VAN OORT DOUGLAS M
Form 4
May 20, 2011

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
VAN OORT DOUGLAS M

(Last) (First) (Middle)

C/O NEOGENOMICS, INC., 12701 COMMONWEALTH DRIVE SUITE 9

(Street)

FORT MYERS, FL US 33913

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NEOGENOMICS INC [NGNM.OB]

3. Date of Earliest Transaction (Month/Day/Year)
05/12/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman and CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/12/2011		P		1,000	A	$ 1.4	788,890	I	Trust by Self
Common Stock	05/17/2011		P		1,110	A	$ 1.4	790,000	I	Trust by Self
Common Stock								8,600	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form

SEC 1474 (9-02)

displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. I De Sec (In
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock option (right to buy)	$ 0.8							12/31/2009 (1)	03/15/2016	Common Stock	0	
Warrant (right to buy)	$ 1.05							03/16/2009 (2)	03/15/2014	Common Stock	0	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
VAN OORT DOUGLAS M C/O NEOGENOMICS, INC. 12701 COMMONWEALTH DRIVE SUITE 9 FORT MYERS, FL US 33913	X		Chairman and CEO	

Signatures

/s/ Douglas VanOort	05/20/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) On March 15, 2009 Mr. VanOort was granted options to purchase 1,000,000 shares. The grant was comprised of 500,000 time based options and 500,000 performance based options. The first date of vesting when an option became exercisable was December 31, 2009 when 200,000 performance based options vested. Mr. VanOort will have 374,000 time based options vested and exercisable within 60 days of this filing. There are 300,000 performance based options which are not vested or exercisable.

(2) On March 16, 2009 Mr. VanOort was granted a warrant to purchase 625,000 shares. Of this total 125,000 warrants were immediately exercisable and vested. The remaining 500,000 warrants vest based on performance of the Company stock price and are not exercisable or vested at the present time.

