but not limited to:

(1) A program to develop a comprehensive database that enhances safety and increases maintenance, repair, and emergency response abilities throughout the Mississippi System.

(2) A program to perform internal inspections on all portions of the Mississippi System currently capable of accommodating in-line inspection tools and to perform hydrostatic tests on all other portions of the Mississippi System.

(3) An ongoing program to test the crude oil transported through the Mississippi System for corrosive elements and bacteria and to regularly introduce corrosion inhibitors and biocides where appropriate.

(4) A program to replace pipe and infrastructure and to install block valves on its major water crossings on the Mississippi System. Defendants represent that they are approximately fifty (50) percent complete on this project. Defendants intend to complete the work on this Project as they perform remediation work throughout the Mississippi System.

(5) Defendants enhanced their Supervisory Control and Data Acquisition ("SCADA") leak detection systems by:

(i) Implementing a plan to convert the Mississippi System from a two segment system to a seven segment system with independent storage, metering, and monitoring for each segment, thereby improving Defendants' ability to monitor SCADA. The

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Mississippi System is now operated in seven distinct segments.

(ii) Establishing separate parameters and models for each unique line segment of the Mississippi System as set forth in (i) above, monitoring resting pressure, and revising communication and documentation procedures. These changes were implemented and the operations manual has been updated accordingly.

(iii) Conducting periodic simulated leak tests by drawing crude oil off the Mississippi System to identify segments with features that limited leak detection. These changes were implemented and the operations manual has been updated accordingly.

(iv) Upgrading to satellite telecommunication equipment.

I. WHEREAS, Soso-Gwinville Junction Segment No. 2 was taken out of service on December 20, 1999, in response to the Spill. The Department of Transportation's Office of Pipeline Safety ("OPS") sent a Letter of Concern to Genesis Crude Oil, L.P. dated June 21, 2001, requiring Genesis to obtain concurrence from OPS before the Soso-Gwinville Junction Segment No. 2 could be reactivated. Defendants performed an internal inspection of the parallel lines Soso-Gwinville Junction Segments No. 1 and No. 2 with a high-resolution magnetic flux inspection tool. The resulting data was analyzed and a repair plan was developed and completed

for the Soso-Gwinville Junction Segment No. 1. In 2003, Defendants reactivated Soso-Gwinville Junction Segment No. 1, after having reviewed the results of close interval and routine cathodic protection surveys and inspections, and making necessary cathodic protection improvements to address any corrosion concerns.

J. Defendants do not admit any liability to the United States or the Commission arising out of the transactions or occurrences alleged in the Complaint.

K. The Parties (as defined in Section III below) recognize, and the Court by entering this Consent Decree finds, that this Consent Decree has been negotiated by the Parties in good faith and will avoid litigation between the Parties, and that this Consent Decree is fair, reasonable, and in the public interest.

NOW, THEREFORE, before the taking of any testimony, without the adjudication or admission of any issue of fact or law except as provided in Section I, below, and with the consent of the Parties, IT IS HEREBY ADJUDGED, ORDERED, AND DECREED as follows:

I. JURISDICTION AND VENUE

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

1. This Court has jurisdiction over the subject matter of the United States' claims in this action pursuant to 28 U.S.C. Sections 1331, 1345, and 1355, and Section 1017(b) of OPA, 33 U.S.C. Section 2717(b), and Sections 311(b)(7)(E) and 311(n) of the CWA, 33 U.S.C. Sections 1321(b)(7)(E) and 1321(n); and over the State's OPA claim pursuant to 28 U.S.C. Section 1331 and Section 1017(b) of OPA, 33 U.S.C. Section 2717(b); and over the subject matter of the State's pendent claims under MAWPCL pursuant 28 U.S.C. Section 1367(a) (supplemental jurisdiction) because the State's claims are so related to the federal claims that they form part of the same case or controversy. The Court has personal jurisdiction over the Parties to this Consent Decree. Venue lies in this District

pursuant to 28 U.S.C. Sections 1391(b) and (c) and 1395(a), and Section 1017(b) of OPA, 33 U.S.C. Section 2717(b), because the discharge and substantial threat of discharge alleged in the Complaint occurred in, and Defendants conduct business in, this judicial district. For purposes of this Decree, or any action to enforce this Decree, Defendants consent to the Court's jurisdiction over this Decree or such action and over Defendants, and consent to venue in this judicial district.

II. APPLICABILITY

2. The obligations of this Consent Decree apply to and are binding upon Plaintiffs; and upon Defendants, their agents, successors, and assigns.

3. No transfer of ownership or operation of the Facility (as defined in Section III below) or any portion thereof shall relieve Defendants of their obligation to ensure that the terms of the Decree are implemented.

III. DEFINITIONS

4. Terms used in this Consent Decree that are defined or used in the CWA, OPA or in regulations promulgated thereunder shall have the meanings assigned to them in such statutes or such regulations, unless otherwise provided in this Decree. Whenever the terms set forth below are used in this Consent Decree, the following definitions shall apply:

a. "Complaint" shall mean the complaint filed by Plaintiffs in this action.

b. "Consent Decree" or "Decree" shall mean this Decree and all attachments hereto (listed in Section XXI (Attachments)). In the event of conflict between this Consent Decree and any attachment, this Consent Decree shall control.

c. "Day" shall mean a calendar day unless expressly stated to be

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

a working day. In computing any period of time under this Consent Decree, where the last day would fall on

a Saturday, Sunday, or federal holiday, the period shall run until the close of business of the next working day.

d. "Defendants" shall mean Genesis Energy, Inc. (successor to Genesis Energy, L.L.C.), Genesis Crude Oil, L.P., and Genesis Pipeline USA, L.P.

e. "DOI" shall mean the United States Department of the Interior and any successor departments or agencies of the United States.

f. "EPA" shall mean the United States Environmental Protection Agency and any successor departments or agencies of the United States.

g. "Facility" shall mean Defendants' pipeline located in Mississippi and Louisiana, known as the "Mississippi Pipeline System," which as of March 2004 consists of 266 miles of pipeline, of which there are approximately 112 miles in use and approximately 154 miles idle.

h. "Mississippi Commission on Environmental Quality" or "Commission" shall mean the agency of the State of Mississippi created by Miss. Code Ann. Section 49-2-5.

