GENESIS ENERGY LP
Form 10-Q
August 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
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.)
919 Milam, Suite 2100, Houston, TX	77002
(Address of principal executive offices)	(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2) of the Exchange Act). Yes ¨ No ý
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. There were 117,939,221 Class A Common Units and 39,997 Class B Common Units outstanding as of August 3, 2016.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except units)

	June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$8,550	$10,895
Accounts receivable - trade, net	249,133	219,532
Inventories	78,738	43,775
Other	36,105	32,114
Total current assets	372,526	306,316
FIXED ASSETS, at cost	4,589,038	4,310,226
Less: Accumulated depreciation	(463,244)	(378,247)
Net fixed assets	4,125,794	3,931,979
NET INVESTMENT IN DIRECT FINANCING LEASES, net of unearned income	136,378	139,728
EQUITY INVESTEES	427,558	474,392
INTANGIBLE ASSETS, net of amortization	216,274	223,446
GOODWILL	325,046	325,046
OTHER ASSETS, net of amortization	62,235	58,692
TOTAL ASSETS	$5,665,811	$5,459,599
LIABILITIES AND PARTNERS’ CAPITAL		
CURRENT LIABILITIES:		
Accounts payable - trade	$148,253	$140,726
Accrued liabilities	119,361	161,410
Total current liabilities	267,614	302,136
SENIOR SECURED CREDIT FACILITY	1,405,800	1,115,000
SENIOR UNSECURED NOTES	1,810,101	1,807,054
DEFERRED TAX LIABILITIES	23,995	22,586
OTHER LONG-TERM LIABILITIES	224,820	192,072
COMMITMENTS AND CONTINGENCIES (Note 15)		
PARTNERS’ CAPITAL:		
Common unitholders, 109,979,218 units issued and outstanding at June 30, 2016 and December 31, 2015, respectively	1,942,083	2,029,101
Noncontrolling interests	(8,602)	(8,350)
Total partners' capital	1,933,481	2,020,751
TOTAL LIABILITIES AND PARTNERS’ CAPITAL	$5,665,811	$5,459,599

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUES:				
Offshore pipeline transportation services	78,994	1,258	155,120	2,048
Onshore pipeline transportation services	16,250	18,933	34,401	38,001
Refinery services	41,324	46,324	83,860	92,448
Marine transportation	52,609	62,594	104,645	119,965
Supply and logistics	256,799	527,218	446,364	930,722
Total revenues	445,976	656,327	824,390	1,183,184
COSTS AND EXPENSES:				
Offshore pipeline transportation operating costs	22,676	400	40,610	643
Onshore pipeline transportation operating costs	5,760	6,482	12,496	13,153
Refinery services operating costs	21,579	25,835	42,564	52,862
Marine transportation operating costs	34,430	35,286	67,452	66,880
Supply and logistics product costs	227,998	492,125	390,391	863,043
Supply and logistics operating costs	18,362	23,782	37,002	49,021
General and administrative	11,283	14,832	23,504	28,053
Depreciation and amortization	55,900	28,205	102,535	55,330
Total costs and expenses	397,988	626,947	716,554	1,128,985
OPERATING INCOME	47,988	29,380	107,836	54,199
Equity in earnings of equity investees	12,157	18,661	22,874	34,180
Interest expense	(35,535)	(17,905)	(69,922)	(37,120)
Other income/(expense), net	—	(17,529)	—	(17,529)
Income before income taxes	24,610	12,607	60,788	33,730
Income tax expense	(1,009)	(942)	(2,010)	(1,850)
NET INCOME	23,601	11,665	58,778	31,880
Net loss attributable to noncontrolling interests	126	—	252	—
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	$23,727	$11,665	$59,030	$31,880
NET INCOME PER COMMON UNIT:				
Basic and Diluted	$0.22	$0.12	$0.54	$0.33
WEIGHTED AVERAGE OUTSTANDING COMMON UNITS:				
Basic and Diluted	109,979	99,174	109,979	97,113

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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

	Number of Common Units	Partners' Capital	Noncontrolling Interest	Total
Partners' capital, January 1, 2016	109,979	$2,029,101	$ (8,350)	$2,020,751
Net income (loss)	—	59,030	(252)	58,778
Cash distributions to partners	—	(146,048)	—	(146,048)
Partners' capital, June 30, 2016	109,979	$1,942,083	$ (8,602)	$1,933,481

	Number of Common Units	Partners' Capital	Noncontrolling Interest	Total
Partners' capital, January 1, 2015	95,029	$1,229,203	$ —	$1,229,203
Net income	—	31,880	—	31,880
Cash distributions to partners	—	(117,316)	—	(117,316)
Issuance of common units for cash, net	4,600	197,722	—	197,722
Partners' capital, June 30, 2015	99,629	$1,341,489	$ —	$1,341,489

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$58,778	$31,880
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	102,535	55,330
Amortization of debt issuance costs and discount or premium	4,992	6,526
Amortization of unearned income and initial direct costs on direct financing leases	(7,274)	(7,566)
Payments received under direct financing leases	10,333	10,333
Equity in earnings of investments in equity investees	(22,874)	(34,180)
Cash distributions of earnings of equity investees	32,778	38,811
Non-cash effect of equity-based compensation plans	4,255	4,744
Deferred and other tax liabilities	1,409	1,250
Unrealized loss on derivative transactions	1,313	1,309
Other, net	7,668	(2,296)
Net changes in components of operating assets and liabilities (Note 12)	(90,241)	(35,039)
Net cash provided by operating activities	103,672	71,102
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire fixed and intangible assets	(247,416)	(240,646)
Cash distributions received from equity investees - return of investment	11,851	11,490
Investments in equity investees	(1,135)	(1,750)
Acquisitions	(25,394)	—
Contributions in aid of construction costs	8,940	—
Proceeds from asset sales	3,183	2,228
Other, net	107	(729)
Net cash used in investing activities	(249,864)	(229,407)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on senior secured credit facility	631,900	550,500
Repayments on senior secured credit facility	(341,100)	(515,700)
Proceeds from issuance of senior unsecured notes	—	400,000
Repayment of senior unsecured notes	—	(350,000)
Debt issuance costs	(1,539)	(8,418)
Issuance of common units for cash, net	—	197,722
Distributions to common unitholders	(146,021)	(117,316)
Other, net	607	774
Net cash provided by financing activities	143,847	157,562
Net decrease in cash and cash equivalents	(2,345)	(743)
Cash and cash equivalents at beginning of period	10,895	9,462
Cash and cash equivalents at end of period	$8,550	$8,719

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation and Consolidation

Organization

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

- Offshore pipeline transportation and processing of crude oil and natural gas in the Gulf of Mexico;
- Onshore pipeline transportation of crude oil and, to a lesser extent, carbon dioxide (or "CO_2");
- Refinery services involving processing of high sulfur (or "sour") gas streams for refineries to remove the sulfur, and selling the related by-product, sodium hydrosulfide (or "NaHS", commonly pronounced "nash");
- Marine transportation to provide waterborne transportation of petroleum products and crude oil throughout North America; and
- Supply and logistics services, which include terminaling, blending, storing, marketing and transporting crude oil and petroleum products and, on a smaller scale, CO_2.