 are fully vested, exercisable at $.25 per warrant into one share of common stock, and expire between September 8, 2009 and November 30, 2009. 7. RECENT ACCOUNTING DEVELOPMENTS In December, 2004, the FASB issued Statement of Financial Accounting Standards No. 123R, "Share-Based Payment," that addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for equity instruments of the company, such as stock options and restricted stock. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using APB Opinion No. 25 and requires instead that such transactions be accounted for using a fair value-based method. We currently account for stock-based compensation using the intrinsic method pursuant to APB Opinion No. 25. SFAS No. 123R requires that all stock-based payments to employees, including grants of employee stock options and restricted stock, be recognized as compensation expense in the financial statements based on their fair values. Public entities that file as small business issuers will be required to apply Statement 123R in the first interim or annual reporting period that begins after December 15, 2005. Accordingly, we will be required to apply SFAS No. 123R beginning in the fiscal quarter ending March 31, 2006. The FASB has issued FASB Statement No. 154, Accounting Changes and Error Corrections. This new standard replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements, and represents another step in the FASB's goal to converge its standards with those issued by the IASB. Among other changes, Statement 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. Statement 154 11 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED - CONTINUED JUNE 30, 2005 also provides that (1) a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. On March 30, 2005, FASB Interpretation (FIN) No. 47, Accounting for Conditional Asset Retirement Obligations - An Interpretation of FASB Statement No. 143, was issued. The FASB issued FIN 47 to address diverse accounting practices that developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and (or) method of settlement of the obligation are conditional on a future event. For example, some entities recognize the fair value of the obligation prior to the retirement of the asset with the uncertainty about the timing and (or) method of settlement incorporated into the fair value of the liability. Other entities recognize the fair value of the obligation only when it is probable the asset will be retired as of a specified date using a specified method or when the asset is actually retired. FIN 47 concludes that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. We are currently assessing the impact on our consolidated financial statements of all the recent accounting developments discussed above in this note. The remainder of this page left blank intentionally 12 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS Forward Looking Statements. Certain of the statements included in this quarterly report on Form 10-QSB, including those regarding future financial performance or results or that are not historical facts, are "forward-looking" statements as that term is defined in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933 (the "Securities Act"), as amended. The words "expect", "plan", "believe", "anticipate", "project", "estimate", and similar expressions are intended to identify forward-looking statements. Blue Dolphin Energy Company (referred to herein, with its predecessors and subsidiaries, as "Blue Dolphin", "we", "us" and "our") cautions readers that these statements are not guarantees of future performance or events and such statements involve risks and uncertainties that may cause actual results and outcomes to differ materially from those indicated in forward-looking statements. Some of the important factors, risks and uncertainties that could cause actual results to vary from forward-looking statements include: o the level of utilization of our pipelines; o availability and cost of capital; o actions or inactions of third party operators for properties where we have an interest; o the risks associated with exploration; o the level of production from oil and gas properties; o gas and oil price volatility; o uncertainties in the estimation of proved reserves and in the projection of future rates of production and timing of development expenditures; o regulatory developments; and o general economic conditions. Additional factors that could cause actual results to differ materially from those indicated in the forward-looking statements are discussed under the caption "Risk Factors" in our annual report on Form 10-KSB, as amended, for the year ended December 31, 2004. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date thereof. We undertake no duty to update these forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the additional factors which may affect our business, including the disclosures made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. 13 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED EXECUTIVE SUMMARY We are engaged in two lines of business: (i) pipeline transportation services for producer/shippers, and (ii) oil and gas exploration and production. We conduct our operations through our subsidiaries and our assets are located offshore and onshore in the Texas Gulf coast area. In addition to satisfying our liquidity and capital needs, our focus in 2005 is to increase utilization of our pipelines, strategic acquisitions and continued cost management. Our long-term goal is to create greater value for our stockholders through the addition of assets. Although we continue to have interest in oil and gas properties and will consider acquiring interests in producing oil and gas properties, as a result of implementing cost savings measures in 2004, we are primarily focused on our pipeline business. At the beginning of 2004 we faced, and we continue to face, a significant liquidity shortage. We estimated that we would need to raise approximately $1,500,000 to satisfy our liquidity and working capital requirements through 2004. To address our liquidity shortage and improve our financial performance in 2004 we: o Implemented cost savings measures that included, among other things, reducing the number of employees and contract personnel, o Extended the payment terms of $668,000 of indebtedness that was due in August and September 2004, o Raised capital through the issuance of $750,000 of promissory notes in September 2004, o Sold our interest in New Avoca Gas Storage, LLC for approximately $930,000 in October 2004, and o Negotiated an increase in gas transportation rates on the Blue Dolphin System effective October 2004, As a result of our ongoing liquidity problems, our independent, registered public accounting firm, UHY Mann Frankfort Stein & Lipp CPAs, LLP added an explanatory paragraph in their opinion on our consolidated financial statements as of the year ended December 31, 2004, indicating that substantial doubt exists about our ability to continue as a going concern. Although we took certain steps in 2004 to address our liquidity shortage and improve our financial performance at the beginning of 2005, we estimated that we would need to raise approximately $500,000 to satisfy our liquidity and working capital requirements through 2005. At June 30, 2005 we had a working capital deficit of $200,000. To address our liquidity shortage in 2005 we: o Extended the maturity date and deferred interest payments on $450,000 aggregate principal amount of promissory notes issued in September 2004, and o Restructured the terms of our indebtedness to MCNIC Pipeline and Processing Group, Inc. ("MCNIC") by reducing the principal amount of the indebtedness to $250,000 and having all accrued and unpaid interest forgiven. 14 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED We were also recently notified that payout has occurred on our after-payout reversionary interest in High Island Block 37. At this point we are not able to determine the exact amount that we are due, however, we believe that it will be in excess of $500,000. Absent receipt of these funds we believe we have sufficient liquidity to satisfy our working capital requirements through June 30, 2006. LIQUIDITY AND CAPITAL RESOURCES While we have been able to implement cost savings measures and restructure the terms of some of our indebtedness we were not able to generate sufficient cash from operations to cover operating costs and general and administrative expenses. For the six months ended June 30, 2005, we generated total revenues of approximately $728,000 while operating costs and general administrative expenses totaled approximately $1,468,000 and a working capital deficit of approximately $200,000. Our financial condition has been significantly and negatively affected by the poor performance of our businesses and our significant indebtedness. On February 28, 2005 (effective as of January 1, 2005), we entered into an amendment to our purchase agreement with