i. "Mississippi Department of Environmental Quality" or "MDEQ" shall mean the agency of the State of Mississippi created by Miss. Code Ann. Section 49-2-7. MDEQ is the pollution control agency that acts as staff for the Commission and serves as the lead administrative Trustee for the natural resource damage claims.

j. "Natural Resource" and "Natural Resources," as defined in OPA Section 1001(20), 33 U.S.C. Section 2701(20), shall include land, fish, wildlife, biota, air, water, groundwater, drinking water supplies, and other such resources belonging to, managed by, held in trust by,

appertaining to, or otherwise controlled by the United States or the State.

k. "Natural Resource Trustees" or "Trustees" shall mean those federal and state agencies or officials designated or authorized pursuant to the CWA, OPA, and/or state law to act as Trustees for the Natural Resources managed by, controlled by, or appertaining to the United States or the State. Specifically, as used in this Consent Decree, the Trustees are MDEQ, and DOI (acting by and through USFWS).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

l. "Paragraph" shall mean a portion of this Decree identified by an Arabic numeral.

m. "Parties" shall mean the United States, the Commission (also referred to as the State), and Defendants.

n. "Plaintiffs" shall mean the United States and the Commission.

o. "Restoration Plan" shall mean the final Restoration Plan, which is Attachment A to this Decree.

p. "Section" shall mean a portion of this Decree identified by a Roman numeral.

q. "State" shall mean the State of Mississippi.

r. "United States" shall mean the United States of America, acting on behalf of DOI (acting by and through the USFWS) and EPA.

s. "USFWS" shall mean the United States Fish and Wildlife Service.

t. "Work" shall mean implementation by Defendants of those activities that are generally described in the Restoration Plan at sections 3.3.2, 3.3.3, and 3.3.4.

IV. SETTLEMENT PAYMENTS

5. Within thirty (30) days after the Effective Date of this Consent Decree, Defendants shall pay the following sums to the entities identified in Subparagraphs a-d of this Paragraph in the amount and manner specified therein:

a. Five hundred thousand dollars ($500,000.00), plus interest accruing from the date of lodging of this Decree, at the rate specified in 28 U.S.C. Section 1961(a) and (b) for a money judgment occurring on the date of lodging, for federal civil penalties under the CWA. Payment shall be made by FedWire Electronic Funds Transfer ("EFT") to the U.S. Department of Justice in accordance with instructions to be provided to Defendants following lodging of the Consent Decree by the Financial Litigation Unit of the U.S. Attorney's Office for the Southern District of Mississippi. Such monies are to be deposited in the Oil Spill Liability Trust Fund. The payment shall reference the Civil Action Number assigned to this case and DOJ Number 90-5-1-1-07553, and U.S. Coast Guard reference number FPN N00067, and shall specify that the payment is made toward CWA civil penalties to be deposited into the Oil Spill Liability Trust Fund pursuant to 33 U.S.C. Section 1321(s), Section 4304 of Pub. L. No. 101-380, and 26 U.S.C. Section 9509(b)(8). Any funds received after 11:00 a.m. Eastern Time shall be credited on the next business day. At the time of payment,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Defendants shall simultaneously send written notice of payment and a copy of any transmittal documentation to Plaintiffs in accordance with Section XII of this Decree (Notices) and to:

Lt. Commander S. Moody
National Pollution Funds Center
4200 Wilson Boulevard, Suite 1000
Arlington, Virginia 22203-1804

United States Coast Guard
Commander Brian Judge
Office of Claims and Litigation
2100 Second Street, S.W.
Washington, D.C. 20593-0001

b. Five hundred thousand dollars ($500,000.00), plus interest accruing from the date of lodging of this Decree, at the rate specified in 28 U.S.C. Section 1961(a) and (b) for a money judgment occurring on the date of lodging, for state civil penalties. Payment shall be made by certified check or by Electronic Funds Transfer ("EFT"). The check made payable to the Mississippi Commission on Environmental Quality shall be hand delivered to the Executive Director or General Counsel of MDEQ at MDEQ's offices located at 2380 Highway 80 West, Jackson, Mississippi; or the funds shall be transferred by EFT to the deposit account designated as the Pollution Emergency Fund created by Miss. Code Ann. Section 49-17-68 and administered by the Commission. A portion of the civil penalty amount, not to exceed twelve thousand dollars ($12,000.00), may be used to evaluate methods to restore and/or improve water quality along the Leaf River. At the time of payment, Defendants shall simultaneously send written notice of payment and a copy of any transmittal documentation (which should reference the Civil Action Number assigned to this case) to Plaintiffs in accordance with Section XII of this Decree (Notices).

c. $76,027.21 (as described in subparts i-iii below) to DOI with respect to the natural resource damage claim. At the time of these payments, Defendants shall simultaneously send written notice of payment and a copy of any transmittal documentation to the Parties in accordance with Section XII of this Decree (Notices) and to:

Bruce Nesslage
DOI Restoration Fund Manager
1849 C Street, N.W., Mail Stop 4449
Washington, D.C. 20240

Transmittal notices for all these payments shall reflect the Civil Action Number

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

assigned to this case and DOJ

Number 90-5-1-1-07553.

(i) $35,439.13 to DOI for past damage assessment costs and associated overhead costs of DOI/USFWS. This payment shall be made by EFT in accordance with instructions to be provided to Defendants following lodging of the Consent Decree by the Financial Litigation Unit of the U.S. Attorney's Office for the Southern District of Mississippi.

(ii) $15,107.37 for future monitoring, oversight, and associated overhead costs of DOI/USFWS. This payment shall be made by EFT in accordance with instructions to be provided to Defendants following lodging of the Consent Decree by the Financial Litigation Unit of the U.S. Attorney's Office for the Southern District of Mississippi.