On July 24, 2015, we acquired the offshore pipeline and services business of Enterprise Products Partners, L.P. and its affiliates for approximately $1.5 billion, subject to certain adjustments. That business includes interests in offshore crude oil and natural gas pipelines and six offshore hub platforms that serve some of the most active drilling and development regions in the United States, including deepwater production fields in the Gulf of Mexico offshore Texas, Louisiana, Mississippi and Alabama. That acquisition complements and substantially expands our existing offshore pipelines segment.

Basis of Presentation and Consolidation

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

Our results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. The Condensed Consolidated Financial Statements included herein have been prepared by us without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they reflect all adjustments (which consist solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial results for interim periods. Certain information and notes normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the information contained in the periodic reports we file with the SEC pursuant to the Securities Exchange Act of 1934, including the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

2. Recent Accounting Developments

Recently Issued

In May 2014, the FASB issued revised guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard provides a five-step analysis for transactions to determine when and how revenue is recognized. The guidance permits the use of either a full retrospective or a modified retrospective approach. In July 2015, the FASB approved a one year deferral of the effective date of this standard to December 15, 2017 for annual reporting periods beginning after that date. The FASB also approved

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early adoption of the standard, but not before the original effective date of December 15, 2016. We are evaluating the transition methods and the impact of the amended guidance on our financial position, results of operations and related disclosures.
In July 2015, the FASB issued guidance modifying the accounting for inventory. Under this guidance, the measurement principle for inventory will change from lower of cost or market value to lower of cost or net realizable value. The guidance defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for reporting periods after December 15, 2016, with early adoption permitted. We do not expect adoption to have a material impact on our consolidated financial statements.
In September 2015, the FASB issued ASU 2015-16 in response to stakeholder feedback that restating prior periods to reflect adjustments made to provisional amounts recognized in a business combination adds cost and complexity to financial reporting, but does not significantly improve the usefulness of information provided to users. Under the new ASU, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires that the acquirer present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The guidance is effective for reporting periods after December 15, 2015, with early adoption permitted. We have adopted this guidance and it has not had a material impact on our consolidated financial statements.
In February 2016, the FASB issued guidance to improve the transparency and comparability among companies by requiring lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. The guidance also requires additional disclosure about leasing arrangements. The guidance is effective for interim and annual periods beginning after December 15, 2018 and requires a modified retrospective approach to adoption. Early adoption is permitted. We are currently evaluating this guidance.
3. Acquisition and Divestiture
Acquisition
Enterprise Offshore
On July 24, 2015, we acquired the offshore pipeline and services business of Enterprise Products Partners, L.P. and its affiliates for approximately $1.5 billion, subject to certain adjustments. That business includes interests in offshore crude oil and natural gas pipelines and six offshore hub platforms, including a 36% interest in the Poseidon Oil Pipeline System, a 50% interest in the Southeast Keathley Canyon Oil Pipeline System, and a 50% interest in the Cameron Highway Oil Pipeline System. To finance that transaction, in July, we issued 10,350,000 common units in a public offering that generated proceeds of $437.2 million net of underwriter discounts and $750.0 million aggregate principal amount of 6.75% senior unsecured notes due 2022 that generated net proceeds of $728.6 million net of issuance discount and underwriting fees. The remainder of that transaction was financed with borrowings under our senior secured credit facility.
We have reflected the financial results of the acquired business in our Offshore Pipeline Transportation Segment from the date of acquisition. The purchase price has been allocated to the assets acquired and liabilities assumed based on estimated preliminary fair values. Those preliminary fair values were developed by management with the assistance of a third-party valuation firm and are subject to change pending a final valuation report and final determination of working capital acquired and other purchase price adjustments. As of June 30, 2016, we have yet to finalize the purchase price allocation for this transaction. We will finalize our purchase price allocation in the third quarter of 2016 and we do not expect any material adjustments to these preliminary purchase price allocations. Our preliminary purchase price allocation remains unchanged from what was disclosed in the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.
Our Consolidated Financial Statements include the results of our acquired offshore pipeline transportation business since July 24, 2015, the closing date of the acquisition. The following table presents selected financial information included in our Consolidated Financial Statements for the periods presented:

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Revenues	$58,782	$114,382
Net income	$28,485	$63,837

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The table below presents selected unaudited pro forma financial information incorporating the historical results of our newly acquired offshore pipeline transportation assets. The pro forma financial information below has been prepared as if the acquisition had been completed on January 1, 2015 and is based upon assumptions deemed appropriate by us and may not be indicative of actual results. This pro forma information was prepared using historical financial data of the Enterprise offshore pipelines and services businesses and reflects certain estimates and assumptions made by our management. Our unaudited pro forma financial information is not necessarily indicative of what our consolidated financial results would have been had the Enterprise acquisition been completed on January 1, 2015.

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Pro forma consolidated financial operating results:		
Revenues	$735,427	$1,339,984
Net Income (loss) Attributable to Genesis Energy L.P.	(8,174)	22,701
Basic and diluted earnings per unit:		
As reported net income per unit	$0.12	0.33
Pro forma net income (loss) per unit	$(0.07)	$0.21

4. Inventories

The major components of inventories were as follows:

	June 30, 2016	December 31, 2015
Petroleum products	$6,881	$ 14,235
Crude oil	60,855	22,815
Caustic soda	3,388	3,964
NaHS	7,605	2,755
Other	9	6
Total	$78,738	$ 43,775

Inventories are valued at the lower of cost or market. The market value of inventories were not below recorded cost as of June 30, 2016 and were below recorded costs by approximately $0.9 million as of December 31, 2015; therefore we reduced the value of inventory in our Condensed Consolidated Financial Statements for this difference in 2015.

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

5. Fixed Assets

Fixed Assets

Fixed assets consisted of the following:

	June 30, 2016	December 31, 2015
Crude oil pipelines and natural gas pipelines and related assets	$2,657,642	$2,501,821
Machinery and equipment	418,013	414,100
Transportation equipment	18,991	19,025
Marine vessels	821,895	794,508
Land, buildings and improvements	49,431	41,202
Office equipment, furniture and fixtures	9,347	7,540
Construction in progress	566,804	485,575
Other	46,915	46,455
Fixed assets, at cost	4,589,038	4,310,226
Less: Accumulated depreciation	(463,244)	(378,247)
Net fixed assets	$4,125,794	$3,931,979

Our depreciation expense for the periods presented was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Depreciation expense	$48,807	$22,512	$88,519	$44,549

Asset Retirement Obligations

We record AROs in connection with legal requirements to perform specified retirement activities under contractual arrangements and/or governmental regulations. As a result of the Enterprise acquisition of the offshore pipeline and services business of Enterprise Products Partners, L.P. on July 24, 2015, we recorded AROs based on the fair value measurement assigned during the preliminary purchase price allocation.

