

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2021**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. **0-15905**



BLUE DOLPHIN ENERGY COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

73-1268729

(I.R.S. Employer Identification No.)

801 Travis Street, Suite 2100, Houston, Texas

(Address of principal executive offices)

77002

(Zip Code)

713-568-4725

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.01 per share

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Act.

Large accelerated filer

Accelerated filer

Non-accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of shares of common stock held by non-affiliates of the registrant was \$840,026 as of June 30, 2021 (the last trading day of the registrant's most recently completed second fiscal quarter) based on the number of shares of common stock held by non-affiliates and the last reported sale price of the registrant's common stock on June 30, 2021.

Number of shares of common stock, par value \$0.01 per share, outstanding at April 1, 2022: 12,693,514

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[Glossary of Terms](#)

Glossary of Terms

Throughout this Annual Report on Form 10-K, we have used the following terms:

Affiliate. Refers, either individually or collectively, to certain related parties including Jonathan Carroll, Chairman and Chief Executive Officer of Blue Dolphin, and his affiliates (including Ingleside and Lazarus Capital) and/or LEH and its affiliates (including LMT and LTRI). Together, Jonathan Carroll and LEH owned approximately 82% of the Common Stock as of the filing date of this report.

AMT. Alternative Minimum Tax.

Amended Pilot Line of Credit. Line of Credit Agreement dated May 3, 2019, between Pilot and NPS and subsequently amended on May 9, 2019, May 10, 2019, and September 3, 2019, the last amendment being Amendment No. 1; original line of credit amount was \$13.0 million; NPS repaid all obligations owed to Pilot on October 4, 2021.

Amended and Restated Operating Agreement. Affiliate agreement dated April 1, 2020 between Blue Dolphin, LE, LRM, NPS, BDPL, BDPC, BDSC and LEH governing LEH's operation and management of those companies' assets.

ARO. Asset retirement obligations.

ASU. Accounting Standards Update.

AGO. Atmospheric gas oil, which is the heaviest product boiled by a crude distillation tower operating at atmospheric pressure. This fraction ordinarily sells as distillate fuel oil, either in pure form or blended with cracked stocks. Certain ethylene plants, called heavy oil crackers, can take AGO as feedstock.

bbl. Barrel; a unit of volume equal to 42 U.S. gallons.

BDPC. Blue Dolphin Petroleum Company, a wholly owned subsidiary of Blue Dolphin.

BDPL. Blue Dolphin Pipe Line Company, a wholly owned subsidiary of Blue Dolphin.

BDSC. Blue Dolphin Services Co., a wholly owned subsidiary of Blue Dolphin.

Blue Dolphin. Blue Dolphin Energy Company, one or more of its consolidated subsidiaries, or all of them taken as a whole.

bpd. Barrel per day; a measure of the bbls of daily output produced in a refinery or transported through a pipeline.

BDEC Term Loan Due 2051 (as modified). An EIDL dated May 4, 2021 between Blue Dolphin and the SBA in the original principal amount of \$0.5 million; the note was modified on February 18, 2022 to increase the principal amount from \$0.5 million to \$2.0 million. See "Part II, Item 8. Financial Statements and Supplementary Data – Note (17)" for more information regarding the loan modification.

COVID-19. An infectious disease first identified in 2019 in Wuhan, the capital of China's Hubei province; the disease has since spread globally, resulting in the ongoing 2019–2022 coronavirus pandemic.

CWA. Clean Water Act.

Common Stock. Blue Dolphin common stock, par value \$0.01 per share. Blue Dolphin has 20,000,000 shares of Common Stock authorized and 12,693,514 shares of Common Stock issued and outstanding.

Complexity. A numerical score that denotes, for a given refinery, the extent, capability, and capital intensity of the refining processes downstream of the crude distillation tower. Refinery complexities range from the relatively simple crude distillation tower ("topping unit"), which has a complexity of 1.0, to the more complex deep conversion ("coking") refineries, which have a complexity of 12.0.

Condensate. Liquid hydrocarbons that are produced in conjunction with natural gas. Although condensate is sometimes like crude oil, it is usually lighter.

Cost of goods sold. Reflects the cost of crude oil and condensate, fuel use, and chemicals.

Crude distillation tower. A tall column-like vessel in which crude oil and condensate is heated and its vaporized components are distilled by means of distillation trays. This process refines crude oil and other inputs into intermediate and finished petroleum products. (Commonly referred to as a crude distillation unit or an atmospheric distillation unit.)

Crude oil. A mixture of thousands of chemicals and compounds, primarily hydrocarbons. Crude oil quality is measured in terms of density (light to heavy) and sulfur content (sweet to sour). Crude oil must be broken down into its various components by distillation before these chemicals and compounds can be used as fuels or converted to more valuable products.

Crude Sale Agreement. Crude Sale Agreement between Pilot and LE dated May 7, 2019, as amended on November 11, 2019, which agreement was assigned by Pilot to Tartan pursuant to an Assignment of Contract dated March 20, 2020.

Depropanizer unit. A distillation column that is used to isolate propane from a mixture containing butane and other heavy components.

Distillates. The result of crude distillation and therefore any refined oil product. Distillate is more commonly used as an abbreviated form of middle distillate. There are mainly four (4) types of distillates: (i) very light oils or light distillates (such as naphtha), (ii) light oils or middle distillates (such as our jet fuel), (iii) medium oils, and (iv) heavy oils (such as our low-sulfur diesel and HOBM, reduced crude, and AGO).

Board. Board of Directors of Blue Dolphin.

BOEM. Bureau of Ocean Energy Management.

BSEE. Bureau of Safety and Environmental Enforcement.

Capacity utilization rate. A percentage measure that indicates the amount of available capacity that is being used in a refinery or transported through a pipeline. With respect to the crude distillation tower, the rate is calculated by dividing total refinery throughput or total refinery production on a bpd basis by the total capacity of the crude distillation tower (currently 15,000 bpd).

CAA. Clean Air Act.

CARES Act. Coronavirus Aid, Relief and Economic Security Act, which was passed by Congress in March 2020, to provide economic assistance related to the onset of the COVID-19 pandemic.

CDC. Centers for Disease Control and Prevention.

CERLA. Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

CIP. Construction in progress.

Distillation. The first step in the refining process whereby crude oil and condensate is heated at atmospheric pressure in the base of a distillation tower. As the temperature increases, the various compounds vaporize in succession at their various boiling points and then rise to prescribed levels within the tower per their densities, from lightest to heaviest. They then condense in distillation trays and are drawn off individually for further refining. Distillation is also used at other points in the refining process to remove impurities.

Downtime. Scheduled and/or unscheduled periods in which the crude distillation tower is not operating. Downtime may occur for a variety of reasons, including bad weather, power failures, and preventive maintenance.

EIA. Energy Information Administration.

EIDL. Economic Injury Disaster Loan; provides economic relief to businesses that experienced a temporary loss of revenue due to COVID-19.

EPA. Environmental Protection Agency.

Eagle Ford Shale. A hydrocarbon-producing geological formation extending across South Texas from the Mexican border into East Texas.

Equipment Loan Due 2025. Installment sales contract dated October 13, 2020 between LE and Texas First Rentals, LLC. to purchase a backhoe. LE previously rented the backhoe under a rent-to-own agreement that matured.

Exchange Act. Securities Exchange Act of 1934, as amended.

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Glossary of Terms

FASB. Financial Accounting Standards Board.

FDIC. Federal Deposit Insurance Corporation.

Feedstocks. Crude oil and other hydrocarbons, such as condensate and/or intermediate products, that are used as basic input materials in a refining process. Feedstocks are transformed into one or more finished products.

Finished petroleum products. Materials or products which have received the final increments of value through processing operations, and which are being held in inventory for delivery, sale, or use.

Freeport facility. Encompasses processing units for: (i) crude oil and natural gas separation and dehydration, (ii) natural gas processing, treating, and redelivery, and (iii) vapor recovery; also includes two onshore pipelines and 162 acres of land in Freeport, Texas.

GEL. GEL Tex Marketing, LLC, a Delaware limited liability company and an affiliate of Genesis Energy, LLC.

GNCU. Greater Nevada Credit Union.

Greenhouse gases. Molecules in the Earth's atmosphere such as carbon dioxide, methane, and chlorofluorocarbons which warm the atmosphere.

Gross profit (deficit). Calculated as total revenue less cost of goods sold; reflected as a dollar (\$) amount.

HOBM. Heavy oil-based mud blendstock; see also "distillates."

HUBZone. Historically Underutilized Business Zones program established by the SBA to help small businesses in both urban and rural communities.

IBLA. Interior Board of Land Appeals.

INC. Incident of Noncompliance issued by BOEM and/or BSEE.

Ingleside. Ingleside Crude, LLC, an affiliate of Jonathan Carroll.

Intermediate petroleum products. A petroleum product that might require further processing before it is saleable to the ultimate consumer. This further processing might be done by the producer or by another processor. Thus, an intermediate petroleum product might be a final product for one company and an input for another company that will process it further.

IRC Section 382. Title 26, Internal Revenue Code, Subtitle A – Income Taxes, Subchapter C – Corporate Distributions and Adjustments, Part V Carryovers, § 382. Limits NOL carryforwards and certain built-in losses following ownership change.

IRS. Internal Revenue Service.

Leasehold interest. The interest of a lessee under an oil and gas lease.

Light crude. A liquid petroleum that has a low density and flows freely at room temperature. It has a low viscosity, low specific gravity, and a high American Petroleum Institute gravity due to the presence of a high proportion of light hydrocarbon fractions.

LMT. Lazarus Marine Terminal I, LLC, an affiliate of LEH.

LRM. Lazarus Refining & Marketing, LLC, a wholly owned subsidiary of Blue Dolphin.

LRM Term Loan Due 2034. Loan Agreement dated December 4, 2015, between LRM and Veritex in the original principal amount of \$10.0 million; currently in default.

LTRI. Lazarus Texas Refinery I, an affiliate of LEH.

NAAQS. National Ambient Air Quality Standards.

Naphtha. A refined or partly refined light distillate fraction of crude oil. Blended further or mixed with other materials it can make high-grade motor gasoline or jet fuel. It is also a generic term applied to the lightest and most volatile petroleum fractions.

Natural gas. A naturally occurring hydrocarbon gas mixture consisting primarily of methane, but commonly including varying amounts of other higher alkanes, and sometimes a small percentage of carbon dioxide, nitrogen, hydrogen sulfide, or helium.

Nixon facility. Encompasses the Nixon refinery, petroleum storage tanks, loading and unloading facilities, and 56 acres of land in Nixon, Texas.

Nixon refinery. The 15,000-bpd crude distillation tower and associated processing units in Nixon, Texas.

NPS. Nixon Product Storage, LLC, a wholly owned subsidiary of Blue Dolphin.

NPS Term Loan Due 2031. Loan Agreement dated September 20, 2021, between NPS, GNCU, and guarantors in the original principal amount of \$10.0 million.

NPS Term Loan Due 2050. An EIDL dated August 29, 2020 between NPS and the SBA in the original principal amount of \$0.15 million.

NOL. Net operating losses.

NSR/PSD. New Source Review/Prevention of Significant Deterioration.

OPA 90. Oil Pollution Act of 1990.

Jet fuel. A high-quality kerosene product primarily used in aviation. Kerosene-type jet fuel (including Jet A and Jet A-1) has a carbon number distribution between 8 and 16 carbon atoms per molecule; wide-cut or naphtha-type jet fuel (including Jet B) has between 5 and 15 carbon atoms per molecule.

Kissick Debt. Previously referred to as the 'Notre Dame Debt,' a loan agreement originally entered into between LE and Notre Dame Investors, Inc. in the principal amount of \$8.0 million. The debt is currently held by John Kissick. Pursuant to a 2017 sixth amendment, the Kissick Debt was amended to increase the principal amount by \$3.7 million; the additional principal was used to reduce LE's obligation to GEL. The Kissick Debt is currently in default.