(iii) $25,480.71 for the wood duck nesting box project described in the Restoration Plan at section 3.3.5, as well as for associated overhead costs of DOI/USFWS. This payment shall be made directly to the Natural Resource Damage Restoration Fund of DOI, according to EFT instructions provided in Attachment B to this Consent Decree. The EFT and transmittal letter for the payment for the wood duck nesting box payment shall also reflect that the payment is being made to the "Natural Resources Damage Assessment and Restoration Fund, Account No. 14X5198 - GENESIS/ LEAF RIVER OIL SPILL." DOI shall hold these restoration funds in the GENESIS/ LEAF RIVER NRD Account, including return on investments or accrued interest. The federal Natural Resources Trustees commit to the expenditure of $18,897.00 of these funds

for the design, implementation, monitoring, and oversight of the wood duck nesting box project as described in the Restoration Plan attached at Attachment A at section 3.3.5.

d. $34,110.36 to MDEQ for future MDEQ monitoring and oversight costs with respect to the natural resource damage claim. In addition, Defendants shall pay to MDEQ the amount of the final bill for remaining State Trustee assessment costs, which shall be issued within thirty (30) days after this Consent Decree is lodged with the Court. Payments shall be made by certified check, made payable to the Mississippi Commission on Environmental Quality and shall be hand delivered to the Executive Director or General Counsel of MDEQ at MDEQ's offices located at 2380 Highway 80 West, Jackson, Mississippi. At the time of payment, Defendants shall simultaneously send written notice of payment and a copy of any transmittal documentation (which should reference the Civil Action Number assigned to this case) to Plaintiffs in accordance with Section XII of this Decree (Notices).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

6. Defendants may not claim a tax deduction for federal or state tax purposes for payments made under Subparagraphs a and b of Paragraph 5.

V. PERFORMANCE OF THE WORK

7. Defendants shall finance and, as specified in more detail below, commence and complete performance of the Work in accordance with the terms and schedules contained herein and in sections 3.3.2, 3.3.3, and 3.3.4, and related appendices, of the Restoration Plan. To implement a restoration project, Defendants shall either perform the project, or contract for performance of the project.

1) Where any portion of the Work requires a federal, State or local permit, certification or approval, Defendants shall ensure timely and complete applications are submitted

and will take all other steps necessary to obtain such permit, certification or approval, where required. This Decree is not, and shall not be construed to be a permit issued pursuant to any federal or State statute or regulation, nor shall it be construed in any way to affect any past, current or future obligation of Defendants or any other person or entity to comply with any federal, State or local law.

8. Defendants may seek relief under the provisions of Section VIII (Force Majeure) of this Consent Decree for any delay in the performance of any such obligation resulting from a failure to obtain, or a delay in obtaining, any permit or approval required to fulfill such obligation, if Defendants have submitted timely and complete applications and have taken all other actions necessary to obtain all such permits or approvals.

9. Stream Bed and Riparian Zone of the Unnamed Tributary and Off-Site Riparian Restoration: Defendants will implement the restoration projects as described at section 3.3.2 of the Restoration Plan, including the stream restoration work with a partial design at Appendix 11 to the Restoration Plan, and reforestation of the area at or around the Spill and off-Site on the Murrah Preserve. Within three (3) months of the Effective Date of the Decree, and prior to commencement of construction, Defendants shall submit to the Trustees for approval the name and qualifications of the proposed contractor for these projects. Trustees have twenty (20) days to respond, and may not unreasonably withhold approval. Within three (3) months of the Effective Date of the Decree, and prior to commencement of construction, Defendants shall submit to Trustees a final design plan for stream restoration. Defendants shall use due diligence to promote completion of these work projects to be performed within one (1) year after the Effective Date of this Consent Decree. Defendants shall meet performance standards for these projects as detailed

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

in the Restoration Plan at section 3.3.2. On January 1 of each year, monitoring reports will be submitted to Trustees within two (2) months of the annual assessment, each year for five (5) years, or until the performance standards have been reached.

10. Wetlands Restoration: Defendants will restore three (3) acres of wetlands adjacent to the riparian restoration as outlined in section 3.3.3 of the Restoration Plan. Defendants shall provide a work implementation plan for Trustees' approval within three (3) months of the Effective Date of this Consent Decree. Defendants shall use due diligence to complete the initial wetlands restoration work (hydrologic manipulation, if necessary, and planting) within one (1) year after the Effective Date of the Consent Decree. Defendants shall meet the performance standards for this project as detailed in the Restoration Plan at section 3.3.3. On January 1 of each year, monitoring reports will be submitted to Trustees within two (2) months of the annual assessment, each year for five (5) years, or until the performance standards have been reached.

11. If Trustees determine that modification to the work specified in the work implementation plan or the final design plan is necessary to achieve and maintain the performance standards or to carry out and maintain the restoration set forth in the Restoration Plan, Trustees may require that such modification be incorporated in the work implementation plan or the final design plan, provided, however, that a modification may only be required pursuant to this Paragraph to the extent that it is consistent with the scope of the restoration selected in the Restoration Plan. If Defendants object to any modification determined by Trustees to be necessary pursuant to this Paragraph, they may seek dispute resolution pursuant to Section IX (Dispute Resolution). The related work implementation plan or the final design plan shall be modified in accordance with final resolution of the dispute. Defendants shall implement any work

required by any modifications incorporated in work plans developed in accordance with this Paragraph. If Defendants request an extension of time due to such modification, it shall be granted at the discretion of Trustees, in accordance with Paragraph 59, and an extension by Trustees shall not be unreasonably withheld.

12. Groundwater Monitoring: Defendants shall perform remedial activities and periodic monitoring of the groundwater for a five (5) year period as described in the Restoration Plan at section 3.3.4 to establish

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

effectiveness of the soil removal and treatment performed previously by Defendants, and to insure the adequate restoration of on-site groundwater conditions. Monitoring shall be conducted annually, as of January 1 of each year, for five (5) years. Monitoring reports shall be submitted to Trustees annually within two (2) months of monitoring. At the end of the five (5) year monitoring period, the Groundwater Assessment and Remediation Division of MDEQ will determine what additional monitoring and/or remediation is necessary, if any, and Defendants shall perform all necessary work as appropriate and agreed upon by MDEQ and Defendants.

VI. SUPPLEMENTAL ENVIRONMENTAL PROJECT

13. Defendants shall perform and complete a Supplemental Environmental Project ("SEP") as described in this Consent Decree within eight (8) months after the Effective Date of this Decree. The Parties agree that the SEP is intended to secure significant environmental protection or improvements. To achieve the goals set out in this Section, Defendants will provide for the purchase and management by a land preservation non-profit organization approved by Plaintiffs (hereinafter "non-profit organization") of real property within the Leaf River watershed and approved by Plaintiffs ("SEP Property"), and the placement of a conservation easement

pursuant to Miss. Code Ann. Section 89-19-1 through Section 89-19-15 upon the SEP Property, to retain and protect the real property in perpetuity in its natural condition. In implementing the SEP, Defendants shall spend not less than $2 million ($2,000,000.00) (hereinafter "estimated cost of the SEP") in eligible SEP costs. Eligible SEP costs include the cost of the SEP Property, appraisal costs and closing costs, costs related to the acquisition of a conservation easement, and a stewardship fund for the acquired SEP Property, as described below.