The following table presents information regarding our AROs since December 31, 2015:

ARO liability balance, December 31, 2015	$188,662
AROs arising from the purchase of the remaining interest in Deepwater Gateway	10,470
AROs from the consolidation of historical interest in Deepwater Gateway	10,470
Accretion expense	5,079
Change in estimate	4,590
Settlements	(2,071)
ARO liability balance, June 30, 2016	$217,200

Of the ARO balances disclosed above, $5.5 million and 9.8 million is included as current in "Accrued liabilities" on our Unaudited Condensed Consolidated Balance Sheet as of June 30, 2016 and December 31, 2015, respectively. The remainder of the ARO liability as of June 30, 2016 and December 31, 2015 is included in "Other long-term liabilities" on our Unaudited Condensed Consolidated Balance Sheet.

With respect to our AROs, the following table presents our forecast of accretion expense for the periods indicated:

Remainder of	2016	$5,473
	2017	$9,900
	2018	$8,204
	2019	$8,731
	2020	$9,293

Certain of our unconsolidated affiliates have AROs recorded at June 30, 2016 relating to contractual agreements and regulatory requirements. These amounts are immaterial to our Consolidated Financial Statements.

6. Equity Investees

We account for our ownership in our joint ventures under the equity method of accounting. The price we pay to acquire an ownership interest in a company may exceed or be less than the underlying book value of the capital accounts we acquire. Such excess cost amounts are included within the carrying values of our equity investees. At June 30, 2016 and December 31, 2015, the unamortized excess cost amounts totaled $406.0 million and $414.0 million, respectively. We amortize the excess cost as a reduction in equity earnings in a manner similar to depreciation.

As part of our Enterprise acquisition, we increased our ownership interest in each of Cameron Highway Oil Pipeline Company ("CHOPS") and Southeast Keathley Canyon Pipeline Company, LLC ("SEKCO") from 50% to 100%. Consequently, these entities were reflected as equity investees until July 24, 2015, at which point they became fully consolidated wholly owned subsidiaries.

Also, as part of our Enterprise acquisition, our ownership interest in Poseidon Oil Pipeline Company, LLC ("Poseidon") increased from 28% to 64%. We also acquired a 50% ownership interest in Deepwater Gateway, LLC and a 25.7% interest in Neptune Pipeline Company, LLC. These additional interests are accounted for as equity investments from the acquisition date of July 24, 2015.

In the first quarter of 2016, we purchased the remaining 50% interest in Deepwater Gateway, LLC for approximately $26.0 million (including adjustments for working capital), so we now own 100% of that entity. Consequently, we now consolidate Deepwater Gateway, LLC instead of accounting for our interest under the equity method.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Genesis' share of operating earnings	$16,139	$21,403	$30,837	$39,663
Amortization of excess purchase price	(3,982)	(2,742)	(7,963)	(5,483)
Net equity in earnings	$12,157	$18,661	$22,874	$34,180
Distributions received	$23,298	$24,399	$44,629	$50,301

The following tables present the unaudited balance sheet and income statement information (on a 100% basis) for Poseidon (which is our most significant equity investment):

	June 30, 2016	December 31, 2015
BALANCE SHEET DATA:		
Assets		
Current assets	$17,191	$ 18,507
Fixed assets, net	240,385	248,059
Other assets	997	1,133
Total assets	$258,573	$ 267,699
Liabilities and equity		
Current liabilities	$24,007	$ 22,456
Other liabilities	209,588	203,514
Equity	24,978	41,729
Total liabilities and equity	$258,573	$ 267,699

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
INCOME STATEMENT DATA:				
Revenues	$31,010	$33,324	$59,439	$61,854
Operating income	$23,527	$26,047	$45,059	$47,283
Net income	$22,385	$24,885	$42,749	$44,944

Poseidon's revolving credit facility

Borrowings under Poseidon's revolving credit facilities, which was amended and restated in February 2015, are primarily used to fund spending on capital projects. The February 2015 credit facility is non-recourse to Poseidon's owners and secured by substantially all of Poseidon's assets. The February 2015 credit facility contains customary covenants such as restrictions on debt levels, liens, guarantees, mergers, sale of assets and distributions to owners. A breach of any of these covenants could result in acceleration of the maturity date of Poseidon's debt. Poseidon was in compliance with the terms of its credit agreement for all periods presented in these Unaudited Combined Financial Statements.

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

7. Intangible Assets
The following table summarizes the components of our intangible assets at the dates indicated:

	June 30, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Carrying Value	Gross Carrying Amount	Accumulated Amortization	Carrying Value
Refinery Services:						
Customer relationships	$94,654	$ 88,021	$6,633	$94,654	$ 86,285	$8,369
Licensing agreements	38,678	32,949	5,729	38,678	31,694	6,984
Segment total	133,332	120,970	12,362	133,332	117,979	15,353
Supply & Logistics:						
Customer relationships	35,430	32,860	2,570	35,430	32,044	3,386
Intangibles associated with lease	13,260	4,223	9,037	13,260	3,986	9,274
Segment total	48,690	37,083	11,607	48,690	36,030	12,660
Marine contract intangibles	27,000	3,600	23,400	27,000	900	26,100
Offshore pipeline contract intangibles	158,101	7,628	150,473	158,101	3,467	154,634
Other	27,678	9,246	18,432	22,819	8,120	14,699
Total	$394,801	$ 178,527	$216,274	$389,942	$ 166,496	$223,446

Our amortization of intangible assets for the periods presented was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Amortization of intangible assets	$6,040	$4,154	$12,032	$8,191

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

Remainder of	2016	$12,285
	2017	$23,425
	2018	$21,309
	2019	$16,982
	2020	$16,081

8. Debt
Our obligations under debt arrangements consisted of the following:

	June 30, 2016			December 31, 2015		
	Principal	Unamortized Discount and Debt Issuance Costs (1)	Net Value	Principal	Unamortized Discount and Debt Issuance Costs (1)	Net Value
Senior secured credit facility	$1,405,800	$ —	$1,405,800	$1,115,000	$ —	$1,115,000
6.000% senior unsecured notes	400,000	7,292	392,708	400,000	7,825	392,175
5.750% senior unsecured notes	350,000	4,673	345,327	350,000	5,183	344,817
5.625% senior unsecured notes	350,000	7,062	342,938	350,000	7,510	342,490
6.750% senior unsecured notes	750,000	20,872	729,128	750,000	22,428	727,572
Total long-term debt	$3,255,800	$ 39,899	$3,215,901	$2,965,000	$ 42,946	$2,922,054

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(1) In April 2015, the FASB issued guidance that requires the presentation of debt issuance costs in financial statements as a direct reduction of related debt liabilities with amortization of debt issuance costs reported as interest expense. Under current U.S. GAAP standards, debt issuance costs are reported as deferred charges (i.e., as an asset). This guidance is effective for annual periods, and interim periods within those fiscal years, beginning after December 15, 2015 and is to be applied retrospectively upon adoption. Early adoption is permitted, including adoption in an interim period for financial statements that have not been previously issued. Genesis adopted this guidance in the fourth quarter of 2015.