Lazarus Capital. Lazarus Capital, LLC, an affiliate of Jonathan Carroll.

LE. Lazarus Energy, LLC, a wholly owned subsidiary of Blue Dolphin.

LE Term Loan Due 2034. Loan Agreement dated June 22, 2015, between LE and Veritex in the original principal amount of \$25.0 million; currently in default.

LE Term Loan Due 2050. An EIDL dated August 29, 2020 between NPS and the SBA in the original principal amount of \$0.15 million.

LEH. Lazarus Energy Holdings, LLC, an affiliate of Jonathan Carroll and controlling shareholder of Blue Dolphin.

LEH Operating Fee. A management fee paid to LEH under the Amended and Restated Operating Agreement; calculated as 5% of all consolidated operating costs, excluding crude costs, depreciation, amortization, and interest, of Blue Dolphin, LE, LRM, NPS, BDPL, BDPC and BDSC; previously reflected within refinery operating expenses in our consolidated statements of operations.

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Glossary of Terms

Preferred Stock. Blue Dolphin preferred stock, par value \$0.10 per share. Blue Dolphin has 2,500,000 shares of Preferred Stock authorized and no shares of Preferred Stock issued and outstanding.

Product slate. Represents type and quality of products produced.

Propane. A by-product of natural gas processing and petroleum refining. Propane is one of a group of liquified petroleum gases. Others include butane, propylene, butadiene, butylene, isobutylene, and mixtures thereof.

Refined products. Hydrocarbon compounds, such as jet fuel and residual fuel, that are produced by a refinery.

Refinery. Within the oil and gas industry, a refinery is an industrial processing plant where crude oil, condensate, and intermediate feeds are separated and transformed into petroleum products.

Refining gross profit (deficit) per bbl. Calculated as refinery operations revenue less total cost of goods sold divided by the volume, in bbls, of refined products sold during the period; reflected as a dollar (\$) amount per bbl.

RCRA. Federal Resource Conservation and Recovery Act.

RFS2. Second Renewable Fuels Standard.

ROU. Right-of-use.

SBA. Small Business Administration.

SEC. Securities and Exchange Commission.

Securities Act. The Securities Act of 1933, as amended.

Segment margin (deficit). For refinery operations and tolling and terminaling business segments, represents net revenues (excluding intercompany fees and sales) attributable to the respective business segment less associated intercompany fees and sales less associated operation costs and expenses.

Sour crude. Crude oil containing sulfur content of more than 0.5%.

Stabilizer unit. A distillation column intended to remove the lighter boiling compounds, such as butane or propane, from a product.

Sweet crude. Crude oil containing sulfur content of less than 0.5%.

Sulfur. Present at various levels of concentration in many hydrocarbon deposits, such as petroleum, coal, or natural gas. Also, produced as a by-product of removing sulfur-containing contaminants from natural gas and petroleum. Some of the most commonly

Operating days. Represents the number of days in a period in which the crude distillation tower operated. Operating days is calculated by subtracting downtime in a period from calendar days in the same period.

OPEC. Organization of Petroleum Exporting Countries.

OSHA. Occupational Safety and Health Administration.

OSRO. Oil Spill Response Organization.

Other conversion costs. Represents the combination of direct labor costs and manufacturing overhead costs. These are the costs that are necessary to convert our raw materials into refined products.

Other operating expenses. Represents costs associated with our natural gas processing, treating, and redelivery facility, as well as our pipeline assets and leasehold interests in oil and gas properties.

PCAOB. Public Company Accounting Oversight Board.

Petroleum. A naturally occurring flammable liquid consisting of a complex mixture of hydrocarbons of various molecular weights and other liquid organic compounds. The name petroleum covers both the naturally occurring unprocessed crude oils and petroleum products that are made up of refined crude oil.

PHMSA. Pipeline and Hazardous Materials Safety Administration of the U.S. Department of Transportation.

Pilot. Pilot Travel Centers LLC, a Delaware limited liability company.

U.S. GAAP. Accounting principles generally accepted in the United States of America.

Veritex. Veritex Community Bank, successor in interest to Sovereign Bank by merger.

WHO. World Health Organization.

WSJ prime rate. A measure of the U.S. prime rate as defined by the Wall Street Journal.

XBRL. eXtensible Business Reporting Language.

Yield. The percentage of refined products that is produced from crude oil and other feedstocks.

used hydrocarbon deposits are categorized per their sulfur content, with lower sulfur fuels usually selling at a higher, or premium, price and higher sulfur fuels selling at a lower, or discounted, price.

Tartan. Tartan Oil LLC, an affiliate of Pilot.

Texas First. Texas First Rentals, LLC.

TCEQ. Texas Commission on Environmental Quality.

Throughput. The volume processed through a unit or a refinery or transported through a pipeline.

TMT. Texas margins tax; a form of business tax imposed on an entity's gross profit rather than on its net income.

Topping unit. A type of petroleum refinery that engages in only the first step of the refining process -- crude distillation. A topping unit uses atmospheric distillation to separate crude oil and condensate into constituent petroleum products. A topping unit has a refinery complexity range of 1.0 to 2.0.

Total refinery production. Refers to the volume processed as output through the crude distillation tower. Refinery production includes finished petroleum products, such as jet fuel, and intermediate petroleum products, such as naphtha, HOBM and AGO.

Turnaround. Scheduled large-scale maintenance activity wherein an entire process unit is taken offline for a week or more for comprehensive revamp and renewal.

USACOE. U.S. Army Corps of Engineers.

USDA. U.S. Department of Agriculture.

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Important Information Regarding Forward Looking Statements

Important Information Regarding Forward-Looking Statements

This report (including information incorporated by reference) contains "forward-looking statements" within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act, including, but not limited to, those under "Part I, Item 1. Business" and "Part I, Item 1A. Risk Factors," as well as "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." All statements other than statements of historical fact, including without limitation statements regarding expectations regarding revenue, cash flows, capital expenditures, and other financial items, our business strategy, goals, and expectations concerning our market position, future operations, and profitability, are forward-looking statements. Forward-looking statements may be identified by use of the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," "would" and similar terms and phrases. Although we believe our assumptions concerning future events are reasonable, several risks, uncertainties, and other factors could cause actual results and trends to differ materially from those projected, including but not limited to:

Business and Industry

- Uncertainty regarding the impact of current and future sanctions imposed by governments and other authorities, including the United States, the European Union, and the United Kingdom in response to the conflict between Russia and Ukraine.
- Risks related to the ongoing COVID-19 pandemic, which continue to have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.
- Our going concern status.
- Inadequate liquidity to sustain operations due to defaults under our secured loan agreements, margin volatility, historical net losses and working capital deficits.
- Substantial debt in current liabilities, all of which is currently in default.
- Ability to regain compliance with the terms of our outstanding indebtedness.
- Increased costs of capital or a reduction in the availability of credit.
- Restrictive covenants in our debt instruments that limit our ability to undertake certain types of transactions.
- Affiliate Common Stock ownership and transactions that could cause conflicts of interest.
- Operational hazards inherent in transporting, processing, and storing crude oil and condensate and refined products.
- Geographical concentration of our assets and customers in West Texas.
- Competition from companies with more significant financial and other resources.
- Environmental laws and regulations that may require us to make substantial capital improvements to remain compliant or remediate current or future contamination that could lead to material liabilities.
- Strict laws and regulations regarding personnel and process safety.
- Market changes in insurance that impact premium costs and available coverages.
- Crude oil, other feedstocks, and fuel and utility services price volatility.
- Availability and cost of crude oil and other feedstocks to operate the Nixon facility.
- Equipment failure and maintenance, which lead to operational downtime.
- Failure to effectively execute new business strategies, such as renewable fuels.
- Adverse changes in operational cash flow and working capital, shortfalls for which Affiliates may not fund.
- Critical personnel loss, labor actions, and workplace safety issues.
- Market share loss, an unfavorable financial condition shift, or the bankruptcy or insolvency of a significant customer.
- Increases in the cost or availability of third-party vessels, pipelines, trucks, and other means of delivering and transporting our crude oil and condensate, feedstocks, and refined products.
- Sourcing of a substantial amount, if not all, of our crude oil and condensate from the Eagle Ford Shale.
- Geographical concentration of our refining operations and customers within the Eagle Ford Shale.
- Severe weather or other climate-related events that affect our facilities or those of our vendors, suppliers, or customers.
- Regulatory changes and other measures for the reduction of greenhouse gas emissions, including carbon dioxide.
- Our ability to effect and integrate potential acquisitions.

Pipeline and Facilities and Oil and Gas Assets

- Assessment of civil penalties by BOEM for our failure to satisfy orders to provide additional financial assurance (supplemental pipeline bonds) within the time prescribed.
- Assessment of civil penalties by BSEE for our failure to decommission pipeline and platform assets within the time prescribed.

- NOL carryforwards to offset future taxable income for U.S. federal income tax purposes that are subject to limitation.
- Industry technological developments that outpace our ability to keep up.
- Actual or potential terrorist threats, activist incidents, cyber-security breaches, or acts of war that could affect our business.
- Actual or potential security threats.
- Public health threats, pandemics, and epidemics, such as the ongoing outbreak of COVID-19, and the adverse impacts thereof on our business, financial condition, results of operations, and liquidity.
- Potential impairment in the carrying value of long-lived assets, which could negatively affect our operating results.

Downstream and Midstream Operations

- Commodity price and refined product demand volatility, which adversely affect our refining margins.

See also the risk factors described in greater detail under “Part I, Item 1A. Risk Factors” of this report.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to revise or update any forward-looking statements as a result of new information, future events, or otherwise.

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Business

Unless the context otherwise requires, references in this report to “Blue Dolphin,” “we,” “us,” “our,” or “ours” refer to Blue Dolphin Energy Company, one or more of its consolidated subsidiaries, or all of them taken as a whole.

Part I should be read in conjunction with “Part II, Item 7. Management’s Discussion and Analysis and Results of Operations” and “Part II, Item 8. Financial Statements and Supplementary Data”.

PART I

ITEM 1. BUSINESS

The following section of this Annual Report on Form 10-K generally refers to business developments during the twelve months ended December 31, 2021. Discussion of, or references to, prior period business developments that are not included in this Form 10-K can be found in “Part I, Item 1. Business” of our Annual Report on Form 10-K for the year ended December 31, 2020.

Overview

Blue Dolphin was formed in 1986 as a Delaware corporation. The company is an independent downstream energy company operating in the Gulf Coast region of the United States. Operations primarily consist of a light sweet-crude, 15,000-bpd crude distillation tower, and approximately 1.2 million bbls of petroleum storage tank capacity in Nixon, Texas. Blue Dolphin trades on the OTCQX under the ticker symbol “BDCC.”

Assets are organized in two business segments: ‘refinery operations’ (owned by LE) and ‘tolling and terminaling services’ (owned by LRM and NPS). ‘Corporate and other’ includes subsidiaries BDPL (inactive pipeline and facilities assets), BDPC (inactive leasehold interests in oil and gas wells), and BDSC (administrative services). For more information related to our business segments, see “Part I, Item 1. Business—Refinery Operations,—Tolling and Terminaling Operations, and —Inactive Operations” and “Part I, Item 2. Properties” in this report.

Affiliates

Affiliates controlled approximately 82% of the voting power of our Common Stock as of the filing date of this report. An Affiliate operates and manages all Blue Dolphin properties and funds working capital requirements during periods of working capital deficits. In addition, an Affiliate is a significant customer of our refined products. Blue Dolphin and certain of its subsidiaries are currently parties to a variety of agreements with Affiliates. See “Part I, Item 1A. Risk Factors” and “Part II, Item 8. Financial Statements and Supplementary Data – Note (3)” for additional disclosures related to Affiliate agreements, arrangements, and risks associated with working capital deficits.