14. No payments made by Defendants under this Section shall be tax deductible for federal or state tax purposes.

15. Within seven (7) days after the Effective Date of this Consent Decree, Defendants shall submit to Plaintiffs a contract between Defendants and the non-profit organization for the completion of the SEP described in the following subparagraphs ("Contract").

a. The Contract shall provide for the acquisition by the non-profit organization of land within the Leaf River watershed no later than six (6) months after the Effective Date of this Consent Decree. The Contract shall require Defendants to make at least a $2 million ($2,000,000.00) payment to the non-profit organization for such services on or before the fifteenth (15th) day following the Effective Date of this Consent Decree.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

b. The Contract shall provide that within fifteen (15) days of acquisition of the SEP Property by the non-profit organization, the non-profit organization shall place a conservation easement with unlimited duration on the SEP Property pursuant to Miss. Code Section 89-19-1 through Section 89-19-15 to ensure its status as a protected area in perpetuity. The terms of the conservation easement shall be subject to approval by Plaintiffs.

c. The Contract shall provide that no more than eighteen percent (18%) of the

fair market value of the SEP Property acquired in fee may be set aside by the non-profit organization from the money provided by Defendants, to be placed in a stewardship endowment for that SEP Property only, for future restoration, management and/or stewardship of that Property. The Contract shall provide that in the event that the non-profit organization sells the SEP Property, that the stewardship endowment shall be transferred with the property and shall benefit only that property.

16. In the event that the property approved by Plaintiffs and described in Attachment C is not suitable for acquisition by the non-profit organization due to unsatisfactory results of due diligence, Phase I assessment or title search, or becomes unavailable for purchase, Defendants, after consultation with the non-profit organization, will provide Plaintiffs with a written proposal regarding alternative properties available for purchase within the Leaf River watershed which would serve the purposes of EPA's SEP policy in effect at the time. Plaintiffs shall either approve or disapprove of the alternative property within thirty (30) days of the proposal.

2) Defendants are responsible for the satisfactory completion of the SEP in accordance with the requirements of this Decree. "Satisfactory completion" means Defendants shall spend the full amount of money agreed to on the SEP and comply with the conservation easement requirements in this Section. Defendants may use contractors and/or consultants in planning and implementing the SEP.

3) With regard to the SEP, Defendants certify the truth and accuracy of each of the following:

a. That all cost information provided to EPA in connection with EPA's approval of the SEP is complete and accurate and represents a fair estimate of the costs necessary

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

to perform the SEP;

b. That, as of the date of this Decree, Defendants are not required to perform the SEP by any federal, state, or local law or regulation, nor are Defendants required to perform the SEP by agreement, grant, or as injunctive relief awarded in any other action in any forum;

c. That the SEP is not a project that Defendants were planning or intending to perform other than in settlement of the claims resolved in this Decree;

d. That Defendants have not received, and are not negotiating to receive, credit for the SEP in any other enforcement action; and

e. That Defendants will not receive any reimbursement for any portion of the SEP from any other person.

17. SEP Completion Report Within thirty (30) days after either the date set for completion of the SEP, or actual completion of the SEP, whichever occurs first, Defendants shall submit a SEP Completion Report to Plaintiffs, in accordance with Section XII of this Consent Decree (Notices). The SEP Completion Report shall contain the following information:

a. A detailed description of the SEP as implemented, including documentation confirming that the purchase of the SEP Property has been completed, a legal description of the interest acquired, and a copy of the conservation easement recorded;

b. A description of any problems encountered in completing the SEP and the solutions thereto;

c. An itemized list of all eligible SEP costs, and a statement that Defendants certify that they have not, and will not, deduct any SEP costs in calculating their federal and state income taxes;

d. Certification that the SEP has been fully implemented pursuant to the provisions of this Decree; and

e. A description of the environmental and public health benefits resulting from implementation of the SEP (with a quantification of the benefits, if feasible).

18. Plaintiffs may, in their discretion, require information in addition to that described in the preceding Paragraph, in order to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

determine the adequacy of SEP completion or eligibility of SEP costs.

19. Defendants bear the burden of clearly segregating eligible SEP costs from other costs not eligible for SEP credit. If EPA requests further information concerning the eligibility of SEP costs, any non-segregable cost evidence that contains both SEP eligible and non-SEP eligible cost items shall be disallowed in its entirety.

20. After receipt of the SEP Completion Report, the United States shall notify Defendants whether or not Defendants have satisfactorily completed the SEP. If the SEP has not been satisfactorily completed, Stipulated Penalties may be assessed under Section VII of this Consent Decree.

4) Disputes concerning the satisfactory performance of the SEP and the amount of eligible SEP costs may be resolved under Section IX of this Decree (Dispute Resolution). No other disputes arising under this Section shall be subject to Dispute Resolution.

21. Each submission required under this Section shall be signed by a Defendants' official with knowledge of the SEP and shall bear the certification language set forth below: I certify under penalty of law that I have examined and am familiar with the information submitted in this document and all attachments and that this document and its attachments were

prepared either by me personally or under my direction or supervision in a manner designed to ensure that qualified and knowledgeable personnel properly gathered and presented the information contained therein. I further certify, based on my personal knowledge or on my inquiry of those individuals immediately responsible for obtaining the information, that the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fines and imprisonment for knowing and willful submission of a materially false statement.

5) Any public statement, oral or written, in print, film, or other media, made by Defendants making reference to the SEP under this Decree shall include the following language, "This project was undertaken in connection with the settlement of a civil enforcement action taken on behalf of the U.S. Environmental Protection Agency and the U.S. Department of the Interior, and the Mississippi Commission on Environmental Quality."

VII. STIPULATED PENALTIES

22. If Defendants fail to make the payments required under Section IV of this Decree (Settlement Payments) when due, Defendants shall pay a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

stipulated penalty of one thousand dollars ($1,000.00) to each Plaintiff not paid in full, per day for each day that the payment is late. Late payment of the civil penalty shall be made in accordance with Section IV, above. Stipulated Penalties shall be paid in accordance with Section VII, Paragraph 34, below. All transmittal correspondence shall state that any such payment is for late payment of the settlement payments due under this Decree, or for Stipulated Penalties for late payment, as applicable. Payments to the United States of stipulated penalties shall reference the Civil Action Number assigned to this case and DOJ Number 90-5-1-1-07553, and shall specify that the payments are for stipulated penalties

to be deposited into the United States Treasury pursuant to 31 U.S.C. Section 3302. Payments to the State of stipulated penalties shall reference the Civil Action Number assigned to this case.