MCNIC. Under the terms of the original purchase agreement, we acquired MCNIC's one-third interests in both the Blue Dolphin System and the inactive Omega Pipeline. Pursuant to the terms of the amendment, the original promissory note was exchanged for a new promissory note in the principal amount of $250,000, and all accrued interest on the original promissory note was forgiven, approximately $132,000. We made a principal payment on the new promissory note of $30,000 upon the execution of the amendment. Under the terms of the new promissory note, we will make monthly principal payments of $10,000 through its maturity date of December 31, 2006. In addition, MCNIC may receive additional payments of up to $500,000 from 50% of the net profits, if any, realized from the one-third interest in the Blue Dolphin System through December 31, 2006, and the principal amount of the new promissory note may be increased by up to $500,000, if 50% or more of our 83% interest in the Blue Dolphin System is sold before December 31, 2006. In July 2005, we entered into gas and condensate transportation and handling contracts with Manti Operating Company to deliver production into the Blue Dolphin Pipeline System in Galveston area state tract 348. We expect to begin providing services related to these contracts in at the end of the third quarter or the beginning of the fourth quarter. The amount of revenue derived from these contracts will be based on the volume of gas or condensate that we transport, which we cannot predict at this time. On August 1, 2005, we made our final payment to Tetra Applied Technologies, Inc. ("Tetra"). In August 2004, we restructured our indebtedness to Tetra for the abandonment/reefing of the Buccaneer Field. Under the revised terms, on September 1, 2004 we began paying Tetra the outstanding balance in twelve monthly installments of $55,667 plus interest on the outstanding balance at the rate of six percent per annum. At June 30, 2005, the remaining balance due Tetra was approximately $111,000. On September 8, 2004, we entered into a Note and Warrant Purchase Agreement ("Purchase Agreement") with certain accredited investors and certain of our directors for the purchase and sale of promissory notes in an aggregate principal amount of $750,000 (the "Promissory Notes") and 2,800,000 warrants ("Warrants") to purchase shares of our common stock at a purchase price of $0.003 per Warrant. We 15 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED received proceeds of $758,400 from the issuance of the Promissory Notes and the Warrants. The Promissory Notes mature on September 8, 2005, and accrue interest at a rate of 12.0% per annum, of which 4% is payable monthly and 8% is payable at maturity. However, in April 2005, the holders of $450,000 aggregate principal amount of Promissory Notes agreed to extend the maturity date of their Promissory Notes to June 30, 2006 and to defer the payment of all interest on their Promissory Notes until maturity. As of June 30, 2005, we have issued 2,074,034 shares of common stock as a result of the exercise of Warrants. The exercise of the Warrants was accomplished via net exercises, whereby holders surrendered their right to receive 217,637 shares of common stock. In October 2004, we sold our 25% equity interest in New Avoca for approximately $930,000 and may receive an additional payment of up to approximately $375,000, subject to the commencement of commercial operations at the New Avoca natural gas storage facility prior to October 29, 2011. The proceeds from the sale of our interest in New Avoca are being used for general corporate purposes. The following table summarizes certain of our contractual obligations and other commercial commitments at June 30, 2005 (amounts in thousands): Payments Due by Period --- Contractual Obligations and Other 1 year After Commercial Commitments Total or less 1-3 years 3-5 years 5 years -------------------------------------- -------- ------- --------- --------- --------- Accounts Payable - Tetra $ 111 111 - - - Notes Payable and Long-Term Debt 1,484 924 560 - - Operating Leases, net of sublease 205 123 70 12 - Abandonment - Costs 1,671 - 194 - 1,477 -------- ------- -------- ------- ------- Total Contractual Obligations and Other Commercial Commitments $ 3,471 1,158 824 12 1,477 ======== ======= ======== ======= ======= 16 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED The following table summarizes our financial position for the periods indicated (amounts in thousands): June 30, December 31, 2005 2004 ------------------ --------------- Amount % Amount % ------- ---- ------ --- Working Capital $ (214) (4) $ 404 7 Property and equipment, net 5,086 104 5,324 93 Other noncurrent assets 11 -- 11 -- ------- ---- ------ --- Total $ 4,883 100 $5,739 100 ======= ==== ====== === Long-term Liabilities $ 2,230 46 $2,374 41 Stockholders' equity 2,653 54 3,365 59 ------- ---- ------ --- Total $ 4,883 100 $5,739 100 ======= ==== ====== === Our financial condition continues to be adversely affected by the poor performance or our business and we have not been able to generate sufficient cash from operations to cover operating costs and general and administrative expenses. Natural gas transportation throughput on our Blue Dolphin System is currently 6 MMBtu per day representing approximately 4% of system capacity. However, we believe, that the Blue