As of June 30, 2016, we were in compliance with the financial covenants contained in our credit agreement and senior unsecured notes indentures.

Senior Secured Credit Facility

In April 2016, we amended our credit agreement to, among other things, (i) increase the committed amount under our revolving credit facility to $1.7 billion (from $1.5 billion), with the ability to increase the committed amount by an additional $300.0 million, subject to lender consent and (ii) permanently relax the maximum consolidated leverage ratio to 5.5 to 1.0.

The key terms for rates under our $1.7 billion senior secured credit facility, which are dependent on our leverage ratio (as defined in the credit agreement), are as follows:

- The applicable margin varies from 1.50% to 2.75% on Eurodollar borrowings and from 0.50% to 1.75% on alternate base rate borrowings.
- Letter of credit fees range from 1.50% to 2.50%
- The commitment fee on the unused committed amount will range from 0.250% to 0.500%.
- The accordion feature is $300.0 million, giving us the ability to expand the size of the facility up to $2.0 billion for acquisitions or growth projects, subject to lender consent.

At June 30, 2016, we had $1.4 billion borrowed under our $1.7 billion credit facility, with $57.8 million of the borrowed amount designated as a loan under the inventory sublimit. Our credit agreement allows up to $100.0 million of the capacity to be used for letters of credit, of which $12.3 million was outstanding at June 30, 2016. Due to the revolving nature of loans under our credit facility, additional borrowings and periodic repayments and re-borrowings may be made until the maturity date. The total amount available for borrowings under our credit facility at June 30, 2016 was $281.9 million.

9. Partners' Capital and Distributions

At June 30, 2016, our outstanding common units consisted of 109,939,221 Class A units and 39,997 Class B units. On July 27, 2016, we issued 8,000,000 Class A common units in a public offering at a price of $37.90 per unit. We granted the underwriter a 30-day option to purchase up to 1,200,000 additional units from us. We received the proceeds, net of underwriting discounts and offering costs, of $298.0 million from that offering.

Distributions

We paid or will pay the following distributions in 2015 and 2016:

Distribution For	Date Paid		Per Unit Amount	Total Amount
2015				
1st Quarter	May 15, 2015		$0.6100	$60,774
2nd Quarter	August 14, 2015		$0.6250	$68,737
3rd Quarter	November 13, 2015		$0.6400	$70,387
4th Quarter	February 12, 2016		$0.6550	$72,036
2016				
1st Quarter	May 13, 2016		$0.6725	$73,961
2nd Quarter	August 12, 2016	(1)	$0.6900	$81,406

(1) This distribution will be paid to unitholders of record as of July 29, 2016.

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10. Business Segment Information

We currently manage our businesses through five divisions that constitute our reportable segments:

- Offshore Pipeline Transportation – offshore pipeline transportation and processing of crude oil and natural gas in the Gulf of Mexico;
- Onshore Pipeline Transportation – transportation of crude oil, and to a lesser extent, CO_2;
- Refinery Services – processing high sulfur (or "sour") gas streams as part of refining operations to remove the sulfur and selling the related by-product, NaHS;
- Marine Transportation – marine transportation to provide waterborne transportation of petroleum products and crude oil throughout North America; and
- Supply and Logistics – terminaling, blending, storing, marketing and transporting crude oil and petroleum products (primarily fuel oil, asphalt, and other heavy refined products) and, on a smaller scale, CO_2.

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

We define Segment Margin as revenues less product costs, operating expenses (excluding non-cash gains and charges, such as depreciation and amortization), and segment general and administrative expenses, plus our equity in distributable cash generated by our equity investees. In addition, our Segment Margin definition excludes the non-cash effects of our legacy stock appreciation rights plan and includes the non-income portion of payments received under direct financing leases.

Our chief operating decision maker (our Chief Executive Officer) evaluates segment performance based on a variety of measures including Segment Margin, segment volumes, where relevant, and capital investment.

Segment information for the periods presented below was as follows:

	Offshore Pipeline Transportation	Onshore Pipeline Transportation	Refinery Services	Marine Transportation	Supply & Logistics	Total
Three Months Ended June 30, 2016						
Segment margin (a)	$ 84,282	$ 12,090	$19,861	$ 18,082	$8,171	$142,486
Capital expenditures (b)	$ 2,373	$ 56,282	$832	$ 27,562	$28,472	$115,521
Revenues:						
External customers	$ 76,829	$ 10,634	$43,618	$ 50,964	$263,931	$445,976
Intersegment (c)	2,165	5,616	(2,294)	1,645	(7,132)	—
Total revenues of reportable segments	$ 78,994	$ 16,250	$41,324	$ 52,609	$256,799	$445,976
Three Months Ended June 30, 2015						
Segment margin (a)	$ 25,100	$ 14,363	$20,221	$ 27,225	$11,658	$98,567
Capital expenditures (b)	$ 86	$ 40,893	$238	$ 11,086	$55,850	$108,153
Revenues:						
External customers	$ 1,258	$ 15,856	$48,786	$ 60,603	$529,824	$656,327
Intersegment (c)	—	3,077	(2,462)	1,991	(2,606)	—
Total revenues of reportable segments	$ 1,258	$ 18,933	$46,324	$ 62,594	$527,218	$656,327
Six Months Ended June 30, 2016						
Segment Margin (a)	$ 162,900	$ 27,767	$41,060	$ 36,998	$18,642	$287,367
Capital expenditures (b)	$ 31,198	$ 102,009	$1,157	$ 35,991	$71,324	$241,679
Revenues:						
External customers	$ 152,955	$ 25,510	$88,368	$ 101,624	$455,933	$824,390
Intersegment (c)	2,165	8,891	(4,508)	3,021	(9,569)	—
Total revenues of reportable segments	$ 155,120	$ 34,401	$83,860	$ 104,645	$446,364	$824,390
Six Months Ended June 30, 2015						
Segment Margin (a)	$ 50,298	$ 28,686	$39,381	$ 52,918	$21,405	$192,688
Capital expenditures (b)	$ 2,139	$ 109,484	$1,450	$ 27,662	$92,626	$233,361
Revenues:						
External customers	$ 2,048	$ 31,687	$97,221	$ 115,243	$936,985	$1,183,184
Intersegment (c)	—	6,314	(4,773)	4,722	(6,263)	—
Total revenues of reportable segments	$ 2,048	$ 38,001	$92,448	$ 119,965	$930,722	$1,183,184

Total assets by reportable segment were as follows:

	June 30, 2016	December 31, 2015
Offshore pipeline transportation	$2,622,230	$ 2,623,478
Onshore pipeline transportation	668,740	614,484
Refinery services	389,292	394,626
Marine transportation	793,499	777,952
Supply and logistics	1,138,443	1,000,851
Other assets	53,607	48,208
Total consolidated assets	5,665,811	5,459,599

(a) A reconciliation of total Segment Margin to net income attributable to Genesis Energy, L.P. for the periods is presented below.