23. Defendants shall be liable for Stipulated Penalties to the United States and the State for violations of this Consent Decree as specified below, unless excused under Section VIII (Force Majeure). A violation includes failing to perform any obligation required by the terms of this Decree, including any work plan or schedule approved under this Decree, according to all applicable requirements of this Decree and within the specified time schedules established by or approved under this Decree.

24. Restoration Plan Compliance

If Defendants fail to meet the deadlines as described below, Defendants shall pay a stipulated penalty of five hundred dollars ($500) per day, to Plaintiffs, for each deadline missed.

a. Stream bed, Riparian Zone, and Off-site Restoration. A final design plan for stream restoration shall be submitted to Trustees prior to commencement of construction, and within three (3) months of the Effective Date of the Decree. The name and qualifications of the proposed contractor for these projects shall be submitted to Trustees prior to commencement of construction, and within three (3) months of the Effective Date of the Decree. Monitoring reports shall be submitted to Trustees annually, as of January 1 of each year, within two (2) months of on-site inspections for five (5) years or until performance standards are met.

b. Wetlands. A work implementation plan shall be submitted to Trustees within three (3) months of the Effective Date of the Consent Decree. Monitoring reports shall be submitted to Trustees annually, as of January 1 of each year, within two (2) months of on-site inspections for five (5) years or until performance standards are met.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

c. Groundwater. Monitoring shall be conducted annually, as of January 1 of each year, for five (5) years. Monitoring reports shall be submitted to Trustees annually within two (2) months of monitoring.

25. SEP Compliance

a. In all cases, if Defendants have spent less than the amount set forth in Paragraph 14 above, Defendants shall pay a stipulated penalty equal to the difference between the amount of total eligible SEP costs incurred by Defendants, and the amount set forth in Paragraph 14.

b. If Defendants have completed the SEP, but the United States determines that the SEP is not satisfactory, Defendants shall pay $250,000.00, in addition to the penalty required under Subparagraph a, above.

c. If Defendants abandon performance of the SEP, Defendants shall pay a stipulated penalty of $400,000.00, in addition to any penalty required under Subparagraph a, above. The penalty under this Subparagraph shall accrue as of the date specified for completing the SEP or the date performance ceases, whichever is earlier.

d. Defendants shall issue a retraction in the same or similar medium as the original statement, and pay a stipulated penalty of $10,000.00 for each violation if they fail to comply with the requirements under Paragraph 26 regarding public statements related to the SEP.

26. Subject to the provisions of Paragraph 30a-c above, Stipulated Penalties under this Section shall begin to accrue on the day after performance is due, and shall continue to accrue until performance is satisfactorily completed. Stipulated Penalties shall accrue simultaneously for separate violations of this Consent Decree. Defendants shall pay any Stipulated Penalty within

forty-five (45) days of receiving the written demand. The United States, or the State, or both may seek Stipulated Penalties under this Section. Where both Plaintiffs seek Stipulated Penalties for the same violation of this Consent Decree, Defendants shall pay fifty (50) percent to the United States and fifty (50) percent to the State. Where only one Plaintiff demands Stipulated Penalties for a violation, and the other Plaintiff does not join in the demand within thirty (30) days of receiving the demand, or timely joins in the demand but subsequently elects to waive or reduce Stipulated Penalties for that violation, Defendants shall pay the Stipulated Penalties due for the violation to the Plaintiff making the initial demand, less any amount paid to the other Plaintiff. The determination by one Plaintiff not to seek Stipulated Penalties shall not

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

preclude the other Plaintiff from seeking Stipulated Penalties.

27. The United States or the State may, in the unreviewable exercise of its discretion, reduce or waive Stipulated Penalties otherwise due that sovereign under this Consent Decree.

28. Stipulated Penalties shall continue to accrue as provided in Paragraph 31, above, during any Dispute Resolution, with interest on accrued penalties payable and calculated at the rate established by the Secretary of the Treasury, pursuant to 28 U.S.C. Section 1961, but need not be paid until the following:

a. If the dispute is resolved by agreement, Defendants shall pay accrued penalties determined to be owing, together with interest, to the United States within thirty (30) days of the effective date of that agreement;

b. If the dispute is submitted to the Court and Plaintiffs prevail in whole or in part, Defendants shall pay all accrued penalties determined by the Court to be owing, together with interest, within sixty (60) days of receiving the Court's decision or order, except as provided

in Subparagraph c, below;

c. If any Party appeals the District Court's decision, Defendants shall pay all accrued penalties determined to be owing, together with interest, within fifteen (15) days of receiving the final appellate court decision.

29. Defendants shall, as directed by the United States, pay Stipulated Penalties owing to the United States by EFT to the U.S. Department of Justice lockbox bank at the Office of the United States Attorney for the Southern District of Mississippi referencing DOJ case number 90-5-1-1-07553 and the U.S. Attorney Office file number. Notice of the EFT shall be provided in a letter stating the caption and docket number of this case and addressed to:

United States Attorney's Office
Attn: Financial Litigation Unit
Southern District of Mississippi
188 E. Capitol St.
Jackson, Mississippi 39201

If payment is due to the State under this Section, payment shall be made by certified check made payable to the Mississippi Commission on Environmental Quality, and mailed to P.O. Box 20305, Jackson, Mississippi 39289-1305 (Attn: General Counsel), or hand delivered to the General

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Counsel of the Mississippi Department of Environmental Quality at MDEQ's offices at 2380 Highway 80 West, Jackson, Mississippi.

30. No payments made under this Section shall be tax deductible for federal or state tax purposes.

31. If Defendants fail to pay Stipulated Penalties according to the terms of this Consent Decree, Defendants shall be liable for interest on such penalties, as provided for in 28 U.S.C. Section 1961, accruing as of the date payment became due.

32. Subject to the provisions of Section X of this Consent Decree (Effect of Settlement/Reservation of Rights), the Stipulated Penalties provided for in this Consent Decree shall be in addition to any other rights, remedies, or sanctions available to Plaintiffs for Defendants' violation of this Consent Decree or applicable law.