Dolphin System is in a market area that is experiencing an increased level of interest by oil and gas operators based on the recent leasing activity in the lease blocks surrounding the pipelines. Effective October 1, 2004, we renegotiated the gas transportation rates on the Blue Dolphin System due to operating losses incurred from operating the system. As a result, gas transportation revenues from the Blue Dolphin System for the first half of 2005 totaled approximately $436,000. Without the increased rates, gas transportation revenues would have been approximately $121,000 for this same period. Future utilization of our pipelines and related facilities will depend upon the success of drilling programs around our pipeline systems, and attraction and retention of producer/shippers to the systems. Three new successful wells have recently been drilled in lease blocks in the vicinity of the Blue Dolphin Pipeline. We have entered into transportation and handling agreements with the operator of one of the wells and are currently negotiating with the operators of the other two wells. As a result of current and anticipated drilling activity around the Blue Dolphin System, we expect that utilization of the Blue Dolphin System will increase in late 2005. During the six months ended June 30, 2005, we incurred no capital expenditures for the development of our proved reserves. However, we do expect to make capital expenditures totaling $40,000 and $203,000 in the years ending December 31, 2005 and 2007, respectively. Capital expenditures in 2005 represent workover costs, net to our interest, for the producing well in the High Island Block A-7 field and in 2007, the abandonment costs of our High Island Block A-7 field, net to our interest. 17 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED RESULTS OF OPERATIONS We reported a net loss for the six months ended June 30, 2005 ("current period") of $711,788 compared a net loss of $1,343,012 reported for the six months ended June 30, 2004 ("previous period"). For the three months ended June 30, 2005 ("current quarter"), we reported a net loss of $514,796, compared to a net loss of $823,406 for the three months ended June 30, 2004 ("previous quarter"). FIRST HALF OF 2005 COMPARED TO FIRST HALF OF 2004 Revenue from pipeline operations. Revenues from pipeline operations increased by $251,171 or 63% in the current period to $648,708. Revenues in the current period from the Blue Dolphin System totaled approximately $521,000 compared to approximately $254,000 in the previous period primarily as a result of an increase in our average gas transportation rates on the Blue Dolphin System effective as of October 2004. The increased rates will decrease as our net operating results from the Blue Dolphin System improve, but in any case, the rates will be no lower than the rates that were in effect prior to October 2004. Revenue from oil and gas sales. Revenues from oil and gas sales decreased by $201,419 to $79,751 in the current period from those of the previous period primarily due to a significant production decline in the High Island Block A-7 field, which provided revenues from oil and gas sales of approximately $80,000 in the current period compared to approximately $217,000 in the previous period. We expect that revenue from oil and gas sales will continue to decline as we anticipate that production from the reservoir currently producing will cease in the third quarter of 2005. However there is an additional reservoir in which a recompletion in the existing well is possible. Oil and gas sales from this additional reservoir are not expected to significantly increase our total revenues in 2005. Previous period oil and gas sales include approximately $64,000 from our interest in the High Island Block 34 field, which was sold in June 2004. Pipeline operating expenses. Pipeline operating expenses in the current period decreased by $160,483 to $488,049 due to lower repairs and maintenance costs of approximately $170,000 and lower insurance costs of approximately $85,000, partially offset by an increase in legal costs of approximately $52,000. The decrease in insurance costs is due to a refund received for having no claims in the previous policy period and the elimination of property insurance coverage on our pipelines. The increase in legal costs is associated with an ongoing action against us, the outcome of which we do not believe will have a material impact. However, as this litigation continues we will continue to incur significant legal expenses which could have a material adverse effect on our financial condition. 