(b) Capital expenditures include maintenance and growth capital expenditures, such as fixed asset additions (including enhancements to existing facilities and construction of growth projects) as well as acquisitions of businesses and

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contributions to equity investees related to same. In addition to construction of growth projects, capital spending in our Offshore Pipeline Transportation Segment included $1.8 million during the six months ended June 30, 2015 representing capital contributions to SEKCO, which was an equity investee at that time, to fund our share of the construction costs for its pipeline. We acquired the remaining 50% interest in SEKCO in July 2015.

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

Reconciliation of total Segment Margin to net income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Total Segment Margin	$142,486	$98,567	$287,367	$192,688
Corporate general and administrative expenses	(10,491)	(13,953)	(21,849)	(26,252)
Depreciation and amortization	(55,900)	(28,205)	(102,535)	(55,330)
Interest expense	(35,535)	(17,905)	(69,922)	(37,120)
Adjustment to exclude distributable cash generated by equity investees not included in income and include equity in investees net income (1)	(11,141)	(7,038)	(21,755)	(17,421)
Non-cash items not included in Segment Margin	(3,135)	1,771	(7,207)	(843)
Cash payments from direct financing leases in excess of earnings	(1,548)	(1,405)	(3,059)	(2,767)
Loss on extinguishment of debt	—	(19,225)	—	(19,225)
Income tax expense	(1,009)	(942)	(2,010)	(1,850)
Net income attributable to Genesis Energy, L.P.	$23,727	$11,665	$59,030	$31,880

(1) Includes distributions attributable to the quarter and received during or promptly following such quarter.

11. Transactions with Related Parties

Sales, purchases and other transactions with affiliated companies, in the opinion of management, are conducted under terms no more or less favorable than then-existing market conditions. The transactions with related parties were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Sales of CO_2 to Sandhill Group, LLC (1)	$762	$806	$1,488	$1,505
Revenues from provision of services to Poseidon Oil Pipeline Company, LLC (2)	1,980	—	3,956	—
Costs and expenses:				
Amounts paid to our CEO in connection with the use of his aircraft	$165	$165	$330	$360
Charges for services from Poseidon Oil Pipeline Company, LLC (2)	251	—	498	—

(1) We own a 50% interest in Sandhill Group, LLC.
(2) We own 64% interest in Poseidon Oil Pipeline Company, LLC.

Amount due from Related Party

At June 30, 2016 and December 31, 2015 (i) Sandhill Group, LLC owed us $0.3 million and $0.3 million, respectively, for purchases of CO_2 and (ii) Poseidon Oil Pipeline Company, LLC owed us $1.1 million and $1.9 million, respectively, for services rendered.

Transactions with Unconsolidated Affiliates

Poseidon

As part of our Enterprise acquisition, we became the operator of Poseidon in the third quarter of 2015. We provide management, administrative and pipeline operator services to Poseidon under an Operation and Management Agreement . Currently, that agreement renews automatically annually unless terminated by either party (as defined in the agreement). Our revenues for the three and six months ended June 30, 2016 reflect $2.0 million and $4.0 million, respectively, of fees we earned through the provision of services under that agreement.

Deepwater Gateway

Deepwater Gateway, LLC, which became a wholly-owned subsidiary in the first quarter of 2016, no longer constitutes a related party.

12. Supplemental Cash Flow Information

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

	Six Months Ended June 30,	
	2016	2015
(Increase) decrease in:		
Accounts receivable	$(21,274)	$ 202
Inventories	(34,512)	(7,737)
Deferred charges	(6,272)	(7,725)
Other current assets	(4,335)	2,286
Increase (decrease) in:		
Accounts payable	(5,642)	(5,998)
Accrued liabilities	(18,206)	(16,067)
Net changes in components of operating assets and liabilities	(90,241)	(35,039)

Payments of interest and commitment fees, net of amounts capitalized, were $78.4 million and $40.3 million for the six months ended June 30, 2016 and June 30, 2015, respectively. We capitalized interest of $12.3 million and $7.2 million during the six months ended June 30, 2016 and June 30, 2015.

At June 30, 2016 and June 30, 2015, we had incurred liabilities for fixed and intangible asset additions totaling $55.6 million and $52.9 million, respectively, that had not been paid at the end of the second quarter, and, therefore, were not included in the caption “Payments to acquire fixed and intangible assets” under Cash Flows from Investing Activities in the Unaudited Condensed Consolidated Statements of Cash Flows.

At June 30, 2016 we had incurred liabilities for other asset additions totaling $0.1 million, that had not been paid at the end of the second quarter and, therefore, were not included in the caption "Other, net" under Cash Flows from Investing Activities in the Unaudited Condensed Consolidated Statements of Cash Flows.

13. Derivatives

Commodity Derivatives

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

We have designated certain crude oil futures contracts as hedges of crude oil inventory due to our expectation that these contracts will be highly effective in hedging our exposure to fluctuations in crude oil prices during the period that we expect to hold that inventory. We account for these derivative instruments as fair value hedges under the accounting guidance. Changes in the fair value of these derivative instruments designated as fair value hedges are used to offset related changes in the fair value of the hedged crude oil inventory. Any hedge ineffectiveness in these fair value hedges and any amounts excluded from effectiveness testing are recorded as a gain or loss in the Consolidated Statements of Operations.

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

At June 30, 2016, we had the following outstanding derivative commodity contracts that were entered into to economically hedge inventory or fixed price purchase commitments.

	Sell (Short) Contracts	Buy (Long) Contracts
Designated as hedges under accounting rules:		
Crude oil futures:		
Contract volumes (1,000 bbls)	965	—
Weighted average contract price per bbl	$ 45.06	$ —
Not qualifying or not designated as hedges under accounting rules:		
Crude oil futures:		
Contract volumes (1,000 bbls)	2,921	2,813
Weighted average contract price per bbl	$ 46.61	$ 46.77
Crude oil swaps:		
Contract volumes (1,000 bbls)	190	—
Weighted average contract price per bbl	$ (1.87)	$ —
Diesel futures:		
Contract volumes (1,000 bbls)	34	10
Weighted average contract price per gal	$ 1.40	$ 1.54
#6 Fuel oil futures:		
Contract volumes (1,000 bbls)	150	—
Weighted average contract price per bbl	$ 34.17	$ —
Crude oil options:		
Contract volumes (1,000 bbls)	80	20
Weighted average premium received	$ 1.27	$ 0.26

