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BLUE DOLPHIN ENERGY CO
Form 8-K
January 31, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported):
January 31, 2001 (January 22, 2001)

BLUE DOLPHIN ENERGY COMPANY
(Exact name of registrant as specified in its charter)

| | | |
|--------------------------|--------------------------|--------------------------------------|
| DELAWARE | 0-15905 | 73-1268729 |
| (State of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

801 TRAVIS, SUITE 2100
HOUSTON, TEXAS 77002
(Address of Registrant's principal executive offices)

(713) 227-7660
(Registrant's telephone number, including area code)

(NOT APPLICABLE)
(Former name or former address, if changed since last report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On January 22, 2001, Blue Dolphin Energy Company (the "Company") issued a press release announcing that it sold its 50% interest in the Black Marlin Pipeline System to affiliates of the Williams Companies, Inc. for approximately \$4.625 million. The Black Marlin Pipeline System includes a 75-mile natural gas and condensate gathering line with related shore facilities servicing the High Island Area, offshore Texas (the "Black Marlin Pipeline") and the recently constructed 3-mile lateral pipeline extending from High Island Block A-5 to an interconnection into the Black Marlin Pipeline in High Island Block A-6 ("the A-5 Lateral").

This disposition was consummated, in part, through a sale of all of the outstanding capital stock of Black Marlin Pipeline Company (formerly an indirect wholly owned subsidiary of the Company) the owner of a 50% interest in the Black Marlin Pipeline, pursuant to a Purchase and Sale Agreement dated January 12,

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2001 (the "Stock Purchase Agreement") among Black Marlin Energy Company, a wholly owned subsidiary of the Company, MCNIC Offshore Pipeline & Processing Company ("MCNIC"), WBI Southern, Inc. ("WBI") and Williams Field Services Group, Inc. The Company received \$3.625 million for the outstanding capital stock of Black Marlin Pipeline Company

The remaining part of this disposition was consummated through the sale of the A-5 Lateral owned 50% by Blue Dolphin Pipe Line Company, a wholly owned subsidiary of the Company ("BDPL"), pursuant to a Purchase and Sale Agreement dated January 12, 2001 (the "Asset Purchase Agreement") among BDPL, MCNIC, WBI and Williams Field Services - Gulf Coast Company, L.P. The Company received \$1.0 million for the A-5 Lateral.

The Stock Purchase Agreement, Asset Purchase Agreement and press release are filed as exhibits hereto and are incorporated by reference. The description of the Stock Purchase Agreement and Asset Purchase Agreement set forth above do not purport to be complete and are qualified in their entirety by reference to the provisions of such agreements.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Pro Forma Information

Introduction

The pro forma financial information is presented for illustrative purposes only and does not purport to represent what the Company's results actually would have been if such event had occurred at the date indicated. The pro forma condensed financial information should be read in conjunction with the notes thereto together with the Company's financial statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all appearing in the Company's Report on Form 10-K for the year ended December 31, 1999, and in the Company's report on form 10-Q for the quarter ended September 30, 2000.

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

September 30, 2000

| | HISTORICAL (Unaudited) | SALE OF BLACK MARLIN | PRO FORMA |
|---|---------------------------|----------------------------|--------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ 1,871,282 | 4,625,000 (1) | 6,496,282 |
| Trade accounts receivable | 2,176,399 | | 2,176,399 |
| Funds Escrowed for abandonment | 1,466,857 | | 1,466,857 |
| Prepaid expenses | 931,878 | (4,763) (1) | 927,115 |
| | 6,446,416 | 4,620,237 | 11,066,657 |
| Total Current Assets | | | |
| Property and Equipment, at cost, using full cost method for oil and gas properties | 34,331,212 | (3,613,166) (1) | 30,718,046 |
| Accumulated depletion, depreciation | | | |

