GENESIS ENERGY LP
Form PRE 14A
October 24, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under §240.14a-12

Genesis Energy, L.P.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with written preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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500 Dallas, Suite 2500

Houston, Texas 77002

November 7, 2007

To our unitholders:

You are cordially invited to attend a special meeting of the unitholders of Genesis Energy, L.P. (*Genesis*) to be held at our offices at 500 Dallas, Suite 2500, Houston, Texas, 77002 on December 18, 2007 at 10:00 a.m. local time.

The board of directors of Genesis Energy, Inc., our general partner (which we refer to as our board of directors), has called the special meeting. At this important meeting, you will be asked to consider and vote upon:

- a proposal to amend certain provisions of our partnership agreement in the manner specifically set forth in Amendment No. 1 to the Fourth Amended and Restated Limited Partnership Agreement (annexed to the accompanying proxy statement as Annex A), and which we refer to as the *Amendment Proposal*, to allow any affiliated persons or group who hold more than 20% of our outstanding voting units to vote on all matters on which holders of our voting units have the right to vote, *other than* matters relating to the succession, election, removal, withdrawal, replacement or substitution of our general partner and to clarify and expand the concept of *group* ;

- a proposal to approve the terms of the Genesis Energy, Inc. 2007 Long Term Incentive Plan, which provides for awards of our units and other rights to our employees and, possibly, our directors (the *Incentive Plan Proposal*); and

- a proposal to, if necessary, adjourn the special meeting to a later date, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the foregoing proposals.

We are submitting the Amendment Proposal in connection with our recent acquisition of certain energy-related businesses owned by affiliates of the Davison family of Ruston, Louisiana, for approximately $560 million. In that transaction, the Davison parties received approximately 50% of the acquisition consideration in the form of common units (or 13,459,209 common units representing approximately 47.5% of our outstanding units after giving effect to that issuance). Our current partnership agreement does not allow persons holding more than 20% of our voting units (such as the Davisons) to vote on any matters on which holders of our common units have the right to vote. As part of that transaction, we agreed to call a unitholders meeting to recommend that our unitholders approve an amendment to our partnership agreement that would allow the Davisons to vote those units on all matters on which holders of our voting units have a right to vote *other than* matters relating to the succession, election, removal, withdrawal, replacement or substitution of our general partner.

In addition, we believe that the voting limitation provision contained in our current partnership agreement could inhibit our ability to make potential acquisitions in which a seller desires to receive units as consideration. We believe the Amendment Proposal would substantially reduce that risk because it would apply equally to all persons or groups of persons who hold more than 20% of our common units, not just the Davisons. To satisfy our commitments to the Davisons and to avoid a future risk that could affect our ability to complete future transactions because of unacceptable delays or our potential inability to issue units with full voting rights, we are recommending that you approve the Amendment Proposal, which puts us on more equal footing and brings our governance structure more in line with many of the recently formed publicly traded partnerships, or MLPs, with whom we compete for acquisitions and other investment capital on a regular basis.

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The compensation committee of our board of directors unanimously approved the Incentive Plan Proposal and recommended that our board of directors approve it. Our board of directors has unanimously approved the Incentive Plan Proposal (subject to our obtaining unitholder approval), the Amendment Proposal and the adjournment proposal. Our board of directors believes that those proposals are in the best interest of our unitholders and our partnership and recommends that the unitholders approve those proposals.

Your vote is very important. Even if you plan to attend the special meeting, we urge you to mark, sign and date the enclosed proxy card and return it promptly. You will retain the right to revoke it at any time before the vote or to vote your units personally if you attend the special meeting.

A quorum of a majority (excluding persons or groups (such as the Davisons) beneficially owning 20% or more of our outstanding common units) of our outstanding units present in person or by proxy will permit us to conduct the proposed business at the special meeting. Under our partnership agreement, the Amendment Proposal requires approval by at least a majority (excluding persons or groups (such as the Davisons) beneficially owning 20% or more of our outstanding common units) of the outstanding units. Under the rules of the American Stock Exchange, the Incentive Plan Proposal requires approval of the majority of the votes cast at the special meeting. Our partnership agreement also provides that, in the absence of a quorum, the special meeting may be adjourned from time to time by the affirmative vote of a majority of our outstanding units (excluding units held by persons or groups beneficially owning 20% or more of our outstanding common units) entitled to vote at such meeting represented either in person or by proxy. Due to the terms our partnership agreement and the transaction agreements related to the Davison acquisition, the units held by the members of the Davison family and their affiliates will not be characterized as outstanding under our partnership agreement, and accordingly, will not be considered at the meeting for any purpose, including determination of a quorum, voting or adjournment.