Financial Statement Impacts

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

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The following tables reflect the estimated fair value gain (loss) position of our derivatives at June 30, 2016 and December 31, 2015:
Fair Value of Derivative Assets and Liabilities

	Unaudited Condensed Consolidated Balance Sheets Location	Fair Value June 30, 2016	Fair Value December 31, 2015
Asset Derivatives:			
Commodity derivatives - futures and call options (undesignated hedges):			
Gross amount of recognized assets	Current Assets - Other	$695	$ 1,703
Gross amount offset in the Unaudited Condensed Consolidated Balance Sheets	Current Assets - Other	(695)	(388)
Net amount of assets presented in the Unaudited Condensed Consolidated Balance Sheets		$—	$ 1,315
Commodity derivatives - futures and call options (designated hedges):			
Gross amount of recognized assets	Current Assets - Other	$7,467	$ —
Gross amount offset in the Unaudited Condensed Consolidated Balance Sheets	Current Assets - Other	(7,467)	—
Net amount of assets presented in the Unaudited Condensed Consolidated Balance Sheets		$—	$ —
Liability Derivatives:			
Commodity derivatives - futures and call options (undesignated hedges):			
Gross amount of recognized liabilities	Current Assets - Other (1)	$(1,856)	$ (388)
Gross amount offset in the Unaudited Condensed Consolidated Balance Sheets	Current Assets - Other (1)	1,856	388
Net amount of liabilities presented in the Unaudited Condensed Consolidated Balance Sheets		$—	$ —
Commodity derivatives - futures and call options (designated hedges):			
Gross amount of recognized liabilities	Current Assets - Other (1)	$(11,484)	$ (23)
Gross amount offset in the Unaudited Condensed Consolidated Balance Sheets	Current Assets - Other (1)	11,484	23
Net amount of liabilities presented in the Unaudited Condensed Consolidated Balance Sheets		$—	$ —

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

Our accounting policy is to offset derivative assets and liabilities executed with the same counterparty when a master netting arrangement exists. Accordingly, we also offset derivative assets and liabilities with amounts associated with cash margin. Our exchange-traded derivatives are transacted through brokerage accounts and are subject to margin requirements as established by the respective exchange. On a daily basis, our account equity (consisting of the sum of our cash balance and the fair value of our open derivatives) is compared to our initial margin requirement resulting in the payment or return of variation margin. As of June 30, 2016, we had a net broker receivable of approximately $8.3

million (consisting of initial margin of $5.6 million and increased by $2.7 million of variation margin). As of December 31, 2015, we had a net broker receivable of approximately $5.5 million (consisting of initial margin of $4.4 million increased by $1.1 million of variation margin). At June 30, 2016 and December 31, 2015, none of our outstanding derivatives contained credit-risk related contingent features that would result in a material adverse impact to us upon any change in our credit ratings.

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Effect on Operating Results

	Unaudited Condensed Consolidated Statements of Operations Location	Amount of Gain (Loss) Recognized in Income			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2016	2015	2016	2015
Commodity derivatives - futures and call options:					
Contracts designated as hedges under accounting guidance	Supply and logistics product costs	$(9,398)	$(4,021)	$(9,951)	$(1,835)
Contracts not considered hedges under accounting guidance	Supply and logistics product costs	(3,145)	(4,209)	(3,482)	(5,014)
Total commodity derivatives		$(12,543)	$(8,230)	$(13,433)	$(6,849)

14. Fair-Value Measurements

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

(1) Level 1 fair values are based on observable inputs such as quoted prices in active markets for identical assets and liabilities;

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

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

As required by fair value accounting guidance, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Our assessment of the significance of a particular input to the fair value requires judgment and may affect the placement of assets and liabilities within the fair value hierarchy levels.

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2016 and December 31, 2015.

	Fair Value at June 30, 2016			Fair Value at December 31, 2015		
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Commodity derivatives:						
Assets	$8,162	$ —	$ —	$1,703	$ —	$ —
Liabilities	$(13,340)	$ —	$ —	$(411)	$ —	$ —

Our commodity derivatives include exchange-traded futures and exchange-traded options contracts. The fair value of these exchange-traded derivative contracts is based on unadjusted quoted prices in active markets and is, therefore, included in Level 1 of the fair value hierarchy.

See Note 13 for additional information on our derivative instruments.

Other Fair Value Measurements

We believe the debt outstanding under our credit facility approximates fair value as the stated rate of interest approximates current market rates of interest for similar instruments with comparable maturities. At June 30, 2016 our senior unsecured notes had a carrying value of $1.8 billion and a fair value of $1.7 billion, compared to $1.8 billion and $1.5 billion, respectively, at December 31, 2015. The fair value of the senior unsecured notes is determined based on trade information in the financial markets of our public debt and is considered a Level 2 fair value measurement.

Additionally, we recorded the estimated fair value of net assets acquired and liabilities assumed in connection with our Enterprise acquisition as of the acquisition date of July 24, 2015. The fair value measurements were primarily based on significant unobservable inputs (Level 3) developed using company-specific information. See Note 3 for further information associated with the values recorded in our Enterprise acquisition.

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Additionally, the fair value measurements, using unobservable (Level 3) inputs, used in recording the estimated fair value of the net assets acquired and liabilities assumed of CHOPS and SEKCO (which we now own 100% interest in and consolidate given the respective 50% ownership interest acquired from Enterprise for each of these subsidiaries) as a result of our Enterprise acquisition were used to calculate the effects of the re-measurement of our pre-acquisition historical interest in CHOPS and SEKCO at fair value, based on accounting guidance involving step acquisitions as discussed in ASC 805-10-25.

15. Contingencies

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

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

16. Condensed Consolidating Financial Information

Our $1.8 billion aggregate principal amount of senior unsecured notes co-issued by Genesis Energy, L.P. and Genesis Energy Finance Corporation are fully and unconditionally guaranteed jointly and severally by all of Genesis Energy, L.P.'s current and future 100% owned domestic subsidiaries, except Genesis Free State Pipeline, LLC, Genesis NEJD Pipeline, LLC and certain other minor subsidiaries. Genesis NEJD Pipeline, LLC is 100% owned by Genesis Energy, L.P., the parent company. The remaining non-guarantor subsidiaries are owned by Genesis Crude Oil, L.P., a guarantor subsidiary. Genesis Energy Finance Corporation has no independent assets or operations. See Note 8 for additional information regarding our consolidated debt obligations.

During 2015, the Company determined the need to revise its disclosures and presentation with respect to the Condensed Consolidating Financial Information included in this footnote. These revisions relate solely to transactions between Genesis Energy, L.P. and its subsidiaries and only impact the information that is presented in the Condensed Consolidating Financial Information presented herein and does not affect the Consolidated Financial Statements in any way. The Company determined that adjustments to the presentation relating to advances to and from affiliates was necessary and were made. This resulted in the reclassification of such advances from current assets and liabilities to long term assets and liabilities. The condensed consolidated statement of cash flows for the six months ended June 30, 2015 has been adjusted to reflect these changes. There is also a schedule below that reflects all these adjustments and reconciles from what has been disclosed in previous filings to what we represent in the financial statements below.