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| | | | |
|---|---------------|---------------|--------------|
| and amortization | (29,931,631) | 316,248 (1) | (29,615,383) |
| | ----- | ----- | ----- |
| | 4,399,581 | (3,296,918) | 1,102,663 |
| Land | 930,500 | (80,500) (1) | 850,000 |
| Acquisition and development costs - Petroport ... | 1,871,543 | | 1,871,543 |
| Other Assets | 498,793 | | 498,793 |
| | ----- | ----- | ----- |
| Total Assets | \$ 14,146,833 | 1,242,819 | 15,389,652 |
| | ===== | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 3,650,044 | | 3,650,044 |
| Current portion of long term-debt | 218,412 | | 218,412 |
| Notes payable - related parties | 1,400,000 | | 1,400,000 |
| | ----- | ----- | ----- |
| Total Current Liabilities | 5,268,456 | | 5,268,456 |
| Minority interest | 1,177,744 | | 1,177,744 |
| Common Stock | 59,749 | | 59,749 |
| Additional Paid-in Capital | 25,784,758 | | 25,784,758 |
| Accumulated (Deficit) | (18,143,874) | 1,242,819 (1) | (16,901,055) |
| | ----- | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 14,146,833 | 1,242,819 | 15,389,652 |
| | ===== | ===== | ===== |

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

NOTES TO PRO FORMA CONDENSED BALANCE SHEET - UNAUDITED

September 30, 2000

- (1) To reflect the sale of the Company's 50% interest in the Black Marlin Pipeline System as of September 30, 2000, for \$4,625,000 cash.

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS - UNAUDITED

For the Nine Months Ended September 30, 2000

| | HISTORICAL | SALE OF BLACK MARLIN | P FO |
|---------------------------|--------------|----------------------------|-----------|
| | ----- | ----- | ----- |
| Revenue from operations: | | | |
| Pipeline operations | \$ 1,716,102 | (1,018,976) (1) | 627,126 |
| Oil and gas sales | 3,810,333 | | 3,810,333 |
| Operating fees | 234,338 | | 234,338 |
| | ----- | ----- | ----- |

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| | | | |
|--|----------------|---------------|-------|
| REVENUE FROM OPERATIONS | 5,760,773 | (1,018,976) | 4,7 |
| Cost of operations: | | | |
| Pipeline operating expenses | 753,726 | (394,359) (1) | 3 |
| Lease operating expenses | 951,068 | | 9 |
| Depletion, depreciation, and amortization | 1,441,694 | (149,802) (1) | 1,2 |
| Impairment of oil and gas properties | 10,654,976 | | 10,6 |
| General and administrative | 1,583,151 | | 1,5 |
| | ----- | ----- | ----- |
| COST OF OPERATIONS | 15,384,615 | (544,161) | 14,8 |
| | ----- | ----- | ----- |
| LOSS FROM OPERATIONS | (9,623,842) | (474,815) | (10,0 |
| Other income (expense): | | | |
| Interest and other expense | (140,405) | 15,750 (1) | (1 |
| Interest and other income | 77,418 | | |
| | ----- | ----- | ----- |
| INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF A CHANGE IN AN ACCOUNTING PRINCIPLE | (9,686,829) | (459,065) | (10,1 |
| Minority interest | (219,223) | | (2 |
| Provision for income taxes | -- | | |
| | ----- | ----- | ----- |
| Net income (loss) | \$ (9,906,052) | | (10,3 |
| | ===== | | ===== |
| Earnings per common share-basic | | | |
| Net income | \$ (1.66) | | |
| | ===== | | ===== |
| Earnings per common share-diluted | | | |
| Net income | \$ (1.66) | | |
| | ===== | | ===== |
| Weighted average number of common shares outstanding and dilutive potential common shares: | | | |
| Basic | 5,955,645 | | 5,9 |
| | ===== | | ===== |
| Diluted | 5,955,645 | | 5,9 |
| | ===== | | ===== |

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

NOTES TO PRO FORMA CONDENSED STATEMENT OF OPERATIONS -UNAUDITED

For the Nine Months Ended September 30, 2000

- (1) To eliminate the revenues, direct operating expenses and depreciation associated with the Black Marlin Pipeline System.