I urge you to review carefully the attached proxy statement, which contains a detailed description of the proposal to be voted upon at the special meeting.

Sincerely,

GRANT E. SIMS

Chief Executive Officer

If you need assistance in voting your units, please call the firm assisting us in the solicitation of proxies for the special meeting:

Georgeson Inc.

Toll free: 800-368-9818

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GENESIS ENERGY, L.P.

500 Dallas, Suite 2500

Houston, Texas 77002

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

TO BE HELD ON DECEMBER 18, 2007

To our unitholders:

A special meeting of unitholders of Genesis Energy, L.P. will be held on December 18, 2007 at 10:00 a.m., local time, at our offices at 500 Dallas, Suite 2500, Houston, Texas, 77002, for the following purposes:

To consider and vote upon:

a proposal to amend certain provisions of our partnership agreement in the manner specifically set forth in Amendment No. 1 to the Fourth Amended and Restated Limited Partnership Agreement (annexed to the accompanying proxy statement as Annex A), and which we refer to as the *Amendment Proposal*, to allow any affiliated persons or group who hold more than 20% of our outstanding voting units to vote on all matters on which holders of our voting units have the right to vote, *other than* matters relating to the succession, election, removal, withdrawal, replacement or substitution of our general partner and to clarify and expand the concept of *group* ;

a proposal to approve the terms of the Genesis Energy, Inc. 2007 Long Term Incentive Plan, which provides for awards of our units and other rights to employees and, possibly, our directors of Genesis Energy, Inc. and its affiliates (the *Incentive Plan Proposal*); and

a proposal to adjourn the special meeting to a later date, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the foregoing proposals.

We have set the close of business on November 2, 2007 as the record date for determining which unitholders are entitled to receive notice of and to vote at the special meeting and any postponements or adjournments thereof. A list of unitholders of record is on file at our principal offices, 500 Dallas, Suite 2500, Houston, Texas 77002, and will be available for inspection by any common unitholder during the meeting.

Your Vote is Very Important. If you cannot attend the special meeting, you may vote by telephone or over the Internet as instructed on the enclosed proxy card or by mailing the proxy card in the enclosed postage-prepaid envelope. Any common unitholder attending the meeting may vote in person, even though he or she already has returned a proxy card.

BY ORDER OF THE BOARD OF DIRECTORS OF

GENESIS ENERGY, INC.,

the sole general partner of

GENESIS ENERGY, L.P.

ROSS A. BENAVIDES

Chief Financial Officer, General Counsel and Secretary

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. THIS PROXY STATEMENT IS DATED NOVEMBER 7, 2007. YOU SHOULD ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF THAT DATE ONLY. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THAT DATE.

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GENESIS ENERGY, L.P.

500 Dallas, Suite 2500

Houston, TX 77002

PROXY STATEMENT

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GENESIS ENERGY, L.P.

500 Dallas, Suite 2500

Houston, Texas 77002

PROXY STATEMENT

SPECIAL MEETING OF UNITHOLDERS

November 7, 2007

This proxy statement contains information related to the special meeting of unitholders of Genesis Energy, L.P. (*Genesis*) and any postponements or adjournments thereof. This notice and proxy statement are first being mailed to unitholders on or about November 7, 2007.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The following is qualified in its entirety by the more detailed information contained in or incorporated by reference in this proxy statement. Unitholders are urged to read carefully this proxy statement in its entirety. FOR ADDITIONAL COPIES OF THIS PROXY STATEMENT OR PROXY CARDS OR IF YOU HAVE ANY QUESTIONS ABOUT THE SPECIAL MEETING, CONTACT GEORGESON INC. TOLL FREE AT (800) 368-9818.

Q1: **WHO IS SOLICITING MY PROXY?**

A: We are sending you this proxy statement in connection with our solicitation of proxies for use at our special meeting of unitholders. Certain officers of Genesis Energy, Inc., our general partner, and its affiliates, and Georgeson Inc. (a proxy solicitor) may also solicit proxies on our behalf by mail, phone, fax or in person.

Q2: **HOW WILL MY PROXY BE VOTED?**

A: Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote all executed proxy cards FOR the Amendment Proposal, the Incentive Plan Proposal, and the proposal to grant discretionary authority to the persons named as proxies to vote to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies. With respect to any other matter that properly comes before the special meeting, the proxy holders will vote as recommended by the board of directors, or, if no recommendation is given, in their own discretion.

Q3: **WHEN AND WHERE IS THE SPECIAL MEETING?**

A: The special meeting will be held on December 18, 2007, at 10:00 a.m. local time at our offices at 500 Dallas, Suite 2500, Houston, Texas, 77002. The special meeting may be adjourned by our general partner or its representative to another date and/or place for any purpose (including, without limitation, for the purpose of soliciting additional proxies). However, our partnership agreement also provides that, in the absence of a quorum, the special meeting may be adjourned from time to time by the affirmative vote of a majority of our outstanding units (excluding units held by persons or groups (such as the Davisons) beneficially owning 20% or more of our outstanding common units) entitled to vote at such meeting represented either in person or by proxy.

