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Blueknight Energy Partners, L.P.
Form 10-Q
August 02, 2018

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-33503

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

Delaware
(State or other jurisdiction of incorporation or organization)

20-8536826
(IRS Employer
Identification No.)

201 NW 10th, Suite 200
Oklahoma City, Oklahoma 73103
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (405) 278-6400

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 26, 2018, there were 35,125,202 Series A Preferred Units and 40,387,006 common units outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

BLUEKNIGHT ENERGY PARTNERS, L.P.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except unit data)

	As of December 31, 2017 (unaudited)	As of June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,469	\$1,193
Accounts receivable, net of allowance for doubtful accounts of \$28 and \$29 at December 31, 2017 and June 30, 2018, respectively	7,589	31,268
Receivables from related parties, net of allowance for doubtful accounts of \$0 at both dates	3,070	1,219
Prepaid insurance	2,009	2,093
Other current assets	8,438	12,716
Total current assets	23,575	48,489
Property, plant and equipment, net of accumulated depreciation of \$316,591 and \$269,978 at December 31, 2017 and June 30, 2018, respectively	296,069	295,711
Assets held for sale, net of accumulated depreciation of \$55,583 at June 30, 2018	—	16,857
Goodwill	3,870	6,728
Debt issuance costs, net	4,442	3,802
Intangibles and other assets, net	12,913	18,919
Total assets	\$340,869	\$390,506
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	\$4,439	\$5,244
Accounts payable to related parties	2,268	12,878
Accrued interest payable	694	644
Accrued property taxes payable	2,432	3,365
Unearned revenue	2,393	2,039
Unearned revenue with related parties	551	4,384
Accrued payroll	6,119	3,671
Other current liabilities	4,747	17,379
Total current liabilities	23,643	49,604
Long-term unearned revenue with related parties	1,052	960
Other long-term liabilities	3,673	3,715
Long-term interest rate swap liabilities	225	—
Long-term debt	307,592	349,592
Commitments and contingencies (Note 15)		
Partners' capital:		
Common unitholders (40,158,342 and 40,326,571 units issued and outstanding at December 31, 2017 and June 30, 2018, respectively)	454,358	436,416
Preferred Units (35,125,202 units issued and outstanding at both dates)	253,923	253,923
General partner interest (1.6% interest with 1,225,409 general partner units outstanding at both dates)	(703,597)	(703,704)

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Total partners' capital	4,684	(13,365)
Total liabilities and partners' capital	\$340,869	\$390,506

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data)

	Three Months ended June 30, 2017		Six Months ended June 30, 2017	
	2018	2018	2018	2018
	(unaudited)			
Service revenue:				
Third-party revenue	\$28,145	\$14,103	\$56,808	\$31,421
Related-party revenue	13,505	6,063	27,147	12,384
Lease revenue:				
Third-party revenue	—	10,237	—	20,041
Related-party revenue	—	7,475	—	15,178
Product sales revenue:				
Third-party revenue	2,227	45,615	6,262	49,129
Total revenue	43,877	83,493	90,217	128,153
Costs and expenses:				
Operating expense	30,610	28,988	62,516	60,123
Third-party cost of product sales	1,669	20,041	4,808	22,678
Related-party cost of product sales	—	23,747	—	23,747
General and administrative expense				