The following is condensed consolidating financial information for Genesis Energy, L.P., the guarantor subsidiaries and the non-guarantor subsidiaries.

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Unaudited Condensed Consolidating Balance Sheet
June 30, 2016

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$6	$ —	$6,933	$1,611	$—	$8,550
Other current assets	100	—	353,548	10,868	(540)	363,976
Total current assets	106	—	360,481	12,479	(540)	372,526
Fixed assets, at cost	—	—	4,511,453	77,585	—	4,589,038
Less: Accumulated depreciation	—	—	(440,277)	(22,967)	—	(463,244)
Net fixed assets	—	—	4,071,176	54,618	—	4,125,794
Goodwill	—	—	325,046	—	—	325,046
Other assets, net	12,734	—	398,460	137,028	(133,335)	414,887
Advances to affiliates	2,843,031	—	—	60,272	(2,903,303)	—
Equity investees	—	—	427,558	—	—	427,558
Investments in subsidiaries	2,336,668	—	90,100	—	(2,426,768)	—
Total assets	$5,192,539	$ —	$5,672,821	$264,397	$(5,463,946)	$5,665,811
LIABILITIES AND PARTNERS' CAPITAL						
Current liabilities	$34,555	$ —	$233,286	$—	$(227)	$267,614
Senior secured credit facility	1,405,800	—	—	—	—	1,405,800
Senior unsecured notes	1,810,101	—	—	—	—	1,810,101
Deferred tax liabilities	—	—	23,995	—	—	23,995
Advances from affiliates	—	—	2,903,302	—	(2,903,302)	—
Other liabilities	—	—	182,661	175,332	(133,173)	224,820
Total liabilities	3,250,456	—	3,343,244	175,332	(3,036,702)	3,732,330
Partners' capital, common units	1,942,083	—	2,329,577	97,667	(2,427,244)	1,942,083
Noncontrolling interests	—	—	—	(8,602)	—	(8,602)
Total liabilities and partners' capital	$5,192,539	$ —	$5,672,821	$264,397	$(5,463,946)	$5,665,811

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

Unaudited Condensed Consolidating Balance Sheet
December 31, 2015

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$6	$ —	$8,288	$2,601	$—	$10,895
Other current assets	50	—	285,313	10,422	(364)	295,421
Total current assets	56	—	293,601	13,023	(364)	306,316
Fixed assets, at cost	—	—	4,232,641	77,585	—	4,310,226
Less: Accumulated depreciation	—	—	(356,530)	(21,717)	—	(378,247)
Net fixed assets	—	—	3,876,111	55,868	—	3,931,979
Goodwill	—	—	325,046	—	—	325,046
Other assets, net	13,140	—	394,294	140,409	(125,977)	421,866
Advances to affiliates	2,619,493	—	—	47,034	(2,666,527)	—
Equity investees	—	—	474,392	—	—	474,392
Investments in subsidiaries	2,353,804	—	90,741	—	(2,444,545)	—
Total assets	$4,986,493	$ —	$5,454,185	$256,334	$(5,237,413)	$5,459,599
LIABILITIES AND PARTNERS' CAPITAL						
Current liabilities	$35,338	$ —	$267,294	$—	$(496)	$302,136
Senior secured credit facility	1,115,000	—	—	—	—	1,115,000
Senior unsecured notes	1,807,054	—	—	—	—	1,807,054
Deferred tax liabilities	—	—	22,586	—	—	22,586
Advances from affiliates	—	—	2,666,527	—	(2,666,527)	—
Other liabilities	—	—	150,877	167,006	(125,811)	192,072
Total liabilities	2,957,392	—	3,107,284	167,006	(2,792,834)	3,438,848
Partners' capital, common units	2,029,101	—	2,346,901	97,678	(2,444,579)	2,029,101
Noncontrolling interests	—	—	—	(8,350)	—	(8,350)
Total liabilities and partners' capital	$4,986,493	$ —	$5,454,185	$256,334	$(5,237,413)	$5,459,599

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	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
REVENUES:						
Offshore pipeline transportation services	$ —	$ —	$ 78,994	$ —	$ —	$ 78,994
Onshore pipeline transportation services	—	—	11,264	4,986	—	16,250
Refinery services	—	—	42,115	1,715	(2,506)	41,324
Marine transportation	—	—	52,609	—	—	52,609
Supply and logistics	—	—	256,799	—	—	256,799
Total revenues	—	—	441,781	6,701	(2,506)	445,976
COSTS AND EXPENSES:						
Offshore pipeline transportation operating costs	—	—	22,044	632	—	22,676
Onshore pipeline transportation operating costs	—	—	5,480	280	—	5,760
Refinery services operating costs	—	—	22,167	1,918	(2,506)	21,579
Marine transportation costs	—	—	34,430	—	—	34,430
Supply and logistics costs	—	—	246,360	—	—	246,360
General and administrative	—	—	11,283	—	—	11,283
Depreciation and amortization	—	—	55,275	625	—	55,900
Total costs and expenses	—	—	397,039	3,455	(2,506)	397,988
OPERATING INCOME	—	—	44,742	3,246	—	47,988
Equity in earnings of subsidiaries	60,205	—	(156)	—	(60,049)	—
Equity in earnings of equity investees	—	—	12,157	—	—	12,157
Interest (expense) income, net	(35,508)	—	3,632	(3,659)	—	(35,535)
Other income/(expense), net	—	—	—	—	—	—
Income before income taxes	24,697	—	60,375	(413)	(60,049)	24,610
Income tax benefit (expense)	—	—	(1,097)	88	—	(1,009)
NET INCOME	24,697	—	59,278	(325)	(60,049)	23,601
Net loss attributable to noncontrolling interest	—	—	—	126	—	126
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	$ 24,697	$ —	$ 59,278	$ (199)	$ (60,049)	$ 23,727