Q4: **WHAT IS THE PURPOSE OF THE SPECIAL MEETING?**

A: At the special meeting, our unitholders will act upon the following proposals:

To consider and vote upon a proposal to amend certain provisions of our partnership agreement in the manner specifically set forth in Amendment No. 1 to the Fourth Amended and Restated Limited Partnership Agreement (annexed to the accompanying proxy statement as Annex A), and which we

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refer to as the *Amendment Proposal*, to allow any affiliated persons or group who hold more than 20% of our outstanding voting units to vote on all matters on which holders of our voting units have the right to vote, *other than* matters relating to the succession, election, removal, withdrawal, replacement or substitution of our general partner and to clarify and expand the concept of *group* ;

To consider and vote upon a proposal to approve the terms of the Genesis Energy, Inc. 2007 Long Term Incentive Plan, which provides for awards of our units and other rights to our employees, and, possibly, our directors of Genesis Energy, Inc. and its affiliates (the *Incentive Plan Proposal*); and

To consider and vote upon a proposal to adjourn the special meeting to a later date, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the foregoing proposals.

Q5: **WHAT IS THE RECOMMENDATION OF THE BOARD OF DIRECTORS OF THE GENERAL PARTNER OF GENESIS GENERAL PARTNER?**

A: The board of directors recommends that you vote **FOR** the Amendment Proposal, **FOR** the Incentive Plan Proposal and **FOR** approval of the proposal to grant discretionary authority to the persons named as proxies to vote to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies. The compensation committee of our board of directors unanimously recommended the Incentive Plan Proposal to our board of directors. Our board of directors has unanimously approved both proposals, subject to obtaining unitholder approval.

Q6: **WHO IS ENTITLED TO VOTE AT THE SPECIAL MEETING?**

A: All unitholders who owned our units at the close of business on the record date, November 2, 2007, are entitled to receive notice of the special meeting and to vote the common units (excluding, units held by persons or groups (such as the Davisons) beneficially owning 20% or more of our outstanding common units) that they held on the record date at the special meeting, or any postponements or adjournments of the special meeting. Each unitholder may be asked to present valid picture identification, such as a driver s license or passport. Cameras, recording devices and other electronic devices will not be permitted at the special meeting.

Q7: **HOW DO I VOTE?**

A: Mail your completed, signed and dated proxy card in the enclosed postage-paid return envelope, or vote by telephone or electronically, as soon as possible so that your units may be represented at the special meeting. You may also attend the special meeting and vote your units in person. Holders whose units are held in street name through brokers or other nominees who wish to vote at the special meeting will need to obtain a legal proxy from the institution that holds their units. Even if you plan to attend the special meeting, your plans may change, so we urge you to complete, sign and return your proxy card in advance of the special meeting.

Q8: **HOW DO I VOTE BY TELEPHONE OR ELECTRONICALLY?**

A: If you are a registered unitholder (that is, you hold your units in certificate form), you may vote by telephone or through the Internet by following the instructions included with your proxy card. If your units are held in street name, you will receive instructions from your broker or other nominee describing how to vote your units. Certain of these institutions may offer telephone and Internet voting. Please refer to the information forwarded by your broker or other nominee to see which options are available to you. The deadline for voting by telephone or through the Internet is 11:59 p.m. Eastern time on December 17, 2007, the night before the special meeting.

Q9: **IF MY UNITS ARE HELD IN STREET NAME BY MY BROKER, WILL MY BROKER OR OTHER NOMINEE VOTE MY UNITS FOR ME?**

A: If you own your units in street name through a broker or nominee, your broker or nominee will not be permitted to exercise voting discretion with respect to the matters to be acted upon at the special meeting.

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Thus, if you do not give your broker or nominee specific instructions, your units will not be voted on the proposal, however, if your proxy is marked as an abstention, it will be counted as a unit that is present and entitled to vote for purposes of determining a quorum (see Question 11). Broker non-votes will have no effect on the proposal to grant discretionary authority to the persons named as proxies to vote to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies.

Q10: **WHAT IF I WANT TO CHANGE MY VOTE?**

A: To change your vote after you have submitted your proxy card, send in a later-dated, signed proxy card to us or attend the special meeting and vote in person. You may also revoke your proxy by sending in a notice of revocation to us at the address set forth in the notice. Please note that attendance at the special meeting will not by itself revoke a previously granted proxy. If you have instructed your broker or other nominee to vote your units, you must follow the procedure your broker or nominee provides to change those instructions.