Going Concern

Management determined that certain factors raise substantial doubt about our ability to continue as a going concern. These factors include defaults under secured loan agreements, substantial current debt, margin volatility, historical net losses and working capital deficits. Our consolidated financial statements assume we will continue as a going concern and do not include any adjustments that might result from this uncertainty. Our ability to continue as a going concern depends on sustained positive operating margins and adequate working capital for, amongst other requirements, purchasing crude oil and condensate and making payments on long-term debt. If we are unable to process crude oil and condensate into sellable refined products or make required debt payments, we may consider other options. These options could include selling assets, raising additional debt or equity capital, cutting costs, reducing cash requirements, restructuring debt obligations, or filing bankruptcy.

Defaults Under Secured Loan Agreements

As discussed in more detail elsewhere in this Annual Report, we are currently in default under certain of our secured loan agreements with third parties and related parties.

Third-Party Defaults

- Veritex Loans – For the twelve-months ended December 31, 2021 and 2020, principal and interest payments to Veritex were \$0.6 million and \$0.9 million, respectively. As of the filing date of this report, LE and LRM were in default under the LE Term Loan Due 2034 and LRM Term Loan Due 2034 for failing to make required monthly principal and interest payments and failing to satisfy financial covenants. In addition, LE was in default under the LE Term Loan Due 2034 for failing to replenish a \$1.0 million payment reserve account. Defaults under the LE Term Loan Due 2034 and LRM Term Loan Due 2034 permit Veritex to declare the amounts owed under these loan agreements immediately due and payable, exercise its rights concerning collateral securing obligors’ obligations under these loan agreements, and exercise any other rights and remedies available.
- NPS Term Loan Due 2031 – For the twelve-months ended December 31, 2021, interest only payments to GNCU were \$0.01 million. As of the filing date of this report, NPS was in default under the NPS Term Loan Due 2031 for failing to satisfy financial covenants.

Common Stock

- Fluctuations in our stock price that may result in a substantial investment loss.
- Declines in our stock price due to share sales.
- Dilution of the equity of current stockholders and the potential decline of our stock price due to the issuance of new Common Stock or Preferred Stock from the large pool of authorized shares that we have available to issue.
- The potential sale of shares in accordance with Rule 144, which may adversely affect the market.
- The lack of dividend payments.
- Failure to maintain adequate internal controls under Section 404(a) of the Sarbanes-Oxley Act.

Business

Amended Pilot Line of Credit – On October 4, 2021, NPS repaid all obligations owed to Pilot under the Amended Pilot Line of Credit. However, in a letter from NPS to Pilot dated October 28, 2021, NPS disputed approximately \$0.3 million in payments NPS believes Pilot misapplied as part of the Amended Pilot Line of Credit setoff. As of the filing date of this report, the amount remained in dispute between the parties.

From June 2020 to October 2021, Pilot applied payments owed to NPS under two terminal services agreements against NPS' payment obligations to Pilot under the Amended Pilot Line of Credit. For the twelve-month periods ended December 31, 2021 and 2020, the tank lease payment setoff totaled \$1.9 million and \$1.3 million, respectively. The amount of interest NPS incurred under the Amended Pilot Line of Credit totaled \$0.7 million and \$1.4 million, respectively, for the twelve months ended December 31, 2021 and 2020.

Kissick Debt – Under a 2015 subordination agreement, John Kissick agreed to subordinate his right to payments, as well as any security interest and liens on the Nixon facility's business assets, in favor of Veritex as holder of the LE Term Loan Due 2034. To date, LE has made no payments under the subordinated Kissick Debt. Mr. Kissick has taken no action due to the non-payment. As of the filing date of this report, defaults under the Kissick Debt related to payment of past due obligations at maturity.

We can provide no assurance that: (i) our assets or cash flow will be sufficient to fully repay borrowings under our secured loan agreements, either upon maturity or if accelerated, (ii) LE, LRM, and NPS will be able to refinance or restructure the debt, and/or (iii) third parties will provide future default waivers. Defaults under our secured loan agreements and any exercise by third parties of their rights and remedies related to such defaults may have a material adverse effect on the trading prices of our Common Stock and on the value of an investment in our Common Stock, and holders of our Common Stock could lose their investment in our Common Stock in its entirety. Management maintains ongoing dialogue with lenders regarding defaults and potential restructuring and refinance opportunities.

Related-Party Defaults

Notes and Loan Agreement – As of the filing date of this report, Blue Dolphin was in default concerning past due payment obligations under the March Carroll Note, March Ingleside Note, and June LEH Note. As of the same date, BDPL was also in default related to past due payment obligations under the BDPL-LEH Loan Agreement. Affiliates controlled approximately 82% of the voting power of our Common Stock as of the filing date of this report, an Affiliate operates and manages all Blue Dolphin properties, an Affiliate is a significant customer of our refined products, and we borrow from Affiliates during periods of working capital deficits.

Substantial Current Debt

Excluding accrued interest, we had current debt of \$63.0 million and \$57.7 million, respectively, as of December 31, 2021 and 2020. Current debt consists of bank debt, investor debt, and related party debt. Although the line of credit payable to Pilot fell within current debt during 2021, the Pilot debt was repaid in October 2021. Substantial current debt is primarily the result of secured loan agreements being in default. As a result, these debt obligations were classified within the current portion of long-term debt on our consolidated balance sheets at December 31, 2021 and 2020.

Margin Volatility

Crude oil refining is primarily a margin-based business. To improve margins, we must maximize yields of higher value finished petroleum products and minimize costs of feedstocks and operating expenses. When the spread between these commodity prices decreases, our margins are negatively affected. Although an increase or decrease in the commodity price for crude oil and other feedstocks generally results in a similar increase or decrease in commodity prices for finished petroleum products, typically there is a time lag between the two. The effect of crude oil commodity price changes on our finished petroleum product commodity prices therefore depends, in part, on how quickly and how fully the market adjusts to reflect these changes. Unfavorable margins may have a material adverse effect on our earnings, cash flows, and liquidity.

Since the beginning of 2020, the COVID-19 pandemic disrupted economies around the world, including the oil and gas industry in which we operate. The rapid spread of the virus led to the implementation of various responses, including federal, state, and local government-imposed quarantines, shelter-in-place mandates, sweeping restrictions on travel, and other public health and safety measures. Actions by members of OPEC and other producer countries in 2020 concerning oil production and pricing significantly impacted supply and demand in global oil and gas markets, which impacted our operational and financial performance. In particular, we experienced net losses due to unfavorable margins per bbl and significantly lower sales volume due to significant refinery downtime. Global oil prices and refined product demand recovered somewhat in 2021 compared to 2020 as COVID-19 cases stabilized, mortality rates decreased, and availability and inoculation rates of vaccines increased. However, recovery of jet fuel demand lagged that of other refined products as airline travel restrictions and consumer hesitancy to fly during the pandemic continued. Despite the uptick in market conditions during the second half of 2021, overall, we experienced operating and net losses due to unfavorable margins and lower sales volume, which affected our liquidity. Cash constraints adversely impacted the frequency of crude oil acquisition, debt payments, and abandonment of pipeline and facilities assets.

Business

The extent to which the continued COVID-19 pandemic will impact our operations depends on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, additional or modified government actions, new information that may emerge concerning variants, actions taken to contain the spread of COVID-19 and treat its impact, and the availability and acceptance of vaccines to mitigate such spread, among others.

In February 2022, Russia invaded neighboring Ukraine. The conflict has caused turmoil in global markets, resulting in higher oil prices, and injected even more uncertainty into a worldwide economy recovering from the effects of COVID-19. Given the evolving conflict, there are many unknown factors and events that could materially impact our operations.

The Russian conflict with Ukraine and the COVID-19 pandemic continue to evolve, and the extent to which these events may impact our business, financial condition, liquidity, results of operations, and prospects will depend highly on future developments, which are very uncertain and cannot be predicted with confidence.

Operating Risks

Successful execution of our business strategy depends on several critical factors, including having adequate working capital to meet contractual, operational, regulatory, and safety needs and having favorable margins on refined products. The COVID-19 pandemic continues to evolve, and the extent to which the pandemic may impact our business, financial condition, liquidity, results of operations, and prospects will depend highly on future developments, which are very uncertain and cannot be predicted with confidence.

Management continues to take steps to mitigate risk, avoid business disruptions, manage cash flow, and remain competitive in a volatile commodity price environment. Mitigation steps include: adjusting throughput and production based on market conditions, optimizing receivables and payables by prioritizing payments, optimizing inventory levels based on demand, monitoring discretionary spending, and delaying capital expenditures. To safeguard personnel, we adopted remote working where possible and social distancing, mask-wearing, and other site-specific precautionary measures where on-site operations are required. We also incentivize personnel to receive the COVID-19 vaccine.

We can provide no guarantees that: our business strategy will be successful, Affiliates will continue to fund our working capital needs when we experience working capital deficits, we will meet regulatory requirements to provide additional financial assurance (supplemental pipeline bonds) and decommission offshore pipelines and platform assets, we can obtain additional financing on commercially reasonable terms or at all, or margins on our refined products will be favorable. Further, if third parties exercise their rights and remedies under our secured loan agreements, our business, financial condition, and results of operations will be materially adversely affected.

Downstream Operations

The refinery operations business segment consists of the following assets and operations:

Property	Key Products Handled	Operating Subsidiary	Location
Nixon facility <ul style="list-style-type: none"> · Crude distillation tower (15,000 bpd) · Petroleum storage tanks · Loading and unloading facilities · Land (56 acres) 	Crude Oil Refined Products	LE	Nixon, Texas

Crude Oil and Condensate Supply. Operation of the Nixon refinery depends on our ability to purchase adequate amounts of crude oil and condensate. We have a long-term crude supply agreement in place with Tartan. The volume-based Crude Supply Agreement expires when we receive 24.8 million net bbls of crude oil. After that, the Crude Supply Agreement automatically renews for successive one-year terms (each such term, a renewal term). Either party may provide the other with notice of non-renewal at least 60 days before the expiration of any renewal term. As of December 31, 2021, we received 9.0 million bbls, or 36%, of the contracted total volume under the Crude Supply Agreement.

Pilot and Tartan store jet fuel and crude oil, respectively, at the Nixon facility under two terminal services agreements: (i) a Terminal Services Agreement dated as of May 2019 (covering Tank Nos. 67, 71, 72, 73, 77, and 78) for jet fuel and (ii) a Terminal Services Agreement dated as of June 1, 2019 (covering Tank Nos. 1 and 56) for crude oil. Under both terminal services agreements, Pilot and Tartan store product at the Nixon facility at a specified rate per bbl of the storage tank's shell capacity. The terminal services agreements renew on a one-year evergreen basis. Either party may terminate the terminal services agreements by providing the other party 60 days prior written notice. The terminal services agreements will automatically terminate upon expiration or termination of the Crude Supply Agreement.

From June 2020 to October 2021, Pilot applied payments owed to NPS under the above referenced terminal services agreements against NPS' payment obligations to Pilot under the Amended Pilot Line of Credit. For the twelve-month periods ended December 31, 2021 and 2020, the tank lease payment setoff totaled \$1.9 million and \$1.3 million, respectively.

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The amount of interest NPS incurred under the Amended Pilot Line of Credit totaled \$0.7 million and \$1.4 million, respectively, for the twelve months ended December 31, 2021 and 2020. See "Part II, Item 8. Financial Statements and Supplementary Data – Note (11)" and "Note (17)" to our consolidated financial statements for more information related to the Amended Pilot Line of Credit.

Our financial health has been materially and adversely affected by defaults in our secured loan agreements, substantial current debt, margin volatility, historical net losses and working capital deficits. If Pilot or Tartan terminate the Crude Supply Agreement or terminal services agreements, our ability to acquire crude oil and condensate could be adversely affected. If producers experience crude supply constraints and increased transportation costs, our crude acquisition costs may rise, or we may not receive sufficient amounts to meet our needs. During the twelve-month periods ended December 31, 2021 and 2020, the refinery experienced 23 days and 42 days of downtime, respectively. During the same time periods, 13 days and 20 days, respectively, related to lack of crude associated with cash constraints.