18 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED General and administrative. General and administrative expenses increased by $26,113 to $922,354 in the current period. The increase was due to higher legal and consulting expenses associated with our efforts to raise capital, offset by lower personnel and other costs as a result of our cost reduction plans implemented in 2003 and 2004. The 2004 cost reductions included the termination of certain employees in mid 2004. The annual cost savings associated with measures taken is expected to be approximately $360,000. However, if our business activities expand, we will need to hire additional employees, and our personnel and associated costs may increase. Depletion, depreciation and amortization. Depletion, depreciation and amortization expense decreased by $83,623 in the current period to $170,885. In the previous period we recorded depletion of approximately $63,000 associated with our oil and gas properties. The decrease in depletion was a result of there being no remaining unamortized oil and gas costs in the current period. Interest and other expense. Interest and other expense decreased $145,031 in the current period. Other expense in the prior period includes approximately $200,000 in legal and other fees associated with a proposed financing transaction that was subsequently terminated, offset by increased interest expense in the current period of approximately $29,000, and amortization of debt issuance costs of approximately $28,000 due to the issuance of the Promissory Notes in September 2004. Interest and other income. Interest and other income increased $188,887 in the current period. Other income in the current period includes a gain on the placement of our interests in the Galveston Block 287/297 leases of approximately $140,000, a gain on the elimination of accrued interest pursuant to the restructuring of the MCNIC promissory note of approximately $132,000 and the collection of accounts receivable that were previously written off of approximately $45,000. Other income in the previous period includes fees generated for consulting services we provided, associated with the evaluation of oil and gas properties of $50,000 and the collection of accounts receivable that were previously written off of $75,000. Equity in loss of affiliate. In the previous period we recorded a loss from our equity interest in New Avoca of $48,370. Our interest in New Avoca was sold in October 2004. SECOND QUARTER OF 2005 COMPARED TO SECOND QUARTER OF 2004 Revenue from pipeline operations. Revenues from pipeline operations increased by $133,595 or 69% in the current quarter to $327,093. Revenues in the current quarter from the Blue Dolphin System totaled approximately $267,000 compared to approximately $130,000 in the previous quarter primarily as a result of an increase in our average gas transportation rates on the Blue Dolphin System effective as of October 2004. 19 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED Revenue from oil and gas sales. Revenues from oil and gas sales decreased by $83,942 in the current quarter from those of the previous quarter primarily due to a significant production decline in the High Island Block A-7 field, which provided revenues from oil and gas sales of approximately $42,000 in the current quarter compared to approximately $99,000 in the previous quarter. Oil and gas sales in the previous quarter include approximately $28,000 from our interest in the High Island Block 34 field, which was sold in June 2004. Pipeline operating expenses. Pipeline operating expenses in the current quarter decreased by $205,092 to $200,189 due to lower repairs and maintenance costs of approximately $170,000 and lower legal costs of approximately $41,000. The legal costs are associated with an ongoing action against us, the outcome of which we do not believe will have a material impact. General and administrative. General and administrative expenses increased by $94,832 to $495,059 in the current quarter. The increase was due to higher legal and consulting expenses associated with our efforts to raise capital, offset by lower personnel and other costs as a result of our cost reduction plans implemented in 2003 and 2004. Depletion, depreciation and amortization. Depletion, depreciation and amortization expense decreased by $34,670 in the current quarter to $85,056. In the previous quarter we recorded depletion of approximately $25,000 associated with our oil and gas properties. The decrease in depletion was a result of there being no remaining unamortized oil and gas costs in the current quarter. Interest and other expense. Interest and other expense decreased $172,776 in the current quarter. Other expense in the prior quarter includes approximately $200,000 in legal and other fees associated with a proposed financing transaction that was subsequently terminated, partially offset by increased interest expense and amortization of debt issuance costs in the current quarter due to the issuance of the Promissory Notes in September 2004. Interest and other income. Interest and other income decreased $50,852 in the current quarter Other income in the previous quarter includes $45,000 associated with the collection of accounts receivable that were previously written off . Equity in loss of affiliate. In the previous quarter we recorded a loss from our equity interest in New Avoca of $25,068. Our interest in New Avoca was sold in October 2004. RECENT ACCOUNTING DEVELOPMENTS See Note 7 in Item 1. 