Q11: **WHAT CONSTITUTES A QUORUM?**

A: If a majority of our outstanding common units (excluding persons or groups (such as the Davisons) beneficially owning 20% or more of our outstanding common units) on the record date are present in person or by proxy at the special meeting, that will constitute a quorum and will permit us to conduct the proposed business at the special meeting. Your units will be counted as present at the special meeting if you are present and vote in person at the meeting or have submitted a properly executed proxy card. Due to the terms our partnership agreement and the transaction agreements related to the Davison acquisition, the units held by the members of the Davison family and their affiliates will not be characterized as outstanding under our partnership agreement, and accordingly, will not be considered at the meeting for any purpose, including determination of a quorum, voting or adjournment.

Proxies received but marked as abstentions will not be voted but will be counted as units that are present and entitled to vote for purposes of determining the presence of a quorum. If an executed proxy is returned by a broker or other nominee holding units in street name indicating that the broker does not have discretionary authority as to certain units to vote on the proposal (a broker non-vote), such units will be considered present at the meeting for purposes of determining the presence of a quorum but will not be considered entitled to vote. An abstention, broker non-vote, or the failure to vote at all will have the effect of a negative vote for the purposes of votes required under our partnership agreement, but not for the purpose of the vote required under the rules of the American Stock Exchange. See Question 12.

Q12: **WHAT VOTE IS REQUIRED TO APPROVE THE PROPOSALS?**

A: Under our partnership agreement, the Amendment Proposal requires approval by at least a majority of the outstanding units (excluding units held by persons or groups (such as the Davisons) beneficially owning 20% or more of our outstanding common units). The adjournment proposal requires the affirmative vote of the holders of a majority of units represented in person or by proxy at the meeting and entitled to vote on the proposal. Under the rules of the American Stock Exchange, the Incentive Plan Proposal requires the approval of the majority of votes cast at the special meeting. Therefore, abstention, or the failure to vote at all, on the Incentive Plan Proposal will have no effect on the outcome of the Incentive Plan Proposal, provided that we have obtained a quorum.

Due to the terms our partnership agreement and the transaction agreements related to the Davison acquisition, the units held by the members of the Davison family and their affiliates will not be characterized as outstanding under our partnership agreement, and accordingly, will not be considered at the meeting for any purpose, including determination of a quorum, voting or adjournment.

Q13: **WHO CAN I CONTACT FOR FURTHER INFORMATION?**

A: If you have questions about the proposal, please call our general counsel, Ross A. Benavides at (713) 860-2528 or Georgeson Inc. toll free at (800) 368-9818.

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GENESIS ENERGY, L.P.

Who We Are

We are a growth-oriented limited partnership focused on the midstream segment of the oil and gas industry in the Gulf Coast region of the United States, primarily Texas, Louisiana, Arkansas, Mississippi, Alabama and Florida. We have a diverse portfolio of customers, operations and assets, including refinery-related plants, pipelines, storage tanks and terminals, and trucks and truck terminals. We provide services to refinery owners; oil, natural gas and CO_2 producers; industrial and commercial enterprises that use CO_2 and other industrial gases; and individuals and companies that use our dry-goods trucking services. Substantially all of our revenues are derived from providing services to integrated oil companies, large independent oil and gas or refinery companies, and large industrial and commercial enterprises. We manage our businesses through four divisions: refinery services, pipeline transportation, supply and logistics, and industrial gases.

Recent Events

Adopted Growth-Oriented Strategy and Hired an Experienced Midstream Senior Management Team

Our board of directors has adopted a growth-oriented strategy for us and on August 8, 2006, we hired three senior executive officers: Grant E. Sims, former CEO of Leviathan Gas Pipeline Partners, L.P., was appointed as the new Chief Executive Officer and a member of the Board of Directors; Joseph A. Blount, Jr., former President and Chief Operating Officer of Unocal Midstream & Trade, was appointed as President and Chief Operating Officer; and Brad N. Graves, former Vice President of Enterprise Products Partners, L.P., was appointed as Executive Vice President of Business Development. This management team is responsible for designing and implementing our growth-oriented strategy that will include acquisitions from third parties (such as the recent acquisitions from the Davisons), development projects and, ultimately, acquisitions from (or lease or financing arrangements with) subsidiaries of Denbury Resources Inc. (Denbury), the beneficial owner of our general partner.

Increased Credit Facility to $500 Million

On November 15, 2006, we replaced our $50 million working capital credit facility with a $500 million working capital and acquisition facility. As of September 30, 2007, we had $45.7 million of remaining availability under our borrowing base under that facility.