GENESIS ENERGY, L.P.
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Unaudited Condensed Consolidating Statement of Operations
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	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
REVENUES:						
Offshore pipeline transportation services	$ —	$ —	$ 1,258	$ —	$ —	$ 1,258
Onshore pipeline transportation services	—	—	13,120	5,813	—	18,933
Refinery services	—	—	45,272	5,859	(4,807)	46,324
Marine transportation	—	—	62,594	—	—	62,594
Supply and logistics	—	—	529,073	(3,966)	2,111	527,218
Total revenues	—	—	651,317	7,706	(2,696)	656,327
COSTS AND EXPENSES:						
Offshore pipeline transportation operating costs	—	—	400	—	—	400
Onshore pipeline transportation operating costs	—	—	6,574	(92)	—	6,482
Refinery services operating costs	—	—	25,081	5,526	(4,772)	25,835
Marine transportation costs	—	—	35,286	—	—	35,286
Supply and logistics costs	—	—	517,230	(3,433)	2,110	515,907
General and administrative	—	—	14,861	(29)	—	14,832
Depreciation and amortization	—	—	28,249	(44)	—	28,205
Total costs and expenses	—	—	627,681	1,928	(2,662)	626,947
OPERATING INCOME	—	—	23,636	5,778	(34)	29,380
Equity in earnings of subsidiaries	48,777	—	2,099	—	(50,876)	—
Equity in earnings of equity investees	—	—	18,661	—	—	18,661
Interest (expense) income, net	(17,887)	—	3,787	(3,805)	—	(17,905)
Other income/(expense), net	(19,225)	—	1,696	—	—	(17,529)
Income before income taxes	11,665	—	49,879	1,973	(50,910)	12,607
Income tax expense	—	—	(1,023)	81	—	(942)
NET INCOME	$ 11,665	$ —	$ 48,856	$ 2,054	$ (50,910)	$ 11,665

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	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
REVENUES:						
Offshore pipeline transportation services	$ —	$ —	$ 155,120	$ —	$ —	$ 155,120
Onshore pipeline transportation services	—	—	23,870	10,531	—	34,401
Refinery services	—	—	84,409	2,518	(3,067)	83,860
Marine transportation	—	—	104,645	—	—	104,645
Supply and logistics	—	—	446,364	—	—	446,364
Total revenues	—	—	814,408	13,049	(3,067)	824,390
COSTS AND EXPENSES:						
Offshore pipeline transportation operating costs	—	—	39,349	1,261	—	40,610
Onshore pipeline transportation operating costs	—	—	11,920	576	—	12,496
Refinery services operating costs	—	—	42,613	3,018	(3,067)	42,564
Marine transportation costs	—	—	67,452	—	—	67,452
Supply and logistics costs	—	—	427,393	—	—	427,393
General and administrative	—	—	23,504	—	—	23,504
Depreciation and amortization	—	—	101,285	1,250	—	102,535
Total costs and expenses	—	—	713,516	6,105	(3,067)	716,554
OPERATING INCOME	—	—	100,892	6,944	—	107,836
Equity in earnings of subsidiaries	128,863	—	(78)	—	(128,785)	—
Equity in earnings of equity investees	—	—	22,874	—	—	22,874
Interest (expense) income, net	(69,833)	—	7,266	(7,355)	—	(69,922)
Income before income taxes	59,030	—	130,954	(411)	(128,785)	60,788
Income tax expense	—	—	(2,007)	(3)	—	(2,010)
NET INCOME	59,030	—	128,947	(414)	(128,785)	58,778
Net loss attributable to noncontrolling interest	—	—	—	252	—	252
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	$ 59,030	$ —	$ 128,947	$ (162)	$ (128,785)	$ 59,030

GENESIS ENERGY, L.P.
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Unaudited Condensed Consolidating Statement of Operations
Six Months Ended June 30, 2015

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
REVENUES:						
Offshore pipeline transportation services	$ —	$ —	$ 2,048	$ —	$ —	$ 2,048
Onshore pipeline transportation services	—	—	25,744	12,257	—	38,001
Refinery services	—	—	90,591	7,971	(6,114)	92,448
Marine transportation	—	—	119,965	—	—	119,965
Supply and logistics	—	—	930,722	—	—	930,722
Total revenues	—	—	1,169,070	20,228	(6,114)	1,183,184
COSTS AND EXPENSES:						
Offshore pipeline transportation operating costs	—	—	643	—	—	643
Onshore pipeline transportation operating costs	—	—	12,812	341	—	13,153
Refinery services operating costs	—	—	51,300	7,645	(6,083)	52,862
Marine transportation costs	—	—	66,880	—	—	66,880
Supply and logistics costs	—	—	912,064	—	—	912,064
General and administrative	—	—	28,053	—	—	28,053
Depreciation and amortization	—	—	54,045	1,285	—	55,330
Total costs and expenses	—	—	1,125,797	9,271	(6,083)	1,128,985
OPERATING INCOME	—	—	43,273	10,957	(31)	54,199
Equity in earnings of subsidiaries	88,184	—	3,486	—	(91,670)	—
Equity in earnings of equity investees	—	—	34,180	—	—	34,180
Interest (expense) income, net	(37,079)	—	7,601	(7,642)	—	(37,120)
Other income/(expense), net	(19,225)	—	1,696	—	—	(17,529)
Income before income taxes	31,880	—	90,236	3,315	(91,701)	33,730
Income tax benefit (expense)	—	—	(1,934)	84	—	(1,850)
NET INCOME	$ 31,880	$ —	$ 88,302	$ 3,399	$ (91,701)	$ 31,880

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Unaudited Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2016

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
Net cash (used in) provided by operating activities	$ 80,297	$ —	$ 154,169	$ 4,918	$ (135,712)	$ 103,672
CASH FLOWS FROM INVESTING ACTIVITIES:						
Payments to acquire fixed and intangible assets	—	—	(247,416)	—	—	(247,416)
Cash distributions received from equity investees - return of investment	—	—	11,851	—	—	11,851
Investments in equity investees	—	—	(1,135)	—	—	(1,135)
Acquisitions	—	—	(25,394)	—	—	(25,394)
Intercompany transfers	(223,537)	—	—	—	223,537	—
Repayments on loan to non-guarantor subsidiary	—	—	2,979	—	(2,979)	—
Contributions in aid of construction costs	—	—	8,940	—	—	8,940
Proceeds from asset sales	—	—	3,183	—	—	3,183
Other, net	—	—	107	—	—	107
Net cash provided by (used) in investing activities	(223,537)	—	(246,885)	—	220,558	(249,864)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings on senior secured credit facility	631,900	—	—	—	—	631,900
Repayments on senior secured credit facility	(341,100)	—	—	—	—	(341,100)
Debt issuance costs	(1,539)	—	—	—	—	(1,539)
Intercompany transfers	—	—	236,775	(13,238)	(223,537)	—
Distributions to partners/owners	(146,021)	—	(146,021)	—	146,021	(146,021)
Other, net	—	—	607	7,330	(7,330)	607
Net cash provided by (used in) financing activities	143,240	—	91,361	(5,908)	(84,846)	143,847
Net (decrease) increase in cash and cash equivalents	—	—	(1,355)	(990)	—	(2,345)
Cash and cash equivalents at beginning of period	6	—	8,288	2,601	—	10,895
Cash and cash equivalents at end of period	$ 6	$ —	$ 6,933	$ 1,611	$—	$ 8,550

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Unaudited Condensed Consolidating Statement of Cash Flows
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	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
Net cash (used in) provided by operating activities	$ (2,724)	$ —	$ 102,165	$ 17,167	$ (45,506)	$ 71,102
CASH FLOWS FROM INVESTING ACTIVITIES:						
Payments to acquire fixed and intangible assets	—	—	(240,646)	—		