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BLUE DOLPHIN ENERGY CO

Form 8-K

November 06, 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)
November 4, 2002 (November 1, 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)

BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On November 4, 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 all of its interest in proved and non-proved oil and natural gas properties and other related assets to Fidelity Exploration and Production Company ("Fidelity"), for approximately \$2.7 million.

The property interests being sold are located offshore Louisiana and Texas in the Gulf of Mexico, and include 11 offshore lease blocks with non-operated interests ranging from 1% to 10%. These properties accounted for approximately

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64% of the Company's total net proved reserves on a million cubic feet of gas equivalent basis, and 63% of the discounted present value of estimated future net revenues from proved oil and gas reserves. Combined with the South Timbalier Block 148 property that was sold in July 2002, these properties represented over 99% of the Company's proved reserves at December 31, 2001. The Company's remaining oil and gas properties include working interests in 3 leased offshore prospects and reversionary working interests in 13 offshore lease blocks.

The July 2002 property sale in the Company's Form 8-K filed on July 23, 2002 is incorporated herein by reference.

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

(b) Pro Forma Financial Information

The Company's Pro Forma Consolidated Balance Sheet at June 30, 2002, and Pro Forma Consolidated Statements of Operations for the year ended December 31, 2001 and for the six months ended June 30, 2002 (collectively the "Financial Statements") are presented assuming that the sale of the Company's interest in the South Timbalier Block 148 property that was consummated in July 2002, and the sale to Fidelity in October 2002, 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 June 30, 2002

		Adjustments Debit (Credit)	
Assets	Unaudited	July 2002 Property sale (1)	October Property sale
-----	-----	-----	-----
Current assets:			
Cash and cash equivalents	\$ 720,859	2,300,000	2,700,000
Trade accounts receivable	1,193,425		
Prepaid expenses and other assets	258,161		

Total current assets	2,172,445		

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Property and equipment, at cost:			
Oil and gas properties (full-cost method)	27,141,910	(1,966,784)	(3,49
Onshore separation and handling facilities	1,664,128		
Land	860,275		
Pipelines	3,639,940		
Other property and equipment	272,091		

	33,578,344		
Less accumulated depletion, depreciation and amortization	27,287,637	1,110,982	1,97

	6,290,707		
Deferred federal income tax	244,444		
Other assets	460,501		

Total Assets	\$ 9,168,097		
	=====		
Liabilities and Stockholders' Equity			

Current liabilities:			
Trade accounts payable	\$ 1,126,193		
Accrued expenses and other liabilities	3,455,903		

Total current liabilities	4,582,096		
Note payable	750,000		
Common Stock	63,718		
Additional paid-in capital	26,107,141		
Accumulated deficit	(22,334,858)	1,444,198	1,20

Total Liabilities and Stockholders' Equity	\$ 9,168,097		
	=====		

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BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

Pro Forma Consolidated Balance Sheet

June 30, 2002

- (1) To reflect the sale of the Company's interest in the South Timbalier Block 148 property on July 9, 2002.
- (2) To reflect the sale of the Company's interest in substantially all of its remaining proved and un-proved oil and gas reserves. The Company sold its interests in these properties on October XX, 2002, effective November 1, 2002.

BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES
Pro Forma Consolidated Statement of Operations

Year ended December 31, 2001

		Adjustments Debit (Credit) (*)	
	Audited	July 2002 Property sale	October 2002 Property sale
Revenue from operations:			
Oil and gas sales	\$ 4,694,202	886,954	3,806,917
Pipeline operations	991,823		

Revenue from operations	5,686,025		

Cost of operations:			
Lease operating expenses	1,155,549	(157,212)	(705,044)
Pipeline operating expenses	517,054		
Impairment of assets	2,940,464		
Depletion, depreciation and amortization	1,817,770	(252,713)	(1,374,913)
General and administrative expenses	2,845,459		

Cost of operations	9,276,296		

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Loss from operations	(3,590,271)		
Other income (expense):			
Interest and other expense	(243,591)		
Interest and other income	116,417		
Gain on sale of assets	1,417,626		
Equity in losses of affiliates	(245,201)		

Loss before minority interest	(2,545,020)		
Minority interest	(104,122)	5,574	98,548

Net loss	\$ (2,649,142)		
	=====		
Loss per share			
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

* To record effective as of January 1, 2001 reductions in revenues, lease operating expenses, depletion, depreciation and amortization and minority interest as a result of the sale of the Company's interest in the South Timbalier Block 148 property (sold effective July 1, 2002) and the sale of substantially all of the Company's remaining proved and un-proved oil and gas reserves (sold effective October 1, 2002). The gain from the sale of these properties is not included in this Pro Forma Consolidated Statement of Operations, due to its nonrecurring nature.

BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

Pro Forma Consolidated Statement of Operations

Six Months ended June 30, 2002

		Adjustments Debit (Credit)	
	Unaudited	July 2002 Property sale	October Property
Revenue from operations:			
Oil and gas sales	\$ 1,267,751	238,254	1,02
Pipeline operations	686,753		

Revenue from operations	1,954,504		

Cost of operations:			
Lease operating expenses	392,859	(85,080)	(25
Pipeline operating expenses	287,435		
Depletion, depreciation and amortization	552,757	(83,397)	(37
Impairment of assets	339,984		
General and administrative expenses	1,376,155		

Cost of operations	2,949,190		

Loss from operations	(994,686)		
Other income (expense):			
Interest and other expense	(121,715)		
Bad debt expense	(197,500)		
Interest and other income	56,648		

Income/(loss) before minority interest	(1,257,253)		
Minority interest	(55,746)	16,048	3

Net loss	\$ (1,312,999)		
	=====		
Loss per common share-basic and diluted:	\$ (0.21)		
	=====		
Weighted average number of common shares	6,293,022		
	=====		

BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

Pro Forma Consolidated Statement of Operations

Six Months ended June 30, 2002

* To record effective as of January 1, 2002 reductions in revenues, lease operating expenses, depletion, depreciation and amortization and minority interest as a result of the sale of the Company's interest in the South Timbalier Block 148 property (sold effective July 1, 2002) and the sale of substantially all of the Company's remaining proved and non-proved oil and gas reserves (sold effective October 1, 2002). The gain from the sale of these properties is not included in this Pro Forma Consolidated Statement of Operations due to its nonrecurring nature.

BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES

- (c) Exhibits
- 10.1 Purchase and Sale Agreement between Blue Dolphin Energy Company and Fidelity Exploration and Production Company.
- 99.1 Press Release issued November 4, 2002.

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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.

Date: November 4, 2002

BLUE DOLPHIN ENERGY COMPANY

/s/ Michael J. Jacobson

Michael J. Jacobson

President and Chief Executive Officer

/s/ G. Brian Lloyd

G. Brian Lloyd

Vice President, Treasurer