Acquired Terminal and Dock Facilities

Effective July 1, 2007, we paid $8.1 million for BP Pipelines (North America) Inc. s Port Hudson oil truck terminal, marine terminal, and marine dock on the Mississippi River, which includes 215,000 barrels of tankage, a pipeline and other related assets in East Baton Rouge Parish, Louisiana.

Acquired Refinery Services Division and Other Businesses

We acquired for approximately $618 million (net of cash acquired at closing and subject to final purchase price adjustments) the assets of five energy-related businesses focused on the transportation, storage, marketing and procurement of petroleum products and refinery services from several entities owned and controlled by the Davison family of Ruston, Louisiana. Our acquisition agreement with the Davisons provided that we would deliver to them $560 million of consideration, half in common units, 13,459,209 common units (at an agreed value of $20.8036 per unit) and half in cash, subject to specified purchase price adjustments. The cash consideration was funded through our credit facility.

Florida Oil Pipeline System Expansion

We committed to construct an extension from our existing Florida crude oil pipeline system to producers operating in southern Alabama, which will consist of approximately 33 miles of 8 pipeline and gathering

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connections to approximately 30 wells and oil storage capacity of 20,000 barrels in the field. We expect to place those facilities in service in the first quarter of 2008.

Our Objective and Business Strategy

Our primary business objectives are to generate stable cash flows to allow us to make quarterly cash distributions to our unitholders and to increase those distributions over time. We plan to achieve those objectives by executing the following strategies:

- Expanding our asset base through strategic and accretive acquisitions and construction and development projects with third parties and Denbury;
- Optimizing our CO_2 and other industrial gases expertise and infrastructure;
- Leveraging our oil handling capabilities with Denbury s tertiary recovery projects;
- Attracting new refinery customers and expanding the services we provide to our refinery customers;
- Increasing the utilization rates and enhancing the profitability of our existing assets;
- Increasing stable cash flows generated through fee-based services, longer-term contractual arrangements and managing commodity price risks;
- Maintaining a balanced and diversified portfolio of midstream energy and industrial gases assets, operations and customers;
- Creating strategic arrangements and sharing capital costs and risks through joint ventures and strategic alliances; and
- Maintaining, on average, a conservative capital structure that will allow us to execute our growth strategy while, over the longer term, enhancing our credit ratings.

Our Structure and Ownership

We were formed as a Delaware limited partnership in December 1996. Genesis Energy, Inc. serves as our sole general partner and has sole responsibility for conducting our business and managing our operations. Our general partner, which is 100% owned by Denbury Gathering & Marketing, Inc., an indirect, wholly-owned subsidiary of Denbury owns 100% of our general partnership interest, 100% of our incentive distribution rights and 7.4% of our limited partner interests in the form of common units. Our general partner and its affiliates perform all of our management, administrative and operating functions, and we reimburse them for all related direct and indirect expenses.

Neither our general partner nor the board of directors of our general partner is elected by our unitholders. Denbury Gathering & Marketing, Inc. elects all of the directors of our general partner, including the members of our Audit Committee.

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The following chart depicts our organization and ownership as of September 30, 2007.

INTERESTS OF CERTAIN PERSONS

James E. Davison and James E. Davison, Jr. were recently designated directors on the board of directors of our general partner pursuant to the terms of the acquisition agreements with the Davisons. James E. Davison owns 100% of Davison Terminal Service, Inc. and Sunshine Oil and Storage, Inc. and is the father of each of James E. Davison, Jr., Steven K. Davison and Todd A. Davison. James E. Davison, Jr., Steven K. Davison and Todd A. Davison are brothers and each owns 33 1/3% of each of Davison Petroleum Products, L.L.C., Davison Transport, Inc. and Transport Company.

Davison Terminal Service, Inc., Sunshine Oil and Storage, Inc., Davison Petroleum Products, L.L.C., Davison Transport, Inc. and Transport Company, which we refer to collectively as the Davison Unitholders, own approximately 47.5% of our outstanding Common Units.

If the Amendment Proposal is approved, the Davison Unitholders will no longer be prohibited from voting on all matters on which holders of our common units have a right to vote, *other than* matters relating to the succession, election, removal, withdrawal, replacement or substitution of our general partner.

Directors of our general partner and employees of our general partner and its affiliates will be eligible to receive awards under the Genesis Energy, Inc. 2007 Long-Term Incentive Plan if the Incentive Plan Proposal is approved.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Genesis Energy, Inc., our general partner, owns 2,094,323 of our units, which is equivalent to a 7.4% interest in the outstanding limited partner interests in our partnership. The following table sets forth certain information regarding the beneficial ownership of our units and all directors and named executive officers of our general partner as of September 30, 2007. The general partner knows of no other person not disclosed herein who beneficially owns more than 5% of our common units.

