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BLUE DOLPHIN ENERGY CO
Form 8-K
July 24, 2002

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) July 23, 2002 (July 9, 2002)

BLUE DOLPHIN ENERGY COMPANY

(Exact name of registrant as specified in its charter)

| | | |
|---|-------------------------|---|
| Delaware | 0-15905 | 73-1268729 |
| (State or other jurisdiction of incorporation or organization) | Commission File Number: | (I.R.S. Employer Identification No.) |

801 Travis, Suite 2100, Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

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

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On July 9, 2002, Blue Dolphin Energy Company (the "Company") issued a press release announcing the sale by American Resources Offshore, Inc., a wholly owned subsidiary of the Company ("American Resources"), of its working interest in the South Timbalier Block 148 property to Newfield Exploration Company ("Newfield"), the operator of the field. Pursuant to the terms of the Purchase and Sale Agreement, American Resources received \$2.3 million for its working interest in the South Timbalier Block 148 property.

As of December 31, 2001, the Company recorded 1,354 Mmcfe of proved reserves attributable to the South Timbalier Block 148 property. These proved reserves

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accounted for approximately 36% of the Company's total net proved reserves on a Mmcf basis and 37% of the discounted present value of estimated future net revenues from proved reserves. Production from this field accounted for 19% of the Company's oil and gas sales revenues and 16% of the Company's total revenues for the year ended December 31, 2001. Production from this field accounted for 21% of the Company's oil and gas sales revenues and 13% of the Company's total revenues for the three months ended March 31, 2002.

ITEM 7. FINANCIAL STATEMENTS, PROFORMA FINANCIAL INFORMATION AND EXHIBITS.

(b) Pro Forma Financial Information

The Pro Forma Consolidated Balance Sheet at March 31, 2002, Pro Forma Consolidated Statement of Operations for the year ended December 31, 2001 and Pro Forma Consolidated Statement of Operations for the three months ended March 31, 2002 (collectively the "Financial Statements") are presented assuming that the sale of the Company's interest in the South Timbalier Block 148 property occurred as of the date of the Pro Forma Balance Sheet and at the beginning of the period for each respective Statement of Operations presented. The Financial Statements have been prepared based on the historical financial statements as of the same date or for the same period indicated.

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

Pro Forma Consolidated Balance Sheet March 31, 2002

| Assets ----- | Unaudited ----- | Adjustments Debit Credit ----- | |
|--|--------------------|---|-----------|
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,345,880 | 2,300,000 | |
| Trade accounts receivable | 1,060,318 | | |
| Prepaid expenses and other assets | 278,111 | | |
| | ----- | | |
| Total current assets | 3,684,309 | | |
| | ----- | | |
| Property and equipment, at cost: | | | |
| Oil and gas properties (full-cost method) | 27,126,133 | | 1,966,780 |
| Onshore separation and handling facilities | 1,664,128 | | |

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| | | |
|--|---------------|-----------|
| Land | 860,275 | |
| Pipelines | 3,580,910 | |
| Other property and equipment | 272,091 | |
| | ----- | |
| | 33,503,537 | |
| Less accumulated depletion, depreciation and amortization | 27,117,808 | 1,030,221 |
| | ----- | |
| | 6,385,729 | |
| Deferred federal income tax | 244,444 | |
| Other assets | 463,189 | |
| | ----- | |
| Total Assets | \$ 10,777,671 | |
| | ===== | |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 818,555 | |
| Accrued expenses and other liabilities | 4,983,527 | |
| | ----- | |
| Total current liabilities | 5,802,082 | |
| Note payable | 750,000 | |
| Common Stock | 63,720 | |
| Additional paid-in capital | 26,107,139 | |
| Accumulated deficit | (21,945,270) | 1,363,433 |
| | ----- | |
| Total Liabilities and Stockholders' Equity | \$ 10,777,671 | |
| | ===== | |

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

Pro Forma Consolidated Balance Sheet

March 31, 2002

To reflect the recording of the sale of the Company's interest in the South Timbalier Block 148 property effective as of March 31, 2002.