20 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES ITEM 3. CONTROLS AND PROCEDURES As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon the evaluation, the Chief Executive Officer and Principal Accounting Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, are recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There were no changes in our internal controls as of the end of the period covered by this report; however, there were changes in our internal controls over financial reporting, in the form of more in-depth project status review procedures that occurred subsequent to the period, and up to the date of this filing. These changes were designed to enhance our existing controls and procedures. The remainder of this page left blank intentionally 21 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES PART II. OTHER INFORMATION ITEM 2. UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS From April 21, 2005 through June 6, 2005, 583,336 outstanding warrants were exercised by warrant holders. The exercises were accomplished via net exercise, whereby holders surrender their right to receive a portion of the shares of common stock. The rights to receive 68,562 shares of common stock were surrendered and the Company issued 514,774 shares of common stock upon exercise. From June 1, 2005 through June 3, 2005, 80,571 stock options were exercised. These options were granted under the Blue Dolphin 2000 Stock Incentive Plan. The exercises were accomplished via net exercise, as described above. The stock options had exercise prices from $.35 per share to $1.90 per share. The rights to receive 23,548 shares were surrendered, and the Company issued 57,023 shares of common stock upon exercise. These securities were issued in reliance upon the exemption from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS The Company's annual meeting of stockholders was held on May 19, 2005. The matter that was voted upon at the meeting, and the number of votes cast for or against, as well as the number of abstentions as to such matter, where applicable, are set forth below. Votes Votes For Against Abstentions --- ------- ----------- Election of Directors Ivar Siem 5,482,728 33,563 22,457 Laurence N. Benz 5,477,011 39,380 22,357 Michael S. Chadwick 3,731,067 1,785,324 22,357 Harris A. Kaffie 5,489,891 26,500 22,357 F. Gardner Parker 5,383,126 133,265 22,357 James M. Trimble 5,491,163 25,228 22,357 22 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES PART II. OTHER INFORMATION-CONT. ITEM 6. EXHIBITS A) Exhibits 3.1(1) Amended and Restated Certificate of Incorporation of the Company. 3.2(2) Amended and Restated Bylaws of the Company. 31.1 Ivar Siem Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. 31.2 Gregory W. Starks Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. 32.1 Ivar Siem Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. 32.2 Gregory W. Starks Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. -------------------- (1) Incorporated herein by reference to Exhibits filed in connection with the definitive Proxy Statement of Blue Dolphin Energy Company under the Securities and Exchange Act of 1934, dated October 13, 2004 (Commission File No. 000-15905). (2) Incorporated herein by reference to Exhibits filed in connection with Form 10-QSB of Blue Dolphin Energy Company for the quarter ended June 30, 2004 under the Securites and Exchange Act of 1934, dated August 20, 2004 (Commission File No. 000-15905). 23 BLUE DOLPHIN ENERGY COMPANY AND SUBSIDIARIES SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. By: BLUE DOLPHIN ENERGY COMPANY Date: August 15, 2005 /s/ Ivar Siem ------------------------------------- Ivar Siem Chairman and Chief Executive Officer /s/ Gregory W. Starks ------------------------------------- Gregory W. Starks Treasurer (Principal Accounting and Financial Officer) 24 EXHIBIT INDEX 3.1(1) Amended and Restated Certificate of Incorporation of the Company. 3.2(2) Amended and Restated Bylaws of the Company. 31.1 Ivar Siem Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. 31.2 Gregory W. Starks Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. 32.1 Ivar Siem Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. 32.2 Gregory W. Starks Certification Pursuant to 18 U.S.C. 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