5% Beneficial Owners

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Davison Petroleum Products, L.L.C. 2000 Farmerville Hwy. Ruston, LA 71270	Common Units	9,262,868(1)	32.7%
Davison Transport, Inc. 2000 Farmerville Hwy. Ruston, LA 71270	Common Units	2,368,580(1)	8.4%
Genesis Energy, Inc.(2) 500 Dallas St., Suite 2500 Houston, TX 77002	Common Units	2,094,323(3)	7.4%
Swank Capital, L.L.C., Swank Energy Income Advisors, L.P. and Mr. Jerry V. Swank 3300 Oak Lawn Ave., Suite 650 Dallas, Texas 75219	Common Units	1,710,754(4)	6.0%
James E. Davison 2000 Farmerville Hwy. Ruston, LA 71270	Common Units	1,434,416(1)	5.1%

Ownership of Directors and Executive Officers (3)

Name and Address of Beneficial Owner(5)	Title of Class	Amount and	Percent of

		Nature of Beneficial Ownership	Class
James E. Davison	Common Units	1,434,416(1)	5.1%
James E. Davison, Jr.	Common Units	4,008,265(6)	14.3%
Gareth Roberts	Common Units	10,000	*
Grant E. Sims	Common Units	1,000(7)	*
Ronald T. Evans	Common Units	11,000	*
Herbert I. Goodman	Common Units	2,000	*
Susan O. Rheney	Common Units	700	*
Phil Rykhoek	Common Units	5,000	*
J. Conley Stone	Common Units	2,000	*
Ross A. Benavides	Common Units	9,283	*
Karen N. Pape	Common Units	3,386	*
All directors and executive officers as a group (14 in total)	Common Units	5,487,050	19.5%

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* Less than 1%.

(1) Based on a Schedule 13G filed with the SEC on August 3, 2007. Each of Davison Petroleum Products, L.L.C. and Davison Transport, Inc. has disclaimed beneficial ownership of any Common Units owned by the other party, or by Transport Company, an Arkansas corporation, Davison Terminal Service, Inc., a Louisiana corporation, Sunshine Oil and Storage, Inc., a Louisiana corporation and James E. Davison, an individual. Each of James E. Davison, Jr., Steven K. Davison and Todd A. Davison own 33 1/3% of each of Davison Petroleum Products, L.L.C., Davison Transport, Inc. but is deemed to have no individual voting or dispositive power over the securities owned by any of these entities due to the requirement for a majority vote to take any action with respect to the Common Units held by each entity.

(2) Denbury Resources Inc. owns, directly or indirectly, 100% of Denbury Gathering & Marketing, Inc., the sole shareholder of our general partner, Genesis Energy, Inc. In connection with the hiring of Messrs. Sims, Blount and Graves in August 2006, our general partner has undertaken to negotiate definitive agreements relating to an incentive compensation arrangement to provide them with the opportunity to earn up to a 20% interest in our general partner if certain performance criteria are met. See Beneficial Ownership of General Partner Interest below.

(3) Includes directors and officers of our general partner, Genesis Energy, Inc.

(4) Based on a Schedule 13G filed with the SEC on February 13, 2007.

(5) The mailing address for Genesis Energy, Inc. and all officers and directors, other than James E. Davison and James Davison, Jr., is 500 Dallas, Suite 2500, Houston, Texas, 77002. The mailing address for James E. Davison and James Davison, Jr. is 2000 Farmerville Hwy., Ruston, LA 71270.

(6) Representing a 33 1/3% interest in of each of Davison Petroleum Products, L.L.C., Davison Transport, Inc. and Transport Company, which together hold 12,024,794 Common Units.

(7) Common units are held by Mr. Sims father. Mr. Sims disclaims beneficial ownership of these units.

Beneficial Ownership of General Partner Interest

Genesis Energy, Inc. owns all of our 2% general partner interest and all of our incentive distribution rights, in addition to 7.4% of our common units. Genesis Energy, Inc. is a wholly-owned subsidiary of Denbury Gathering & Marketing, Inc., which is an indirect wholly-owned subsidiary of Denbury Resources Inc. In connection with the hiring of Messrs. Sims, Blount and Graves in August 2006, our general partner has undertaken to negotiate definitive agreements relating to an incentive compensation arrangement to provide them with the opportunity to earn up to a 20% interest in our general partner if certain performance criteria are met. Those performance criteria primarily relate to the dollar amount of expenditures for acquisitions we consummate (including development projects, but excluding acquisitions from Denbury and its affiliates) provided such expenditures earn (using a look-back provision) a specified minimum, un-levered return on investment.