Products and Markets. Our market is the Gulf Coast region of the U.S., which the EIA represents as Petroleum Administration for Defense District 3 (PADD 3). We sell our products primarily in the U.S. within PADD 3. We also occasionally sell refined products to customers that export to Mexico.

The Nixon refinery's product slate is moderately adjusted based on current market demand. We produce a single finished product – jet fuel – and several intermediate products, including naphtha, HOBM, and AGO. We sell our jet fuel to an Affiliate, which is HUBZone certified. The product sales agreement with the Affiliate has a 1-year term expiring upon the earliest to occur of March 31, 2023, plus 30-day carryover or delivery of the maximum quantity of jet fuel. Our intermediate products are primarily sold in nearby markets to wholesalers and refiners as a feedstock for further blending and processing.

Customers. Customers for our refined products include distributors, wholesalers, and refineries primarily in the lower portion of the Texas Triangle (the Houston - San Antonio - Dallas/Fort Worth area). We have bulk term contracts in place with most of our customers, including month-to-month, six months, and up to one-year terms. Nearly all of our contracts require customer prepayments and the sale of fixed or minimum quantities of finished and intermediate petroleum products. Many of these arrangements are subject to periodic renegotiation on a forward-looking basis, which could result in higher or lower relative commodity prices on future refined product sales.

Competition. Most of our competitors are significantly larger than us. They have greater access to resources that allow them to compete on a national and international level. In addition, they can respond more quickly to market fluctuations. We compete primarily based on cost. Due to the low complexity of our simple "topping unit" refinery, we can be relatively nimble in adjusting our refined products slate due to shifting commodity prices, market demand, and operating costs.

Safety and Downtime. We operate the refinery in a manner that is materially consistent with industry safety practices and standards. EPA, OSHA, and comparable state and local regulatory agencies provide oversight for personnel safety, process safety management, and risk management to prevent or minimize the accidental release of toxic, reactive, flammable, or explosive chemicals. Most of our storage tanks are equipped with emissions monitoring devices. We also have response and control plans in place for spill prevention and emergencies.

The Nixon refinery periodically undergoes planned and unplanned temporary shutdowns. We typically complete a planned turnaround annually to repair, restore, refurbish, or replace refinery equipment. Occasionally, unplanned shutdowns occur. Unplanned downtime can occur for a variety of reasons; however, common reasons for unplanned downtime include repair/replacement of disabled equipment, crude deficiencies associated with cash constraints, high temperatures, and power outages. The Nixon refinery did not incur significant damage due to Winter Storm Uri in the first quarter of 2021. However, the facility lost external power for 10 days due to the storm.

We are particularly vulnerable to operation disruptions because all our refining operations occur at a single facility. Any scheduled or unscheduled downtime results in lost margin opportunity, reduced refined products inventory, and potential increased maintenance expense, all of which could reduce our ability to meet our payment obligations.

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Midstream Operations

The tolling and terminaling business segment consists of the following assets and operations:

Property	Key Products Handled	Operating Subsidiary	Location
Nixon facility	Crude Oil	LRM, NPS	Nixon, Texas
· Petroleum storage tanks	Refined Products		
· Loading and unloading facilities			

Products and Customers. The Nixon facility’s petroleum storage tanks and infrastructure are primarily suited for crude oil and condensate and refined products, such as naphtha, jet fuel, diesel, and fuel oil. Storage customers are typically refiners in the lower portion of the Texas Triangle (the Houston - San Antonio - Dallas/Fort Worth area). Shipments are received and redelivered from within the Nixon facility via pipeline or from third parties via truck. Contract terms range from month to month to three years.

Operations Safety. Our midstream operations are conducted in a manner materially consistent with industry safety practices and standards. EPA, OSHA, and comparable state and local agencies provide regulatory oversight. We have the appropriate emergency response and spill prevention and control plans in place.

Inactive Operations

We own other pipeline and facilities assets and have leasehold interests in oil and gas properties. These assets are inactive. We account for these inactive operations in ‘corporate and other.’ We fully impaired our pipeline assets in 2016 and our oil and gas leasehold interests in 2011. Our pipeline assets and oil and gas leasehold interests had no revenue during the twelve months ended December 31, 2021 and 2020.

Property	Operating Subsidiary	Location
Freeport facility	BDPL	Freeport, Texas
· Crude oil and natural gas separation and dehydration		
· Natural gas processing, treating, and redelivery		
· Vapor recovery unit		
· Two onshore pipelines		
· Land (162 acres)		
Offshore Pipelines (Trunk Line and Lateral Lines)	BDPL	Gulf of Mexico
Oil and Gas Leasehold Interests	BDPC	Gulf of Mexico

Pipeline and Facilities Safety.

Although our pipeline and facility assets are inactive, they require upkeep and maintenance. They are also subject to safety requirements under PHMSA, BOEM, BSEE, and comparable state and local regulations. We have response and control plans, spill prevention, and other programs to respond to emergencies related to these assets.

Insurance and Risk Management

Our operations are subject to significant hazards and risks inherent in crude oil and condensate refining operations, as well as the transportation and storage of crude oil and condensate and refined products. We have property damage, business interruption, and pollution liability coverages at the Nixon facility. Business interruption coverage is for 24 months from the date of the loss, subject to a deductible with a 45-day waiting period. Pollution liability provides coverage due to named perils for claims involving pollutants where the discharge is sudden and accidental and first commences at a specific day and time during the policy period. The pollution policy is subject to a retention and deductible and contains discovery requirements, reporting requirements, exclusions, definitions, conditions, and limitations that could apply to a particular pollution claim. As a result, there can be no assurance such claim will be adequately insured for all potential damages.

Additional coverage includes umbrella, excess liability, workers’ compensation, directors’ and officers’ liability, environmental liability, and other business risks. These coverages are supported by safety and other risk management programs. Our insurance program may not cover all operational risks and costs and may not provide sufficient coverage in the event of a claim. We do not maintain insurance coverage against all potential losses and could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Losses in excess of our insurance coverage or cancellation of policies could have a material adverse effect on our business, financial condition, and results of operations.

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Intellectual Property

We rely on intellectual property laws to protect our brand, as well as those of our subsidiaries. “Blue Dolphin Energy Company” is a registered trademark in the U.S. in name and logo form. “Petroport, Inc.” is a registered trademark in the U.S. in name form. In addition, “www.blue-dolphin-energy.com” is a registered domain name.

Website Access to Reports and Other Information

We make certain filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports, which are available free of charge through the SEC’s website (<http://www.sec.gov>) or through our website (<http://www.blue-dolphin-energy.com>), as soon as reasonably practicable after they are filed with the SEC. We have also posted our Code of Business Ethics, board committee charters and other corporate governance documents on our website. Our website and the information contained on that site, or connected to that site, are not incorporated by reference into this report.

Human Capital Management

General. Our operations and activities are managed by an Affiliate. We do not have any employees. As of December 31, 2021, 89 employees of the Affiliate provided support for our operations pursuant to the Amended and Restated Operating Agreement. None of these employees were covered by collective bargaining agreements. Under the Amended and Restated Operating Agreement, the Affiliate operates and manages all of our properties.

Safety, Health, and Wellness. We must comply with a number of federal and state laws and regulations related to safety that protect the health and safety of our workforce. We operate a safety and health program with participation by personnel at all levels of the organization. Despite our efforts to achieve excellence in our safety and health performance, there can be no assurances that there will not be accidents resulting in injuries or even fatalities.

We have developed and implemented a COVID-19 mitigation plan based on CDC and state health guidelines. This plan includes the implementation of health-screening protocols, elevated cleaning measures, reduced shared spaces, the purchase of masks for all personnel for use when social-distancing measures are not possible, and providing work-from-home support to facilitate remote working. Although vaccines have not been mandated, we have actively communicated updates to our workforce regarding vaccine availability and have encouraged eligible personnel to get vaccinated.

Inclusion and Diversity. We are evaluating measures to put in place that track our progress with regard to diversity and inclusion.

Government Regulations

General. Our operations are subject to extensive and frequently changing federal, state, and local laws, regulations, permits, and ordinances relating to the protection of the environment. Among other things, these laws and regulations govern obtaining and maintaining construction and operating permits, the emission and discharge of pollutants into or

onto the land, air, and water, the handling and disposal of solid, liquid, and hazardous wastes and the remediation of contamination. Compliance with existing and anticipated environmental laws and regulations increases our overall cost of business, including our capital costs to construct, maintain, operate, and upgrade equipment and facilities. Failure to comply with these laws and regulations may trigger a variety of administrative, civil, and criminal enforcement measures, including the assessment of monetary penalties. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances, hydrocarbons or wastes have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances, hydrocarbons, or other waste products into the environment. These requirements may also significantly affect our customers' operations and may have an indirect effect on our business, financial condition, and results of operations. However, we do not expect such effects will have a material impact on our financial position, results of operations, or liquidity.

Air Emissions and Climate Change Regulations. Our operations are subject to the Clean Air Act and comparable state and local statutes. Under these laws, we are required to obtain permits, as well as test, monitor, report, and implement control requirements. If regulations become more stringent, additional emission control technologies may be required to be installed at the Nixon facility and certain emission sources located offshore, and our ability to secure future permits may become less certain. Any such future obligations could require us to incur significant additional capital or operating costs.

The EPA has undertaken significant regulatory initiatives under authority of the Clean Air Act's NSR/PSD program to further reduce emissions of volatile organic compounds, nitrogen oxides, sulfur dioxide, and particulate matter. These regulatory initiatives have been targeted at industries with large manufacturing facilities that are significant sources of emissions, such as refining, paper and pulp, and electric power generating industries. The basic premise of these initiatives is the EPA's assertion that many of these industrial establishments have modified or expanded their operations over time without complying with NSR/PSD regulations, which result in emission increases above threshold limits. As part of this ongoing NSR/PSD regulatory initiative, the EPA has consent decrees with several refiners that require refiners to make significant capital expenditures to install emissions control equipment at selected facilities. We are not under a consent decree. If selected, as a small refiner we do not expect any additional requirements to have a material impact on our financial position, results of operations, or liquidity.

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The EPA strengthened the NAAQS for ground-level ozone to 70 parts per billion in 2015 from the 75-parts per billion level set in 2008. To implement the revised ozone NAAQS, all states will need to review their existing air quality management infrastructure State Implementation Plan for ozone and ensure it is appropriate and adequate. Where areas remain in ozone non-attainment or come into ozone non-attainment as a result of the revised NAAQS, it is likely that additional planning and control obligations will be required. States may impose additional emissions control requirements on stationary sources, changes in fuels specifications, and changes in fuels mix and mobile source emissions controls. The ongoing and potential future requirements imposed by states to meet the ozone NAAQS could have direct impacts on terminaling facilities through additional requirements and increased permitting costs and could have indirect impacts through changing or decreasing fuel demand.

The Energy Independence and Security Act of 2007 created RFS2 requiring the total volume of renewable transportation fuels (including ethanol and advanced biofuels) sold or introduced in the U.S. to reach 36.0 billion gallons by 2022. The EPA granted the Nixon refinery a small refinery exemption from RFS2 requirements for 2013 and 2014. Since 2014, the Nixon refinery has solely produced HOBM, a non-transportation lubricant blend product that does not fall under RFS2.

Currently, multiple legislative and regulatory measures to address greenhouse gas emissions are in various phases of discussion or implementation. These include actions to develop national, state, or regional programs, each of which would require reductions in our greenhouse gas emissions or those of our customers. In 2015, the EPA amended the Petroleum and Natural Gas Systems source category (Subpart W) of the Greenhouse Gas Reporting Program, to include among other things a new Onshore Petroleum and Natural Gas Gathering and Boosting segment that encompasses greenhouse gas emissions from equipment and sources within the petroleum and natural gas gathering boosting systems. In 2016, the EPA promulgated regulations regarding performance standards for methane emissions from new and modified oil and gas production and natural gas processing and transmission facilities, and in September 2018, proposed targeted improvements to these standards to streamline implementation of the rules. These and other legislative regulatory measures will impose additional burdens on our business and those of our customers.