VIII. FORCE MAJEURE

33. A "force majeure event" is any event beyond the control of Defendants, their contractors, or any entity controlled by any Defendant that delays the performance of any obligation under this Consent Decree despite Defendants' best efforts to fulfill the obligation. "Best efforts" includes anticipating any potential force majeure event and addressing the effects of any such event (a) as it is occurring and (b) after it has occurred, to prevent or minimize any resulting delay to the greatest extent possible. "Force Majeure" does not include Defendants' financial inability to perform any obligation under this Consent Decree.

34. If any event occurs that may delay the performance of any Work obligation under this Decree, as to which Defendants intend to assert a claim of Force Majeure, Defendants shall provide notice orally to EPA, DOI and the State as soon as possible, but not later than ten (10) days after the time Defendants first knew of, or by the exercise of due diligence, should have known of, a claimed force majeure event. Defendants shall also provide written notice to the United States and the State, as provided in Section XII of this Consent Decree (Notices), within twenty (20) days of the time Defendants first knew of, or by the exercise of due diligence, should have known of, the event. The notice shall state the anticipated duration of any delay; its cause(s); Defendants' past and proposed actions to prevent or minimize any delay; a schedule for carrying out those actions; and Defendants' rationale for attributing any delay to a force majeure event.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Failure to provide oral and written notice as required by this Paragraph shall preclude Defendants from asserting any claim of force majeure.

35. If Plaintiffs agree that a force majeure event has occurred, Plaintiffs may agree to extend the time for Defendants to perform the affected requirements for the time necessary to complete those obligations. An extension of time to perform the obligations affected by a force majeure event shall not, by itself, extend the time to perform any other obligation. Where Plaintiffs agree to an extension of time with respect to the Work, the appropriate modification shall be made pursuant to Section XV of this Consent Decree (Modification).

IX. DISPUTE RESOLUTION

36. Unless otherwise expressly provided for in this Consent Decree, the dispute resolution procedures of this Section shall be the exclusive mechanism to resolve disputes arising under or with respect to this Consent Decree. However, such procedures shall not apply to actions by Plaintiffs to enforce obligations of Defendants that have not been disputed in accordance with this Section.

37. Any dispute subject to dispute resolution under this Consent Decree shall first be the subject of informal negotiations between Plaintiffs and Defendants. The dispute shall be considered to have arisen when Defendants send Plaintiffs a written notice of dispute. Such notice of dispute shall state clearly the matter in dispute. The period of informal negotiations shall not exceed twenty-one (21) days from the date the dispute arises, unless that period is modified by written agreement. If informal negotiations are unsuccessful, then Plaintiffs' position shall control unless Defendants file with the Court a petition to resolve the dispute within thirty (30) days after the conclusion of the informal negotiation period. In any dispute under this

Paragraph, Defendants shall bear the burden of demonstrating that their position clearly complies with this Consent Decree and the CWA, OPA and MAWPCL, and that Defendants are entitled to relief under applicable law.

38. The invocation of dispute resolution procedures under this Section shall not extend, postpone, or affect in any way any obligation of Defendants under this Consent Decree, not directly in dispute. Stipulated Penalties with respect to the disputed matter shall continue to accrue from the first day of noncompliance, but payment shall be stayed pending resolution of the dispute as provided in Paragraph 33, above. If Defendants do not prevail on the disputed issue, Stipulated Penalties shall be assessed and paid as provided in Section VII (Stipulated Penalties).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

X. EFFECT OF SETTLEMENT/RESERVATION OF RIGHTS

39. This Consent Decree resolves the civil claims of Plaintiffs alleged in the Complaint filed in this action.

40. This Consent Decree shall not be construed to prevent or limit the rights of the United States or the Commission to obtain penalties or injunctive relief under the CWA, OPA, MAWPCL, or under other federal or state laws, regulations, or permit conditions, except as expressly specified herein.

41. Defendants are responsible for achieving and maintaining complete compliance with all applicable federal, State, and local laws, regulations, and permits; and Defendants' compliance with this Consent Decree shall be no defense to any action commenced pursuant to said laws, regulations, or permits. Plaintiffs do not warrant or aver in any manner that Defendants' compliance with any aspect of this Consent Decree will result in compliance with provisions of the CWA, OPA or MAWPCL.

42. This Consent Decree does not limit or affect the rights of Defendants or of the United States or the State against any third parties, not party to this Consent Decree, nor does it limit the rights of third parties, not party to this Consent Decree, against Defendants, except as otherwise provided by law.

43. This Consent Decree shall not be construed to create rights in, or grant any cause of action to, any third party not party to this Consent Decree.

6) Plaintiffs reserve all legal and equitable remedies available to enforce the provisions of this Consent Decree, except as expressly stated herein.

44. Defendants hereby covenant not to sue and agree not to assert any claims related to the Spill, or response activities in connection with the Spill, against the United States pursuant to the CWA, OPA, or any other federal law, State law, or regulation including, but not limited to, any direct or indirect claim for reimbursement from the Oil Spill Liability Trust Fund, or pursuant to any other provision of law.

45. Notwithstanding any other provision of this Consent Decree, Plaintiffs reserve the right to institute proceedings against Defendants in this action or in a new action seeking recovery of natural resource damages resulting from the Spill based on (1) conditions unknown to the United States or the State as of the date of lodging of this Consent Decree that contribute to the injury to, destruction of, or loss of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

natural resources; or (2) new information received by the United States or the State after the date of lodging of this Consent Decree which indicates there is injury to, destruction of, or loss of resources of a type unknown to the United States or State as of the date of execution of this Consent Decree.

46. This Consent Decree is without prejudice to the rights of the United States or the

State against Defendants with respect to all matters other than those expressly specified in Paragraph 44 including, but not limited to, the following:

a. claims based on a failure of Defendants to meet a requirement of this Consent Decree;

b. any and all criminal liability;

c. past, present, or future releases, discharges, or spills of oil other than the Spill described in this Consent Decree;

d. subrogated claims under Section 1015 of OPA, 33 U.S.C. Section 2715, for any amounts paid or to be paid by the Oil Spill Liability Trust Fund to any person for removal costs or damages in connection with the Spill;

e. any and all removal and monitoring costs (except costs of oversight and monitoring identified in the Restoration Plan, Attachment A of this Consent Decree) incurred by the United States and the State in connection with the Spill.

f. future unquantified monitoring and/or remedial costs for groundwater as required by the Groundwater Assessment and Remediation Division of MDEQ;

g. damages, if any, for injury to groundwater resources.