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THE AMENDMENT PROPOSAL

We are proposing to amend certain provisions of our partnership agreement in the manner specifically set forth in Amendment No. 1 to the Fourth Amended and Restated Limited Partnership Agreement (annexed to the accompanying proxy statement as Annex A), which we refer to as the *Amendment Proposal*, to allow any affiliated persons or group who hold more than 20% of outstanding voting units to vote on all matters on which holders of our common units have the right to vote, *other than* matters relating to the succession, election, removal, withdrawal, replacement or substitution of our general partner and to clarify and expand the concept of *group* .

We are submitting the Amendment Proposal in connection with our recent acquisition of certain energy-related businesses owned by affiliates of the Davison family of Ruston, Louisiana, for approximately $618 million (net of cash acquired at closing and subject to final purchase price adjustments). In that transaction, the Davison parties received approximately 50% of the acquisition consideration in the form of common units (or 13,459,209 common units representing approximately 47.5% of our outstanding units after giving effect to that issuance). Our current partnership agreement does not allow persons holding more than 20% of our voting units (such as the Davisons) to vote on any matters on which holders of our common units have the right to vote. As part of that transaction, we agreed to call a unitholders meeting to recommend that our unitholders approve an amendment to our partnership agreement that would allow the Davisons to vote those units on all matters on which holders of our voting units have a right to vote *other than* matters relating to the succession, election, removal, withdrawal, replacement or substitution of our general partner.

Our board of directors is recommending a vote in favor of the Amendment Proposal as being in the best interest of our unitholders and our partnership as the expanded right to vote and the expanded concept of *group* would apply equally to all persons or groups of persons who hold more than 20% of our voting units, not just the Davisons. Our voting limitation provision, including the contemplated revised definition of the term *group* helps to protect the integrity of our partnership governance structure by ensuring that our general partner and its affiliates retain control of us as contemplated by our partnership agreement. In the absence of such a provision, a person our group of persons who are not affiliated with our general partner could amass a large block of common units and effectively disrupt our operations and, possibly, remove and/or replace our general partner without the consent of other unitholders or our general partner.

We continue to believe that it is important to protect the integrity of our partnership governance structure, including limiting the ability of a person or group of persons from amassing a large block of our voting units and voting to remove and/or replace our general partner. However, we also recognize that a broad voting limitation of the type currently contained in our partnership agreement has some disadvantages, particularly in the highly competitive midstream acquisition market that exists today. Almost all of the limited partnerships, or MLPs, that compete with us for acquisitions have a 20% voting limitation feature, but many of them also provide for certain exceptions to that limitation. Some common exceptions include an exception for any person or group of persons (i) who obtained approval from the board of directors of the MLP (or its general partner, as applicable) prior to acquiring such units or (ii) who obtained such units from the general partner of the MLP or any affiliate of such general partner. We believe that MLPs that can grant an exception to their unitholder voting limitation provision have an advantage over us in the acquisition market because they can issue a block of units in excess of 20% of their then outstanding units in connection with an acquisition, and the seller/investor in such a transaction would have full or modified voting rights. If we were competing with such an MLP for an acquisition, we would not be able to provide the seller/investor with units that would have any voting rights, which could cause us to lose that acquisition to another MLP competitor, even though we might be willing to offer an equal or greater purchase price to the seller/investor. The Amendment Proposal would further protect the integrity of our partnership governance structure by expanding the category of persons who could be considered to be part of a group.

To satisfy our commitments to the Davisons and to avoid a future risk to our ability to complete future transactions because of unacceptable delays or our potential inability to issue units with full voting rights, we are recommending that you approve the Amendment Proposal, which puts us on more equal footing and brings our

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governance structure more in line with many of the recently formed publicly traded partnerships, or MLPs, with whom we compete for acquisitions and other investment capital on a regular basis.

The Amendment Proposal, if approved, will allow holders of more than 20% of our outstanding voting units to have more influence, and more appropriately align voting rights with their substantial ownership interest and investment in the partnership. We believe that the Amendment Proposal described above is in the best interests of our unitholders and the partnership and will provide the following advantages:

bringing our governance structure more in line with many other MLPs and modernize that structure;

providing flexibility to our management to consider transactions in which all or a portion of the acquisition consideration could be voting units that have fewer voting restrictions (i.e., voting restrictions limited only to matters relating to the succession, election, removal, withdrawal, replacement or substitution of our general partner).

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL

OF THE AMENDMENT PROPOSAL

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THE INCENTIVE PLAN PROPOSAL

Adoption of the Genesis Energy, Inc. 2007 Long-Term Incentive Plan

On September 18, 2007, the board of directors of our general partner adopted, upon recommendation of the Compensation Committee of our board of directors, and subject to the approval of our unitholders, the Genesis Energy, Inc. 2007 Long-Term Incentive Plan (the *2007 Plan*) and authorized us to reserve up to 1,000,000 common units for issuance under the 2007 Plan.