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES
 Pro Forma Consolidated Statement of Operations
 Year ended December 31, 2001

| | Audited | Adjustments | | P |
|--|----------------|-------------|-------------|-------|
| | ----- | Debit | Credit | ----- |
| Revenue from operations: | | | | |
| Oil and gas sales | \$ 4,694,202 | 886,954 (1) | | |
| Pipeline operations | 991,823 | | | |
| | ----- | | | |
| Revenue from operations | 5,686,025 | | | |
| | ----- | | | |
| Cost of operations: | | | | |
| Lease operating expenses | 1,155,549 | | 157,212 (1) | |
| Pipeline operating expenses | 517,054 | | | |
| Impairment of assets | 2,940,464 | | | |
| Depletion, depreciation and amortization | 1,817,770 | | 252,713 (1) | |
| General and administrative expenses | 2,845,459 | | | |
| | ----- | | | |
| Cost of operations | 9,276,296 | | | |
| | ----- | | | |
| Loss from operations | (3,590,271) | | | |
| Other income (expense): | | | | |
| Interest and other expense | (243,591) | | | |
| Gain on sale of assets | 1,417,626 | | 524,824 (2) | |
| Interest and other income | 116,417 | | | |
| Equity in losses of affiliates | (245,201) | | | |
| | ----- | | | |
| Loss before minority interest | (2,545,020) | | | |
| Minority interest | (104,122) | | 5,574 (1) | |
| | ----- | | | |
| Net loss | \$ (2,649,142) | | | |
| | ===== | | | |
| Loss per share | | | | |

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| | |
|--|-----------|
| Basic and Diluted | \$ (0.44) |
| | ===== |
| Weighted average number of common shares | 6,004,019 |
| | ===== |

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES
 Pro Forma Consolidated Statement of Operations
 Year ended December 31, 2001

1. To record reductions in revenues, lease operating expenses, depletion, depreciation and amortization and minority interest deduction as a result of the sale of the Company's interest in the South Timbalier Block 148 property effective as of January 1, 2001.
2. To record the gain from the sale of the Company's interest in the South Timbalier Block 148 property effective as of January 1, 2001.

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES
 Pro Forma Consolidated Statement of Operations
 Three Months ended March 31, 2002

| | Unaudited | Adjustments | |
|--------------------------|------------|-------------|--------|
| | | Debit | Credit |
| | ----- | ----- | ----- |
| Revenue from operations: | | | |
| Oil and gas sales | \$ 578,269 | 121,654 (1) | |
| Pipeline operations | 329,297 | | |
| | ----- | | |
| Revenue from operations | 907,566 | | |
| | ----- | | |

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| | | |
|--|--------------|---------------|
| Cost of operations: | | |
| Lease operating expenses | 217,647 | 37,643 (1) |
| Pipeline operating expenses | 144,716 | |
| Depletion, depreciation and amortization | 289,567 | 47,376 (1) |
| Impairment of assets | 339,984 | |
| General and administrative expenses | 584,615 | |
| | ----- | |
| Cost of operations | 1,576,529 | |
| | ----- | |
| Loss from operations | (668,963) | |
| Other income (expense): | | |
| Interest and other expense | (15,792) | |
| Gain on sale of assets | -- | 1,363,437 (2) |
| Bad debt expense | (197,500) | |
| Interest and other income | 14,590 | |
| | ----- | |
| Income/(loss) before minority interest | (867,665) | |
| Minority interest | (55,746) | 18,634 (1) |
| | ----- | |
| Net income/(loss) | \$ (923,411) | |
| | ===== | |
| Income/(loss) per common share-basic: | \$ (0.15) | |
| | ===== | |
| Weighted average number of common shares | 6,213,324 | |
| | ===== | |

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

Pro Forma Consolidated Statement of Operations

Three Months ended March 31, 2002

1. To record reductions in revenues, lease operating expenses, depletion, depreciation and amortization and minority interest deduction as a result of the sale of the Company's interest in the South Timbalier Block 148 property effective as of January 1, 2002.
2. To record the gain from the sale of the Company's interest in the South Timbalier Block 148 property effective as of January 1, 2002.

BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

(c) Exhibits

10.1 Purchase and Sale Agreement between Blue Dolphin Energy Company and
Newfield Exploration Company

99.1 Press Release July 9, 2002

BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

SIGNATURES

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

BLUE DOLPHIN ENERGY COMPANY

Date: July 23, 2002

/s/ Michael J. Jacobson

Michael J. Jacobson
President and Chief Executive Officer

/s/ G. Brian Lloyd

G. Brian Lloyd
Vice President, Treasurer