XI. COSTS

47. Subject to Section IV (Settlement Payments), the Parties shall bear their own costs of this action, including attorneys' fees, except that Plaintiffs shall be entitled to collect the costs (including attorneys' fees) incurred in any action necessary to collect any portion of the settlement payments due under Section IV or any Stipulated Penalties due but not paid by Defendants.

XII. NOTICES

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

48. Unless otherwise specified herein, whenever notifications, submissions, or

communications are required by this Consent Decree, they shall be made in writing and addressed as follows:

As to the United States:

As to the U.S. Department of Justice:
Chief (re: DJ # 90-5-1-1-07553)
Environmental Enforcement Section
Environment and Natural Resources Div.
U.S. Department of Justice
P.O. Box 7611
Washington, D.C. 20044-7611

As to EPA:
Kathleen West
Associate Regional Counsel
Office of Regional Counsel
U.S. Environmental Protection Agency, Region 4
Atlanta Federal Center
61 Forsyth Street, S.W.
Atlanta, Georgia 30303
phone: 404/562-9574

As to DOI:
Harriet Deal
Attorney Advisor
Office of the Solicitor, SE Region
U.S. Department of the Interior
75 Spring St., SW, room 304
Atlanta, Georgia 30303
phone: 404/331-4447 x 231

As to the State of Mississippi:
Chief
Environmental Compliance and Enforcement Division
Office of Pollution Control
Mississippi Department of Environmental Quality
P.O. Box 20305
Jackson, Mississippi 39289-1305
(601) 961-5171

and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

General Counsel

Legal Division, Mississippi
Department of Environmental Quality
P.O. Box 20305
Jackson, Mississippi 39289-1305
(601) 961-5171

To Defendants:
Ross Benavides
Genesis
500 Dallas, Suite 2500
Houston, Texas 77002
(713) 860-2528

49. Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above.

50. Notices submitted pursuant to this Section shall be deemed submitted upon mailing, unless otherwise provided in this Consent Decree or by mutual agreement of the Parties in writing.

XIII. EFFECTIVE DATE

51. The Effective Date of this Consent Decree shall be the date upon which this Consent Decree is entered by the Court.

XIV. RETENTION OF JURISDICTION

52. The Court shall retain jurisdiction over this case until termination of this Consent Decree, for the purpose of resolving disputes arising under this Decree or entering orders modifying this Decree, pursuant to Sections IX (Dispute Resolution) and XV (Modification), or effectuating or enforcing compliance with the terms of this Decree.

XV. MODIFICATION

7) The terms of this Consent Decree may be modified only by a subsequent written agreement signed by all the Parties. Where the modification constitutes a material change

to any term of this Decree, it shall be effective only upon approval by the Court. The terms and schedules contained in Attachments A-C of this Decree may be modified upon written agreement of the Parties without Court

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

approval, unless any such modification effects a material change to the terms of this Consent Decree or materially affects Defendants' ability to meet the objectives of this Decree. For Work projects in Section V, an extension of time by Trustees for a year or less is deemed not material.

XVI. TERMINATION

53. After Defendants have completed performance of their obligations required by this Decree, including payments under Section IV of this Decree and any accrued Stipulated Penalties under Section VII, as well as the SEP under Section VI and the Work under Section V, Defendants may serve upon Plaintiffs a request for termination, stating that Defendants have satisfied those requirements, together with all necessary supporting documentation.

54. Following receipt by Plaintiffs of Defendants' request for termination, the Parties shall confer informally concerning the Request and any disagreement that the Parties may have as to whether Defendants have satisfactorily complied with the requirements for termination of this Consent Decree. If the United States, after consultation with the State, agrees that the Decree may be terminated, the Parties shall submit, for the Court's approval, a joint stipulation terminating the Decree.

55. If the United States, after consultation with the State, does not agree that the Decree may be terminated, Defendants may invoke Dispute Resolution under Section IX of this Decree. However, Defendants shall not seek Dispute Resolution of any dispute, under Section IX, until ninety (90) days after service of its Request for Termination.

XVII. PUBLIC PARTICIPATION

8) This Consent Decree shall be lodged with the Court for a period of not less than fifteen (15) days for public notice and comment, consistent with the procedures set forth in 28 C.F.R. Section 50.7. The United States reserves the right to withdraw or withhold its consent if the comments regarding the Consent Decree disclose facts or considerations indicating that the Consent Decree is inappropriate, improper, or inadequate. Defendants agree not to oppose entry of this Consent Decree by the Court or to challenge any provision of the Decree, unless the United States has notified Defendants in writing that it no longer supports entry of the Decree. Defendants consent to entry of this Consent Decree without further notice.

XVIII. SIGNATORIES/SERVICE

56. Each undersigned representative of Defendants, the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

State, EPA, and the Assistant Attorney General for the Environment and Natural Resources Division of the Department of Justice certifies that he or she is fully authorized to enter into the terms and conditions of this Consent Decree and to execute and legally bind the Party he or she represents to this document.

57. This Consent Decree may be signed in counterparts, and such counterpart signature pages shall be given full force and effect.

58. Defendants agree to accept service of process by mail with respect to all matters arising under or relating to this Consent Decree and to waive the formal service requirements set forth in Rule 4 of the Federal Rules of Civil Procedure and any applicable Local Rules of this Court including, but not limited to, service of a summons.

XIX. INTEGRATION/ATTACHMENTS

59. This Consent Decree and its Attachments constitute the final, complete, and exclusive agreement and understanding among the Parties with respect to the settlement embodied in the Decree and supersede all prior agreements and understandings, whether oral or written. Other than the Attachments, which are attached to and incorporated in this Decree, no other document, nor any representation, inducement, agreement, understanding, or promise, constitutes any part of this Decree or the settlement it represents, nor shall it be used in construing the terms of this Decree.

XX. FINAL JUDGMENT

60. Upon approval and entry of this Consent Decree by the Court, this Consent Decree shall constitute a final judgment between the United States, the State, and Defendants. The Court finds that there is no just reason for delay and therefore enters this judgment as a final judgment under Fed. R. Civ. P. 54 and 58.