Hazardous Substances and Waste Regulations. The CERCLA imposes strict, joint and several liability on a broad group of potentially responsible parties for response actions necessary to address a release of hazardous substances into the environment. The law authorizes two kinds of response actions: (i) short-term removals, where actions may be taken to address releases or threatened releases requiring prompt response, and (ii) long-term remedial response actions, that permanently and significantly reduce the dangers associated with releases or threats of releases of hazardous substances that are serious, but not immediately life threatening. Neither we nor any of our predecessors have been designated as a potentially responsible party under CERCLA or a similar state statute.

We generate petroleum product wastes, solid wastes, and ordinary industrial wastes, such as from paints and solvents, that are regulated under RCRA and comparable state statutes. We are not currently required to comply with a substantial portion of the RCRA requirements because we are considered small quantity generators of hazardous wastes by the EPA and state regulations. However, it is possible that additional wastes, which could include wastes currently generated during operations, will in the future be designated as hazardous wastes. Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. The Hazardous Waste Generator Improvement Rule of the EPA provides some additional flexibility for small generators but also increases certain recordkeeping and administrative burdens. Several states are now in the process of adopting this rule. Any additional changes in the regulations could increase our capital and operating costs.

We currently own properties where crude oil, refined petroleum hydrocarbons, and fuel additives have been handled for many years by previous owners. At some facilities, hydrocarbons or other waste may have been disposed of or released on or under the properties owned by us or on or under other locations where these wastes have been taken for disposal. Although prior owners and operators may have used operating and waste disposal practices that were standard in the industry at the time, these properties and wastes disposed thereon are now subject to CERCLA, RCRA and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed or released wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including impacted groundwater), or to perform remedial operations to prevent future contamination to the extent we are not indemnified for such matters.

Water Pollution Regulations. Our operations can result in the discharge of pollutants, including chemical components of crude oil and refined products, into federal and state waters. The CWA prohibits the discharge of pollutants into U.S. waters except as authorized by the terms of a permit issued by the EPA or a state agency with delegated authority. The transportation and storage of crude oil and refined products over and adjacent to water involves risks and subjects us to the provisions of the CWA, OPA 90, and related state requirements.

Spill prevention, control, and countermeasure requirements mandate the use of structures, such as berms and other secondary containment, to prevent hydrocarbons or other pollutants from reaching a jurisdictional body of water in the event of a spill or leak. These requirements prevent pollutant releases and minimize potential impacts should a release occur. We have federally certified OSROs available to respond to a spill and, in the case of our offshore pipelines, we maintain the statutory \$35.0 million coverage required proof of financial responsibility. In the event of an oil spill into navigable waters, we can be subject to strict, joint, and potentially unlimited liability for removal costs and other consequences.

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Wastewater is subject to restrictions and strict controls under the CWA. Federal and state regulatory agencies can impose administrative, civil, and criminal penalties for non-compliance with discharge permits. Process wastewater from the Nixon refinery is tested and discharged to a nearby municipal treatment facility pursuant to applicable process wastewater permits. Wastewater from our offshore facilities, including our oil and natural gas pipelines and anchor platform, is tested and discharged pursuant to applicable produced water permits. Stormwater at the Nixon facility is tested and discharged pursuant to applicable stormwater permits.

Offshore “Idle Iron” Decommissioning Regulations. In 2018 BSEE updated its earlier 2010 guidance and regulations on decommissioning that mandates lessees and rights-of-way holders permanently abandon and/or remove platforms and other structures when no longer useful for operations. To cover the various obligations of lessees and rights-of-way holders operating in federal waters of the Gulf of Mexico, BOEM evaluates an operator’s financial ability to carry out present and future obligations to determine whether the operator must provide additional security beyond the minimum bonding requirements. Such obligations include the cost of plugging and abandoning wells and decommissioning and removing platforms and pipelines at the end of production or service activities. Once plugging and abandonment work has been completed, the collateral backing the financial assurance is released by BOEM.

We are required by BOEM to: (i) maintain acceptable financial assurance (pipeline bonds) for the decommissioning of our assets offshore in federal waters and (ii) decommission these assets following a certain period of inactivity. As of December 31, 2021, we maintained approximately \$0.9 million in credit and cash-backed pipeline rights-of-way bonds issued to the BOEM. At December 31, 2021 and 2020, BDPL maintained \$3.5 million and \$2.4 million, respectively, in AROs related to abandonment of these assets. See “Part I, Item 1A. Risk Factors” for additional disclosures related to idle iron decommissioning requirements for our pipelines and facilities assets and related risks.

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Risk Factors

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, in addition to the other information contained in this document. Realization of any of the following risks could have a material adverse effect on our business, financial condition, cash flows and results of operations.

A. Risks Related to Our Business and Industry

A1. *Uncertainty exists regarding the impact of current and future sanctions imposed by governments and other authorities, including the United States, the European Union, and the United Kingdom in response to Russia’s invasion of Ukraine.*

Recently, Russia initiated significant military action against Ukraine. In response, the U.S. and certain other countries imposed significant sanctions and export controls against Russia, and the U.S. and certain other countries could impose further sanctions, trade restrictions, and other retaliatory actions should the conflict continue or worsen. It is not possible to predict the broader consequences of the conflict, including related geopolitical tensions, and the measures and retaliatory actions taken by the U.S. and other countries in respect thereof as well as any counter measures or retaliatory actions by Russia in response, including, for example, potential cyberattacks or the disruption of energy exports, is likely to cause regional instability, geopolitical shifts, and could materially adversely affect global trade, currency exchange rates, regional economies and the global economy. The situation remains uncertain, and while it is difficult to predict the impact of any of the foregoing, the conflict and actions taken in response to the conflict could increase our costs for crude oil, disrupt our supply chain, reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise adversely affect our business, financial condition, and results of operations.

A2. *We face numerous risks related to the COVID-19 pandemic, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.*

Since the beginning of 2020, the COVID-19 pandemic disrupted economies around the world, including the oil and gas industry in which we operate. The rapid spread of the virus led to the implementation of various responses, including federal, state, and local government-imposed quarantines, shelter-in-place mandates, sweeping restrictions on travel, and other public health and safety measures. Actions by members of OPEC and other producer countries in 2020 concerning oil production and pricing significantly impacted supply and demand in global oil and gas markets, which impacted our operational and financial performance. In particular, we experienced net losses due to unfavorable margins per bbl and significantly lower sales volume due to significant refinery downtime. Global oil prices and refined product demand recovered somewhat in 2021 compared to 2020 as COVID-19 cases stabilized, mortality rates decreased, and availability and inoculation rates of vaccines increased. However, recovery of jet fuel demand lagged that of other refined products as airline travel restrictions and consumer hesitancy to fly during the pandemic continued. Despite the uptick in market conditions during the second half of 2021, overall, we experienced operating and net losses due to unfavorable margins and lower sales volume, which affected our liquidity. Cash constraints adversely impacted the frequency of crude oil acquisition, debt payments, and abandonment of pipeline and facilities assets.

The extent to which the continued COVID-19 pandemic will impact our operations depends on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, additional or modified government actions, new information that may emerge concerning variants, actions taken to contain the spread of COVID-19 and treat its impact, and the availability and acceptance of vaccines to mitigate such spread, among others.

Some factors from the continued COVID-19 pandemic that could have an adverse effect on our business, financial condition, liquidity, and results of operations, include:

- third-party effects, including contractual and counterparty risk;
- supply/demand market and macro-economic forces;
- lower commodity prices;
- unavailable storage capacity and operational effects, including curtailments and shut-ins;
- decreased utilization and rates for our assets and services;
- impact on liquidity and access to capital markets;
- workforce reductions and furloughs; and
- federal, state, and local actions.

The COVID-19 pandemic continues to evolve, and the extent to which the pandemic may impact our business, financial condition, liquidity, results of operations, and prospects will depend highly on future developments, which are very uncertain and cannot be predicted with confidence. Additionally, the extent and duration of the impact of COVID-19 pandemic on our Common Stock price is uncertain and may make us look less attractive to investors and, as a result, there may be a less active trading market for our Common Stock, our Common Stock price may be more volatile, and our ability to raise capital could be impaired.

Risk Factors**A3. Management has determined that there is, and the report of our independent registered public accounting firm expresses, substantial doubt about our ability to continue as a going concern.**

Management has determined that conditions exist that raise substantial doubt about our ability to continue as a going concern due to defaults under our secured loan agreements, margin volatility, and historic net losses and working capital deficits. Our consolidated financial statements assume we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty. A 'going concern' opinion could impair our ability to finance our operations through the sale of equity, incurring debt, or other financing alternatives. Our ability to continue as a going concern depends on sustained positive operating margins and having working capital for, amongst other requirements, purchasing crude oil and condensate and making payments on long-term debt. Without positive operating margins and working capital, our business will be jeopardized, and we may not be able to continue. If we are unable to make required debt payments, we would likely have to consider other options, such as selling assets, raising additional debt or equity capital, cutting costs, or otherwise reducing our cash requirements, or negotiating with our creditors to restructure our applicable obligations, including potentially filing for bankruptcy.

A4. We have inadequate liquidity to sustain operations due to defaults under our secured loan agreements, substantial current debt, margin volatility, historic net losses and working capital deficits, any of which could have a material adverse effect on us.

We had \$78.5 million and \$72.3 million in working capital deficits at December 31, 2021 and 2020, respectively. Excluding the current portion of long-term debt, we had \$15.5 million and \$22.6 million in working capital deficits at December 31, 2021 and 2020, respectively. Cash and cash equivalents totaled \$0.01 and \$0.5 million at December 31, 2021 and 2020, respectively. Restricted cash (current portion) totaled \$0.05 million at both December 31, 2021 and 2020. Restricted cash, noncurrent totaled \$0 and \$0.5 million at December 31, 2021 and 2020, respectively.

We currently rely on revenue from operations, including sales of refined products and rental of petroleum storage tanks, Affiliates, and financing to meet our liquidity needs. Our short-term working capital needs are primarily related to: (i) purchasing crude oil and condensate to operate the Nixon refinery, (ii) reimbursing LEH for direct operating expenses and paying the LEH operating fee under the Amended and Restated Operating Agreement, (iii) servicing debt, (iv) maintaining and expanding the Nixon facility through capital expenditures, and (v) meeting regulatory compliance mandates. Our long-term working capital needs are primarily related to repayment of long-term debt obligations.

Due to defaults under our secured loan agreements, substantial current debt, margin volatility, historic net losses and working capital deficits, we have inadequate liquidity to sustain operations. We continue to actively explore additional financing to meet working capital needs or refinance and restructure debt. During the twelve months ended December 31, 2021 and 2020, we successfully secured \$10.5 million and \$0.3 million, respectively, in working capital through CARES Act loans. In addition, subsequent to the period covered by this report, we secured an additional \$1.5 million in working capital through modification of the existing BDEC Term Loan Due 2051. There can be no assurance that we will be able to raise additional capital on acceptable terms, or at all. If we are unable to raise sufficient additional capital, we may not, in the short term, be able to purchase crude oil and condensate or meet debt payment obligations. In the long term, we may not be able to withstand business disruptions, such as from COVID-19, or execute our business strategy. We may have to consider other options, such as selling assets, raising additional debt or equity capital, seek bankruptcy protection, or cease operating.

A5. Our substantial current debt, which is included in the current portion of long-term debt (in default) and long-term debt, related party (in default), could adversely affect our financial health and make us more vulnerable to adverse economic conditions.

Substantial current debt is primarily the result of secured loan agreements being in default. As a result, these debt obligations were classified within the current portion of long-term debt on our consolidated balance sheets at December 31, 2021 and 2020. Excluding accrued interest, we had current debt of \$63.0 million and \$57.7 million, respectively, as of December 31, 2021 and 2020.