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS - UNAUDITED

Year Ended December 31, 1999

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| | HISTORICAL | SALE OF BLACK MARLIN | |
|---|----------------|----------------------------|-----|
| | ----- | ----- | |
| Revenue from operations: | | | |
| Pipeline operations | \$ 1,875,716 | (701,144) | (1) |
| Oil and gas sales | 567,103 | | |
| Operating fees | 314,237 | | |
| | ----- | ----- | |
| Revenue from operations | 2,757,056 | (701,144) | |
| | ----- | ----- | |
| Cost of operations: | | | |
| Pipeline operating expenses | 1,102,998 | (411,873) | (1) |
| Lease operating expenses | 1,100,549 | | |
| Depletion, depreciation and amortization | 595,286 | (199,017) | (1) |
| General and administrative expenses | 2,061,805 | | |
| | ----- | ----- | |
| Cost of operations | 4,860,638 | (610,890) | |
| | ----- | ----- | |
| Income (loss) from operations | (2,103,582) | (90,254) | |
| | | | |
| Other income (expense): | | | |
| Interest and other expense | (238,322) | 14,665 | (1) |
| Gain on sale of assets | 2,052,920 | | |
| Interest and other income | 80,722 | | |
| | ----- | ----- | |
| Income (loss) before income taxes | (208,262) | (104,919) | |
| | | | |
| Minority interest | (882) | | |
| | | | |
| Income tax benefit (expense) | (1,797,033) | | |
| | ----- | | |
| Income (loss) before cumulative effect of a change in an accounting principle..... | (2,006,177) | | |
| | | | |
| Change in accounting principal (net of \$41,480 income tax) | (80,334) | | |
| | ----- | | |
| Net income (loss) | \$ (2,086,511) | | |
| | ===== | | |
| Earnings per common share-basic | | | |
| Income before accounting change | \$ (0.41) | | |
| Cumulative effect of a change in accounting principle | (0.02) | | |
| | ----- | | |
| Net income | \$ (0.43) | | |
| | ===== | | |
| Earnings per common share-diluted | | | |
| Income before accounting change | \$ (0.41) | | |
| Cumulative effect of a change in accounting principle | (0.02) | | |
| | ----- | | |
| Net income | \$ (0.43) | | |
| | ===== | | |
| Weighted average number of common shares | | | |
| outstanding and dilutive potential common shares: | | | |
| Basic | 4,837,504 | | |
| | ===== | | |
| Diluted | 4,837,504 | | |
| | ===== | | |

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

NOTES TO PRO FORMA CONDENSED STATEMENT OF OPERATIONS - UNAUDITED

Year Ended December 31, 1999

- (1) To eliminate the revenues, direct operating expenses and depreciation associated with the Black Marlin Pipeline System.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS (CONTINUED)

(b) Exhibit

- 99.1 Purchase and Sale Agreement by and between Williams Field Services Group, Inc. and Black Marlin Energy Company
- 99.2 Purchase and Sale Agreement by and between Williams Field Services - Gulf Coast Company, L.P. and Blue Dolphin Pipeline Company
- 99.3 Press release dated January 22, 2001

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SIGNATURES

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

BLUE DOLPHIN ENERGY COMPANY

Date: January 31, 2001

By: /s/ G. BRIAN LLOYD
G. Brian Lloyd
Vice President, Treasurer

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INDEX TO EXHIBITS

| EXHIBIT | DESCRIPTION OF EXHIBIT |
|---------|---|
| 99.1 | Purchase and Sale Agreement by and between Williams Field Services Group, Inc. and Black Marlin Energy Company |
| 99.2 | Purchase and Sale Agreement by and between Williams Field Services - Gulf Coast Company, L.P. and Blue Dolphin Pipeline Company |
| 99.3 | Press release dated January 22, 2001 |