XXI. ATTACHMENTS

61. The following attachments are attached to and incorporated into this Consent Decree:

"Attachment A" is the Restoration Plan (with selected Appendices);

"Attachment B" is instructions for payment to DOI's Natural Resource Damage Restoration Fund.

"Attachment C" is a description of property proposed for SEP.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

THIS CONSENT DECREE IS DATED AND ENTERED THIS 27TH DAY OF JULY, 2004.

/S/ WILLIAM BARBOW

UNITED STATES DISTRICT JUDGE
SOUTHERN DISTRICT OF MISSISSIPPI

SIGNATURE PAGE TO CONSENT DECREE IN UNITED STATES OF AMERICA AND THE MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY V. GENESIS ENERGY, INC., GENESIS CRUDE OIL, L.P., AND GENESIS PIPELINE USA, L.P.

FOR PLAINTIFF UNITED STATES OF AMERICA:

DATE: 6/15/04

/s/ Tom Sansonetti

THOMAS L. SANSONETTI
Assistant Attorney General
Environment and Natural Resources Division
United States Department of Justice
Washington, D.C. 20530

DATE: June 8, 2004

/s/ Valerie K. Mann

VALERIE K. MANN
Trial Attorney
Environmental Enforcement Section
Environment & Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Washington, D.C. 20044-7611
Tel: (202) 616-8756
Fax: (202) 514-0097

overnight deliveries:
1425 New York Ave. NW, Rm. 13073
Washington, DC 20005

SIGNATURE PAGE TO CONSENT DECREE IN UNITED STATES OF AMERICA AND THE MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY V. GENESIS ENERGY, INC., GENESIS CRUDE OIL, L.P., AND GENESIS PIPELINE USA, L.P.

FOR PLAINTIFF UNITED STATES OF AMERICA (CONTINUED):

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Dunn O. Lampton
United States Attorney

DATE: June 23, 2004 /s/ Colby Lane

Colby Lane
Assistant United States Attorney
Mississippi Bar No. 99617
U.S. Attorney's Office
Southern District of Mississippi
188 E. Capitol St.
Jackson, MS 39201
(601) 965-4480

SIGNATURE PAGE TO CONSENT DECREE IN UNITED STATES OF AMERICA AND THE MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY V. GENESIS ENERGY, INC., GENESIS CRUDE OIL, L.P., AND GENESIS PIPELINE USA, L.P.

FOR PLAINTIFF UNITED STATES OF AMERICA (CONTINUED):

DATE: May 25, 2004 /s/ J. L. Palmer, Jr.

J. I. PALMER, JR.
Regional Administrator
U.S. Environmental Protection
Agency, Region 4 Atlanta, Georgia

OF COUNSEL:
Kathleen West
Associate Regional Counsel
Office of Regional Counsel
U.S. Environmental Protection Agency, Region 4
Atlanta Federal Center
61 Forsyth Street, S.W.
Atlanta, Georgia 30303

SIGNATURE PAGE TO CONSENT DECREE IN UNITED STATES OF AMERICA AND THE MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY V. GENESIS ENERGY, INC., GENESIS CRUDE OIL, L.P., AND GENESIS PIPELINE USA, L.P.

FOR PLAINTIFF UNITED STATES OF AMERICA (CONTINUED):

DATE: 6/21/04 /s/ Thomas V. Skinner

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

----
Thomas V. Skinner
Acting Assistant Administrator for
Enforcement and Compliance Assurance
U.S. Environmental Protection Agency
Washington, D.C.

OF COUNSEL:
David Drelich
Senior Attorney
Office of Enforcement And Compliance Assurance
U.S. Environmental Protection Agency
Mail Code 2243A
1200 Pennsylvania Ave., NW
Washington, DC 20460

SIGNATURE PAGE TO CONSENT DECREE IN UNITED STATES OF AMERICA AND THE MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY V. GENESIS ENERGY, INC., GENESIS CRUDE OIL, L.P., AND GENESIS PIPELINE USA, L.P.

FOR PLAINTIFF THE MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY:

DATE: 6/16/04

By: /s/ Kelly R. Riley

Kelly R. Riley
Mississippi Department of Environmental Quality
Mississippi Bar No. 99660
P.O. Box 20305
Jackson, MS 39289
(601) 961-5171

SIGNATURE PAGE TO CONSENT DECREE IN UNITED STATES OF AMERICA AND THE MISSISSIPPI COMMISSION ON ENVIRONMENTAL QUALITY V. GENESIS ENERGY, INC., GENESIS CRUDE OIL, L.P., AND GENESIS PIPELINE USA, L.P.

FOR DEFENDANTS GENESIS ENERGY, INC., GENESIS CRUDE OIL, L.P., AND GENESIS PIPELINE USA, L.P.:

DATE: 4-20-04

/s/ Ross A. Benavides

Ross A. Benavides
Chief Financial Officer & General Counsel
Genesis Energy, Inc., as general partner of
Genesis Crude Oil, L.P. and Genesis Pipeline

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

USA, L.P.
500 Dallas, Suite 2500
Houston, Texas 77002
(713) 860-2528

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 31.1

CERTIFICATION

I, Mark J. Gorman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesis Energy, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2004

/s/ Mark J. Gorman

Mark J. Gorman
President & Chief Executive Officer

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 31.2

CERTIFICATION

I, Ross A. Benavides, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesis Energy, L.P.;

1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

3. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

4. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2004

/s/ Ross A. Benavides

Ross A. Benavides
Chief Financial Officer

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 32.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Genesis Energy, L.P. (the "Partnership") on Form 10-Q for the quarter ended June 30, 2004 (the "Report") filed with the Securities and Exchange Commission on August 12, 2004, I, Mark J. Gorman, President and Chief Executive Officer of Genesis Energy, Inc., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

August 12, 2004

/s/ Mark J. Gorman

Mark J. Gorman
President and Chief Executive Officer,
Genesis Energy, Inc.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 32.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Genesis Energy, L.P. (the "Partnership") on Form 10-Q for the quarter ended June 30, 2004 (the "Report") filed with the Securities and Exchange Commission on August 12, 2004, I, Ross A. Benavides, Chief Financial Officer of Genesis Energy, Inc., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

August 12, 2004

/s/ Ross A. Benavides

Ross A. Benavides
Chief Financial Officer,
Genesis Energy, Inc.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document