Current debt consists of bank debt, investor debt, and related party debt. Although the line of credit payable to Pilot fell within current debt during 2021, the Pilot debt was repaid in October 2021. For the twelve-months ended December 31, 2021 and 2020, principal and interest payments to Veritex were \$0.6 million and \$0.9 million, respectively. For the twelve-months ended December 31, 2021, interest only payments to GNCU were \$0.01 million. As of the filing date of this report, NPS was in default under the NPS Term Loan Due 2031 for failing to satisfy financial covenants. For both twelve-month periods ended December 31, 2021, and 2020, principal and interest payments to John Kissick and related parties were \$0. From June 2020 to October 2021, Pilot applied payments owed to NPS under two terminal services agreements against NPS' payment obligations to Pilot under the Amended Pilot Line of Credit. For the twelve-month periods ended December 31, 2021 and 2020, the tank lease payment setoff totaled \$1.9 million and \$1.3 million, respectively.

Risk Factors

Blue Dolphin, as parent company, has guaranteed the indebtedness of certain subsidiaries. In addition, Affiliates have guaranteed the indebtedness of Blue Dolphin and certain of its subsidiaries. This level of debt in current liabilities and the cross guarantee agreements could have important consequences, such as: (i) limiting our ability to obtain additional financing to fund our working capital, capital expenditures, debt service requirements or potential growth, or for other purposes; (ii) increasing the cost of future borrowings; (iii) limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to make payments on our debt; (iv) placing us at a competitive disadvantage compared to competitors with less debt; and (v) increasing our vulnerability to adverse economic and industry conditions.

Our ability to service our debt is dependent upon, among other things, business conditions, our financial and operating performance, our ability to raise capital, and regulatory and other factors, many of which are beyond our control. If our working capital is not sufficient to service our debt, and any future indebtedness that we incur, our business, financial condition, and results of operations will be materially adversely affected.

A6. Our ability to regain compliance with the terms of our outstanding indebtedness depends on us generating sufficient cash flow to meet debt service obligations or refinancing or restructuring the debt.

As described elsewhere in this report, we are in default under our secured loan agreements with third parties and related parties, as follow:

- Veritex – At December 31, 2021, and as of the filing date of this report, LE and LRM were in default under the LE Term Loan Due 2034 and LRM Term Loan Due 2034 for failing to make required monthly principal and interest payments and failing to satisfy financial covenants. In addition, LE was in default under the LE Term Loan Due 2034 for failing to replenish a \$1.0 million payment reserve account.
- GNCU – For the twelve-months ended December 31, 2021, interest only payments to GNCU were \$0.01 million. As of the filing date of this report, NPS was in default under the NPS Term Loan Due 2031 for failing to satisfy financial covenants.
- Pilot – On October 4, 2021, NPS repaid all obligations owed to Pilot under the Amended Pilot Line of Credit. However, in a letter from NPS to Pilot dated October 28, 2021, NPS disputed approximately \$0.3 million in payments NPS believes Pilot misapplied as part of the Amended Pilot Line of Credit setoff. As of the filing

date of this report, the amount remained in dispute between the parties. We were in default prior to repayment. From June 2020 to October 2021, Pilot applied payments owed to NPS under two terminal services agreements against NPS' payment obligations to Pilot under the Amended Pilot Line of Credit. For the twelve-month periods ended December 31, 2021 and 2020, the tank lease payment setoff totaled \$1.9 million and \$1.3 million, respectively.

Kissick Debt – Pursuant to a 2015 subordination agreement, the holder of the Kissick Debt agreed to subordinate their right to payments from LE, as well as any security interest and liens on the Nixon facility's business assets, in favor of Veritex as holder of the LE Term Loan Due 2034. To date, no payments have been made under the subordinated Kissick Debt and the holder of the Kissick Debt has taken no action as a result of the non-payment. As of the filing date of this report, defaults under the Kissick Debt related to payment of past due obligations at maturity.

Related Party Debt – Affiliates controlled approximately 82% of the voting power of our Common Stock as of the filing date of this report, an Affiliate operates and manages all Blue Dolphin properties, an Affiliate is a significant customer of our refined products, and we borrow from Affiliates during periods of working capital deficits. Related party debt, which is currently in default, represents such working capital borrowings. As of the filing date of this report, defaults under related-party debt were associated with payment of past due obligations at maturity.

Defaults under our secured loan agreements permit third parties to declare the amounts owed under certain loan agreements immediately due and payable, exercise their rights with respect to collateral securing obligors' obligations under these loan agreements, and/or exercise any other rights and remedies available. The debt associated with secured loan agreements with third parties and related parties was classified within the current portion of long-term debt (in default) and long-term debt, related party (in default) on our consolidated balance sheets at December 31, 2021. The debt associated with secured loan agreements with third parties and related parties was classified within the current portion of long-term debt (in default), long-term debt, related party (in default), and line of credit payable (in default) on our consolidated balance sheets at December 31, 2020.

Our ability to regain compliance with the terms of our outstanding indebtedness depends on our ability to generate sufficient cash flow to meet debt service obligations or refinance or restructure the debt. This is dependent on, among other things, business conditions, our financial performance, and the general condition of the financial markets. We can provide no assurance that our assets or cash flow will be sufficient to fully repay borrowings under our secured loan agreements. Continued disruptions to our business as a result of the COVID-19 pandemic could result in a material adverse effect on our business, result of operations, financial condition, cash flows, and our ability to service our indebtedness and other obligations. There can also be no assurance that our liquidity, business, financial condition, and results of operations will revert to pre-2020 levels once the impacts of the COVID-19 pandemic cease. Given the current financial markets, we can provide no assurance that we can successfully generate sufficient cash from operations to repay our outstanding debt or otherwise restructure or refinance the debt. We could be forced to undertake alternate financings, including a sale of additional common stock, negotiate for an extension of the maturity, or sell assets and delay capital expenditures in order to generate proceeds that could be used to repay such indebtedness. We can provide no assurance that we will be able to consummate any such transaction on terms that are commercially reasonable, on terms acceptable to us or at all. If new debt or other liabilities are added to the Company's current consolidated debt levels, the related risks that it now faces could intensify. If new debt or other liabilities are added to the Company's current consolidated debt levels, the related risks that it now faces could intensify. In the event we are unsuccessful in such endeavors, we may be unable to pay the amounts outstanding, which may require us to seek protection under bankruptcy laws. In such a case, the trading price of our Common Stock and the value of an investment in our Common Stock could significantly decrease, which could lead to holders of our Common Stock losing their investment in our Common Stock in its entirety.

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Risk Factors

A7. Our business, financial condition, and operating results may be adversely affected by increased costs of capital or a reduction in the availability of credit.

Adverse changes to the availability, terms, cost of capital, interest rates, or our credit ratings (which would have a corresponding impact on the credit ratings of our subsidiaries that are party to any cross-guarantee agreements) could cause our cost of doing business to increase by limiting our access to capital, including our ability to refinance maturing or accelerated existing indebtedness on similar terms. In addition, increased crude acquisition costs could adversely impact our working capital. As a result, we cannot provide any assurance that any financing will be available to us in the future on acceptable terms or at all. Any such financing could be dilutive to our existing stockholders. If we cannot raise required funds on acceptable terms, we may further reduce our expenses and we may not be able to, among other things, (i) maintain our general and administrative expenses at current levels; (ii) successfully implement our business strategy; (iii) fund certain obligations as they become due; (iv) respond to competitive pressures or unanticipated capital requirements; (v) repay our indebtedness, or (vi) purchase crude oil to operate the Nixon facility. Based on the historical negative cash flows and the continued limited cash inflows in the period subsequent to year end there is substantial doubt about our ability to continue as a going concern.

A8. Restrictive covenants in our debt instruments may limit our ability to undertake certain types of transactions, which could adversely affect our business, financial condition, results of operations, and our ability to service our indebtedness.

Various covenants in our debt instruments restrict our financial flexibility in a number of ways. Our current indebtedness subjects us to significant financial and other restrictive covenants, including restrictions on our ability to incur additional indebtedness, place liens upon assets, pay dividends or make certain other restricted payments and investments, consummate certain asset sales or asset swaps, conduct businesses other than our current businesses, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. Some of our debt instruments also require us to satisfy or maintain certain financial condition tests in certain circumstances. Our ability to meet these financial condition tests can be affected by events beyond our control and we may not meet such tests. In addition, a failure to comply with the provisions of our existing debt could result in a further event of default that could enable our lenders, subject to the terms and conditions of such debt, to declare the outstanding principal, together with accrued interest, to be immediately due and payable. Events beyond our control, including the impact of the COVID-19 pandemic and related governmental responses, volatility in commodity prices, and extreme weather resulting from climate change may affect our ability to comply with our covenants. If we are unable to repay the accelerated amounts, our lenders could proceed against the collateral granted to them to secure such debt. If the payment of our debt is accelerated, defaults under our other debt instruments, if any, may be triggered, and our assets may be insufficient to repay such debt in full. In addition, loans provided or guaranteed by the U.S. government, including pursuant to the CARES Act, subject us to additional restrictions on our operations, including limitations on personnel headcount and compensation reductions and other cost reduction activities that could adversely affect us.

A9. Affiliates hold a significant ownership interest in us and exert significant influence over us, and their interests may conflict with the interests of our other stockholders; and affiliate transactions may cause conflicts of interest that may adversely affect us.

We have an indirect controlling stockholder. As a related party of an Affiliate, Jonathan Carroll indirectly owned 82% of the voting power of our Common Stock as of the filing date of this report, and by virtue of such stock ownership, Mr. Carroll can control or exert substantial influence over us, including:

- Election and appointment of directors;
- Business strategy and policies;
- Mergers and other business combinations;
- Acquisition or disposition of assets;
- Future issuances of Common Stock or other securities; and
- Incurrence of debt or obtaining other sources of financing.

Risk Factors

The existence of a controlling stockholder may have the effect of making it difficult for, or may discourage or delay, a third party from seeking to acquire a majority of our outstanding Common Stock, which may adversely affect the market price of our Common Stock.

Affiliate interest may not always be consistent with our interests or with the interests of our other stockholders. Affiliates may also pursue acquisitions or business opportunities in industries in which we compete, and there is no requirement that any additional business opportunities be presented to us. We also have and may in the future enter transactions to purchase goods or services with Affiliates. To the extent that conflicts of interest may arise between us and Affiliates, those conflicts may be resolved in a manner adverse to us or its other stockholders.

These relationships could create, or appear to create, potential conflicts of interest when our Board is faced with decisions that could have different implications for us and Affiliates. The appearance of conflicts, even if such conflicts do not materialize, might adversely affect the public's perception of us, as well as our relationship with other companies and our ability to enter new relationships in the future, which may have a material adverse effect on our ability to do business.

A10. *The dangers inherent in oil and gas operations could expose us to potentially significant losses, costs, or liabilities, and reduce our liquidity.*

Oil and gas operations are inherently subject to significant hazards and risks. We process, store, and handle crude oil and condensate, which, under certain circumstances, can be extremely dangerous. Hazards and risks related to the Nixon facility include, but are not limited to, catastrophic events caused by fires, explosions, pressure vessel ruptures, spills, third-party interference, electricity, and mechanical breakdown, any of which could result in interruption or termination of operations, pollution, personal injury and death, or damage to our assets and the property of others.

Offshore operations are also subject to a variety of operating risks peculiar to the marine environment. Although our pipeline assets and leasehold interests in oil and gas wells are inactive, natural disasters and other events, such as hurricanes, can result in blowouts, cratering, explosions, and loss of well control. These hazards can cause injury to persons, loss of life, and damage to property or the environment.

Any of these risks could result in substantial losses to us from a significant decrease in operations, significant additional costs to replace, repair, and insure assets, and from potential civil lawsuits, fines, penalties, and regulatory enforcement proceedings. We may also become subject to more extensive governmental regulation. These regulations may, in certain circumstances, impose strict liability for pollution damage or result in the interruption or termination of operations. These risks could also harm our reputation and business, result in claims against us, and have a material adverse effect on our results of operations and financial condition.