Purposes

Our general partner believes that the 2007 Plan is in the best interests of the partnership, general partner, its affiliates, and the partnership s unitholders and should be approved for the following reasons:

- The 2007 Plan will provide a means to assist our general partner and its affiliates in retaining the services of employees and, possibly, our directors providing services to the partnership, our general partner and its affiliates and provide incentives for them to devote their best efforts to our general partner and the partnership;

- The 2007 Plan is intended to provide a means whereby employees and, possibly, directors providing services to the partnership, our general partner and any of its affiliates may develop a sense of proprietorship and personal involvement in the development and financial success of the partnership through the award of phantom units, and/or distribution equivalent rights; and

- The 2007 Plan allows for various forms of equity or equity-based awards, providing flexible incentives to employees and, possibly, our directors.

Although the general partner has no current intent to make award of grants to our directors, the Plan allows such grants to be made, which would become available if in the future the general partner determines that making such awards to directors is appropriate and in our best interests.

Description of the 2007 Plan

The following is a brief description of the principal features of the 2007 Plan. A copy of the 2007 Plan is attached hereto as *Annex B*, and you should refer to the 2007 Plan for details regarding the awards that may be made under the 2007 Plan.

Phantom Units. Phantom units are notional units that can be granted under the 2007 Plan representing an unfunded and unsecured promise to deliver a unit, subject to certain restrictions (including, without limitation, a requirement that a participant remain continuously employed or provide continuous services for a specified period of time).

Distribution Equivalent Rights. Distribution equivalent rights are rights to receive an amount of cash equal to all or a designated portion (whether by formula or otherwise) of the cash distributions made by the partnership with respect to a unit during a specified period. Distribution equivalent rights may be granted alone or in combination with another award.

Administration. The 2007 Plan will be administered by the Compensation Committee, whose powers will include, but will not be limited to, (i) designating participants in the 2007 Plan; (ii) determining the type of awards to be granted to participants; (iii) determining the number of units to be covered by any award; (iv) determining the terms and conditions of any award; (v) determining whether, to what extent, and under what circumstances any awards may be vested, settled, or forfeited (including accelerating the vesting of any such awards). Subject to adjustment as provided in the 2007 Plan, the total number of units that may be awarded to participants is 1,000,000. To the extent an award is forfeited or otherwise terminates without delivery of units,

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the units subject to such award shall again become available for grant to the extent of the cancellation. Units withheld to satisfy tax withholding obligations will be considered to have been delivered to participants and, therefore, may not be subject to future awards hereunder.

The units to be awarded under the 2007 Plan will be obtained by our general partner through purchases made on the open market, from the partnership, from any affiliates of our general partner or from any other person; however, it is generally intended that units are to be acquired from the partnership. We reimburse our general partner for its costs attributable to all awards of phantom units that are made to employees working in our businesses and directors serving on our board of directors.

Eligibility. Employees and directors who perform services for the partnership, or our general partner or any of its respective affiliates are eligible to participate in the 2007 Plan. The 2007 Plan does not provide any particular individual the right to be designated as a participant.

Awards. Awards may be granted either alone or in addition to, in tandem with, or in substitution for any other awards under the 2007 Plan or awards granted under any other plan of our general partner or any of its affiliates, in the discretion of the Compensation Committee. Awards granted in addition to or in tandem with other awards under the 2007 Plan or awards granted under any other plan of our general partner or any of its affiliates may be granted either at the same time as or at a different time from the grant of such awards under the 2007 Plan or other awards. Awards may be granted to participants under the 2007 Plan for no cash payment or for such consideration as the Compensation Committee may set, including services or such minimal cash consideration as may be required by applicable law. No units may be delivered pursuant to the 2007 Plan until our general partner has received full payment of any amount required to be paid pursuant to the 2007 Plan or pursuant to the award agreement. Payments may be made (i) in cash, (ii) by withholding from the vesting or settlement of any units that number of units having a fair market value equal to such amount, or (iii) in any combination of (i) and (ii).

Transferability. No award may be assigned, alienated, pledged attached, sold or otherwise transferred or encumbered by a participant other than by will or by the laws of the descent and distribution.

Amendments. The 2007 Plan may be amended or terminated at any time by the board of directors of our general partner or the Compensation Committee; however, under the rules of the primary stock exchange upon which the units are listed, any material amendment, such as a material increase in the number of units available under the 2007 Plan or a change in the types of awards available under the 2007 Plan, will also require the approval of the unitholders.

Term. If the 2007 Plan is approved, it will be effective until the tenth annivers