A11. *The geographic concentration of our assets creates a significant exposure to the risks of the regional economy and other regional adverse conditions.*

Our primary operating assets are in Nixon, Texas in the Eagle Ford Shale, and we market our refined products in a single, relatively limited geographic area. In addition, we have facilities and related onshore pipeline assets in Freeport, Texas, and offshore pipelines and oil and gas properties in the Gulf of Mexico. As a result, our operations are more susceptible to regional economic conditions than our more geographically diversified competitors. Any changes in market conditions, unforeseen circumstances, or other events affecting the area in which our assets are located could have a material adverse effect on our business, financial condition, and results of operations. These factors include, among other things, changes in the economy, weather, demographics, and population.

A12. *Competition from companies having greater financial and other resources could materially and adversely affect our business and results of operations.*

The refining industry is highly competitive. Our refining operations compete with domestic refiners and marketers in PADD 3 (Gulf Coast), domestic refiners in other PADD regions, and foreign refiners that import products into the U.S. Certain of our competitors have larger, more complex refineries and may be able to realize higher margins per barrel of product produced. Several of our principal competitors are integrated national or international oil companies that are larger and have substantially greater resources than we do and have access to proprietary sources of controlled crude oil production. Unlike these competitors, we obtain all our feedstocks from a single supplier. Because of their integrated operations and larger capitalization, larger, more complex refineries may be more flexible in responding to volatile industry or market conditions, such as crude oil and other feedstocks supply shortages or commodity price fluctuations. If we are unable to compete effectively, we may lose existing customers or fail to acquire new customers.

Risk Factors**A13. *Environmental laws and regulations could require us to make substantial capital expenditures to remain in compliance or to remediate current or future contamination that could give rise to material liabilities.***

Our operations are subject to a variety of federal, state, and local environmental laws and regulations relating to the protection of the environment and natural resources, including those governing the emission or discharge of pollutants into the environment, product specifications and the generation, treatment, storage, transportation, disposal, and remediation of solid and hazardous wastes. Violations of these laws and regulations or permit conditions can result in substantial penalties, injunctive orders compelling installation of additional controls, civil and criminal sanctions, permit revocations and/or facility shutdowns.

In addition, new environmental laws and regulations, new interpretations of existing laws and regulations, increased governmental enforcement of laws and regulations, or other developments could require us to make additional unforeseen expenditures. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. Expenditures or costs for environmental compliance could have a material adverse effect on our results of operations, financial condition, and profitability. For example, President Biden has issued an executive order seeking to adopt new regulations and policies to address climate change and to consider suspending, revising, or rescinding prior agency actions that are identified as conflicting with the Biden Administration's climate policies. The current administration may take further actions that could restrict or limit operations as currently conducted at the Nixon Facility.

The Nixon facility operates under several federal and state permits, licenses, and approvals with terms and conditions that contain a significant number of prescriptive limits and performance standards. These permits, licenses, approvals, limits, and standards require a significant amount of monitoring, record keeping and reporting to demonstrate compliance with the underlying permit, license, approval, limit or standard. Non-compliance or incomplete documentation of our compliance status may result in the imposition of fines, penalties, and injunctive relief. Additionally, there may be times when we are unable to meet the standards and terms and conditions of our permits, licenses, and approvals due to operational upsets or malfunctions, which may lead to the imposition of fines and penalties or operating restrictions that may have a material adverse effect on our ability to operate our facilities, and accordingly our financial performance.

A14. *We are subject to strict laws and regulations regarding personnel and process safety, and failure to comply with these laws and regulations could have a material adverse effect on our results of operations, financial condition, and profitability.*

We are subject to the requirements of OSHA, and comparable state statutes that regulate the protection, health, and safety of workers, and the proper design, operation, and maintenance of our equipment. In addition, OSHA and certain other environmental regulations require that we maintain information about hazardous materials used or

produced in our operations and that we provide this information to personnel and state and local governmental authorities. Failure to comply with these requirements, including general industry standards, record keeping requirements and monitoring and control of occupational exposure to regulated substances, may result in significant fines or compliance costs, which could have a material adverse effect on our results of operations, financial condition, and cash flows.

In October 2021, LRM received a proposed agreed order from the TCEQ for alleged solid and hazardous waste violations discovered during an investigation from January 29, 2020 to March 2, 2020. The proposed agreed order assesses an administrative penalty of approximately \$0.4 million and identifies actions needed to correct the alleged violations. We are currently seeking to negotiate a reduced penalty amount. However, we recorded a liability for the maximum proposed amount of \$0.4 million on our consolidated balance sheet as of December 31, 2021.

A15. Our insurance policies do not cover all losses, costs, or liabilities that we may experience, and insurance companies that currently insure companies in the energy industry may cease to do so or substantially increase premiums.

Our insurance program may not cover all operational risks and costs and may not provide sufficient coverage in the event of a claim. We do not maintain insurance coverage against all potential losses and could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance, failure by one or more of our insurers to honor its coverage commitments for an insured event, or losses in excess of our insurance coverage could have a material adverse effect on our business, financial condition, and results of operations.

There is finite capacity in the commercial insurance industry engaged in underwriting energy industry risk, and factors impacting cost and availability include: (i) losses in our industries, (ii) natural disasters, (iii) specific losses incurred by us, and (iv) inadequate investment returns earned by the insurance industry. If the supply of commercial insurance is curtailed, we may not be able to continue our present limits of insurance coverage, obtain sufficient insurance capacity to adequately insure our risks, or we may be unable to obtain and maintain adequate insurance at a reasonable cost. There is no assurance that our insurers will renew their insurance coverage on acceptable terms, if at all, or that we will be able to arrange for adequate alternative coverage in the event of non-renewal. The unavailability of full insurance coverage to cover events in which we suffer significant losses or cancellation of insurance policies could have a material adverse effect on our business, financial condition, and results of operations.

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Risk Factors

A16. Our ability to use NOL carryforwards to offset future taxable income for U.S. federal income tax purposes is subject to limitation.

Under IRC Section 382, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOL carryforwards to offset future taxable income. Within the meaning of IRC Section 382, an “ownership change” occurs when the aggregate stock ownership of certain stockholders (generally 5% shareholders, applying certain look-through rules) increases by more than 50 percentage points over such stockholders’ lowest percentage ownership during the testing period (generally three years).

Blue Dolphin experienced ownership changes in 2005 because of a series of private placements, and in 2012 because of a reverse acquisition. The 2012 ownership change limits our ability to utilize NOLs following the 2005 ownership change that were not previously subject to limitation. Limitations imposed on our ability to use NOLs to offset future taxable income could cause U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitations were not in effect, and could cause such NOLs to expire unused, in each case reducing or eliminating the benefit of such NOLs. Similar rules and limitations may apply for state income tax purposes. NOLs generated after the 2012 ownership change are not subject to limitation. If the IRS were to challenge our NOLs in an audit, we cannot assure that we would prevail against such challenge. If the IRS were successful in challenging our NOLs, all or some portion of our NOLs would not be available to offset any future consolidated income, which would negatively impact our results of operations and cash flows. Certain provisions of the Tax Cuts and Jobs Act, enacted in 2017, may also limit our ability to utilize our net operating tax loss carryforwards.

At December 31, 2021 and 2020, management determined that cumulative losses incurred over the prior three-year period provided significant objective evidence that limited the ability to consider other subjective evidence, such as projections for future growth. Based on this evaluation, we recorded a full valuation allowance against the deferred tax assets as of December 31, 2021 and 2020.

A17. We may not be able to keep pace with technological developments in our industry.

The oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, we may be placed at a competitive disadvantage or may be forced by competitive pressures to implement those new technologies at substantial costs. We may not be able to respond to these competitive pressures or implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies we use now or in the future were to become obsolete, our business, financial condition or results of operations could be materially and adversely affected.

A18. A terrorist attack or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. For example, Russia’s recent invasion of Ukraine and resulting sanctions and export controls by the United States and other countries could have wide-ranging impacts that have yet to be identified. Given the evolving geopolitical situation, there are many unknown factors and events that could materially impact our operations, which may be temporary or permanent in nature. These tensions also create heightened risk of a terrorist attack or armed conflict involving the United States. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for our production and causing a reduction in our revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our operations or the operations of our customers’ is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

A19. We face various risks associated with increased activism against oil and natural gas companies.

Opposition toward oil and natural gas companies has been growing globally and is particularly pronounced in the United States. Companies in the oil and natural gas industry are often the target of activist efforts from both individuals and non-governmental organizations regarding safety, human rights, environmental matters, sustainability, and business practices. Anti-development activists are working to, among other things, reduce access to federal and state government lands and delay or cancel certain operations such as drilling and development. Any restrictions or limitations on our business or operations resulting from such opposition could have a material adverse effect on our financial condition and results of operations.

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A20. Our business could be negatively affected by security threats.

A cyberattack or similar incident could occur and result in information theft, data corruption, operational disruption, damage to our reputation or financial loss. Our industry has become increasingly dependent on digital technologies to conduct certain exploration, development, production, processing, and financial activities. Our technologies, systems, networks, or other proprietary information, and those of our vendors, suppliers, and other business partners, may become the target of cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss, or destruction of proprietary and other information, or could otherwise lead to the disruption of our business operations. Cyberattacks are becoming more sophisticated and certain cyber incidents, such as surveillance, may remain undetected for an extended period and could lead to disruptions in critical systems or the unauthorized release of confidential or otherwise protected information. These events could lead to financial loss from remedial actions, loss of business, disruption of operations, damage to our reputation or potential liability. Also, computers control nearly all the oil and gas distribution systems in the United States and abroad, which are necessary to transportation our production to market. A cyberattack directed at oil and gas distribution systems could damage critical distribution and storage assets or the environment, delay or prevent delivery of production to markets and make it difficult or impossible to accurately account for production and settle transactions. Cyber incidents have increased, and the United States government has issued warnings indicating that energy assets may be specific targets of cybersecurity threats. Our systems and insurance coverage for protecting against cybersecurity risks may not be sufficient. Further, as cyberattacks continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyberattacks.

A21. An outbreak of another highly infectious or contagious disease could adversely affect the combined company's business, financial condition, and results of operations.

Our business will be dependent upon the willingness and ability of our customers to conduct transactions. The spread of a highly infectious or contagious disease, such as COVID-19, could cause severe disruptions in the worldwide economy, which could in turn disrupt our business, activities, and operations, as well as that of our customers. Moreover, since the beginning of January 2020, the COVID-19 outbreak has caused significant disruption in the financial markets both globally and in the United States. The spread of COVID-19, or an outbreak of another highly infectious or contagious disease, may result in a significant decrease in business and/or cause customers to be unable to meet existing payment or other obligations. A spread of COVID-19, or an outbreak of another contagious disease, could also negatively impact the availability of key personnel necessary to conduct our business. Such a spread or outbreak could also negatively impact the business and operations of third-party providers who perform critical services for our business. If COVID-19, or another highly infectious or contagious disease, spreads or the response to contain COVID-19 is unsuccessful, we could experience a material adverse effect on our business, financial condition, and results of operations.

A22. Potential impairment in the carrying value of long-lived assets could negatively affect our operating results.

We have a significant amount of long-lived assets on our consolidated balance sheet. Under generally accepted accounting principles, long-lived assets are required to be reviewed for impairment annually or whenever adverse events or changes in circumstances indicate a possible impairment. If business conditions or other factors cause the undiscounted estimated pretax cash flows for long-lived assets to fall below their carrying value, we may be required to record non-cash impairment charges. Events and conditions that could result in impairment in the value of our long-lived assets include lower realized refining margins, decreased refinery production, other factors leading to a reduction in expected long-term sales or profitability, or significant changes in the manner of use for the assets or the overall business strategy.

In this challenging business environment, we continuously monitor our assets for impairment, as well as optimization opportunities. We recorded an impairment of \$1.1 million related to asset retirement costs for our pipeline/platform assets as of December 31, 2021. An additional impairment may be required in future periods if instabilities in the market continue long-term, losses continue to be material, or as new opportunities arise, such as reconfiguration of the Nixon refinery into a renewable fuels facility.

Significant management judgment is required in the forecasting of future operating results that are used in the preparation of projected cash flows. As a result, there can be no assurance that the estimates and assumptions made for purposes of our impairment analysis will prove to be an accurate prediction of the future. Should our assumptions significantly change in future periods, it is possible we may later determine the carrying values of our refinery and facilities assets exceed the undiscounted estimated pretax cash flows, which would result in a future impairment charge.

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Risk Factors

B. Risks Related to Our Operations**B1. Refining margins, which are affected by commodity prices and refined product demand, are volatile, and a reduction in refining margins will adversely affect the amount of cash we will have available for working capital.**

Historically, refining margins have been volatile, and they are likely to continue to be volatile in the future. Our financial results are primarily affected by the relationship between our crude oil and condensate acquisition costs, the commodity prices at which we ultimately sell our refined products, and the volume of refined products that we sell, all of which depend upon numerous factors beyond our control. The commodity prices at which we sell our refined products are strongly influenced by the commodity price of crude oil. If crude oil commodity prices increase, our 'refinery operations' business segment margins will fall unless we can pass along these commodity price increases to our wholesale customers. Increases in the selling prices for refined products typically trail the rising crude oil cost and may be difficult to implement when crude oil costs increase dramatically over a short period. Sharp decreases in refined product market demand, such as the record low demand that has occurred because of widespread COVID-19 related travel restrictions, can adversely affect our refining margins.

B2. The commodity price volatility of crude oil, other feedstocks, refined products, and fuel and utility services may have a material adverse effect on our earnings, cash flows, and liquidity.

Crude oil refining is primarily a margin-based business. To improve margins, we must maximize yields of higher value finished petroleum products and minimize costs of feedstocks and operating expenses. When the spread between these commodity prices decreases, our margins are negatively affected. Although an increase or decrease in the commodity price for crude oil and other feedstocks generally results in a similar increase or decrease in commodity prices for finished petroleum products, typically there is a time lag between the two. The effect of crude oil commodity price changes on our finished petroleum product commodity prices therefore depends, in part, on how quickly and how fully the market adjusts to reflect these changes. Unfavorable margins may have a material adverse effect on our earnings, cash flows, and liquidity.

The markets and commodity prices for crude oil and condensate and our finished products have historically been volatile, are likely to continue to be volatile, and depend on factors beyond our control. These factors include:

- the level of domestic and offshore production;
- the availability of crude oil and U.S. and global demand for this commodity;
- a general downturn in economic conditions;
- the impact of weather, including abnormally mild or extreme winter or summer weather that cause lower or higher energy usage for heating or cooling purposes, respectively, or extreme weather that may disrupt our operations or related upstream or downstream operations;
- actions taken by foreign oil and gas producing and importing nations, including the ability or willingness of OPEC and OPEC+ to set and maintain pricing and production levels for oil, which, for example, had a pronounced effect on global commodity prices for crude oil and the volatility thereof in 2020 during the onset and spread of the COVID-19 pandemic;

- the availability of local, intrastate, and interstate transportation systems;
- conflicts, such as Russia's invasion of Ukraine;
- the availability and marketing of competitive fuels; and
- the extent of governmental regulation and taxation.

B3. Our future success depends on our ability to acquire sufficient levels of crude oil on favorable terms to operate the Nixon refinery.

Operation of the Nixon refinery depends on our ability to purchase adequate amounts of crude oil and condensate. Although we have no crude oil reserves and are not engaged in the exploration or production of crude oil, we believe that we can obtain adequate crude oil and other feedstocks at generally competitive commodity prices for the foreseeable future. We have a long-term crude supply agreement in place with Tartan. The volume-based Crude Supply Agreement expires when we receive 24.8 million net bbls of crude oil. After that, the Crude Supply Agreement automatically renews for successive one-year terms. Either party may provide the other with notice of non-renewal at least 60 days before the expiration of any renewal term. As of December 31, 2021, we received 9.0 million bbls, or 36%, of the contracted total volume under the Crude Supply Agreement.

Pilot and Tartan store jet fuel and crude oil, respectively, at the Nixon facility under two terminal services agreements: (i) a Terminal Services Agreement dated as of May 2019 (covering Tank Nos. 67, 71, 72, 73, 77, and 78) for jet fuel and (ii) a Terminal Services Agreement dated as of June 1, 2019 (covering Tank Nos. 1 and 56) for crude oil. Under both terminal services agreements, Pilot and Tartan store product at the Nixon facility at a specified rate per bbl of the storage tank's shell capacity. The terminal services agreements renew on a one-year evergreen basis. Either party may terminate the terminal services agreements by providing the other party 60 days prior written notice. The terminal services agreements will automatically terminate upon expiration or termination of the Crude Supply Agreement.

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Risk Factors

B4. Failure to acquire crude oil and condensate when needed could have a material effect on our ability to operate the Nixon facility at the desired rate, which could have a material adverse effect on our financial condition, results of operations, liquidity, and cash flows.

Given the large dollar amount required to make crude oil purchases, liquidity constraints could cause us to delay purchases of crude oil or otherwise acquire less than the desired amounts. This, in turn, could cause us to operate the Nixon facility at a lower rate on a bpd basis to meet customer demand. During the twelve-month period ended December 31, 2021, the refinery experienced 13 days of downtime due to lack of crude associated with cash constraints. Failure to operate the Nixon facility at the desired run rate, or at all, could adversely affect our profitability and cash flows.

B5. Downtime at the Nixon refinery could result in lost margin opportunity, increased maintenance expense, increased inventory, and a reduction in cash available for payment of our obligations.

The Nixon refinery periodically undergoes planned and unplanned temporary shutdowns. We typically complete a planned turnaround annual to repair, restore, refurbish, or replace refinery equipment. Occasionally, unplanned shutdowns occur. Unplanned downtime can occur for a variety of reasons; however, common reasons for unplanned downtime include repair/replacement of disabled equipment, crude deficiencies associated with cash constraints, high temperatures, and power outages. We are particularly vulnerable to operation disruptions because all our refining operations occur at a single facility. Any scheduled or unscheduled downtime results in lost margin opportunity, reduced refined products inventory, and potential increased maintenance expense, all of which could reduce our ability to meet our payment obligations.

During the twelve-month period ended December 31, 2021, the refinery experienced 23 days of downtime – 13 days due to lack of crude associated with cash constraints and 10 days related to utility failure during Winter Storm Uri. During the twelve-month period ended December 31, 2020, the refinery experienced 42 days of downtime – 20 days due to lack of crude associated with cash constraints, 13 days for a planned turnaround, and 9 days for equipment repairs and maintenance. Any scheduled or unscheduled downtime will result in lost margin opportunity, potential increased maintenance expense, and a reduction of refined products inventory, which could reduce our ability to meet our payment obligations.

B6. We may have capital needs for which internally generated cash flows and external financing are inadequate. Affiliates may, but are not required to, fund our working capital requirements in such instances.

We have historically relied on Affiliates for funding when revenue from operations and availability under bank facilities were insufficient to meet our liquidity and working capital needs. We reflect such borrowings in our consolidated balance sheets in accounts payable, related party, or long-term debt, related party. At both December 31, 2021 and 2020, accounts payable, related party totaled \$0.2 million. At December 31, 2021 and 2020, long-term debt, related party, current portion (in default) and accrued interest payable, related party totaled \$23.5 million and \$18.8 million, respectively.

If we are unable to generate sufficient cash flows or otherwise secure sufficient liquidity from Affiliates or external financing, we may not be able to meet our short- and long-term working capital needs. Our short-term working capital needs are primarily related to: (i) purchasing crude oil and condensate to operate the Nixon refinery, (ii) reimbursing LEH for direct operating expenses and paying the LEH operating fee under the Amended and Restated Operating Agreement, (iii) servicing debt, (iv) maintaining and expanding the Nixon facility through capital expenditures, and (v) meeting regulatory compliance mandates. Our long-term working capital needs are primarily related to repayment of long-term debt obligations.

There can be no assurance that Affiliates will continue to fund our working capital requirements. If we are unable to generate sufficient working capital or raise additional capital on acceptable terms, or at all, we may not, in the short term, be able to purchase crude oil and condensate or meet debt payment obligations. In the long term, we may not be able to withstand business disruptions, such as from COVID-19, or execute our business strategy. We may have to consider other options, such as selling assets, raising additional debt or equity capital, seek bankruptcy protection, or cease operating.

B7. Our business may suffer if any of the executive officers or other key personnel discontinue employment with us. Furthermore, a shortage of skilled labor or disruptions in our labor force may make it difficult for us to maintain productivity.

Our future success depends on the services of the executive officers and other key personnel and on our continuing ability to recruit, train and retain highly qualified personnel in all areas of our operations. In particular, Jonathan Carroll currently serves as our principal executive, principal financial and principal accounting officer. We are highly dependent on his continued services to execute on our business plan and strategy. Furthermore, our operations require skilled and experienced personnel with proficiency in multiple tasks. Competition for skilled personnel with industry-specific experience is intense, and the loss of these executives or personnel could harm our business. If any of these executives or other key personnel resign or become unable to continue in their present roles and are not adequately replaced, our business could be materially adversely affected.

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B8. Loss of business from, or the bankruptcy or insolvency of, one or more of our significant customers, one of which is an Affiliate, could have a material adverse effect on our financial condition, results of operations, liquidity, and cash flows.

We have bulk term contracts in place with most of our customers, including month-to-month, six months, and up to one-year terms. Certain of our contracts require our customers to prepay and us to sell fixed quantities and/or minimum quantities of finished and intermediate petroleum products. Many of these arrangements are subject to periodic renegotiation on a forward-looking basis, which could result in higher or lower relative commodity prices on future sales of our refined products.

Our customers have a variety of suppliers to choose from. As a result, they can make substantial demands on us, including demands for more favorable product pricing or contractual terms. Our ability to maintain strong relationships with our principal customers is essential to our future performance. Our operating results could be harmed if a key customer is lost, reduces their order quantity, requires us to reduce our commodity prices, is acquired by a competitor, or suffers financial hardship. Additionally, our profitability could be adversely affected if there is consolidation among our customer base and our customers command increased leverage in negotiating commodity prices and other terms of sale. We could decide not to sell our refined products to a certain customer if, because of increased leverage, the customer pressures us to reduce our pricing such that our gross profits are diminished, which could result in a decrease in our revenue. Consolidation may also lead to reduced demand for our products, replacement of our products by the combined entity with those of our competitors, and cancellations of orders, each of which could harm our operating results. Loss of business from, or the bankruptcy or insolvency of, one or more of our major customers could similarly affect our financial condition, results of operations, liquidity, and cash flows.

One of our significant customers is LEH, an Affiliate. Due to a HUBZone certification, the Affiliate purchases our jet fuel under a Jet Fuel Sales Agreement and bids on jet fuel contracts under preferential pricing terms. The Affiliate accounted for 29.9% and 28.7% of total revenue from operations for the twelve months ended December 31, 2021, and 2020, respectively. The Affiliate represented \$0 in accounts receivable at both December 31, 2021, and 2020, respectively.

Twelve Months Ended	Number Significant Customers	% Total Revenue from Operations	Portion of Accounts Receivable at December 31,
December 31, 2021	3	71.9%	\$ 0
December 31, 2020	3	70.8%	\$ 0

B9. We are dependent on third parties for the transportation of crude oil and condensate into and refined products out of our Nixon facility; if these third parties become unavailable to us, our ability to process crude oil and condensate and sell refined products to wholesale markets could be materially and adversely affected.

We rely on trucks for the receipt of crude oil and condensate into and the sale of refined products out of our Nixon facility. Since we do not own or operate any of these trucks, their continuing operation is not within our control. If any of the third-party trucking companies that we use, or the trucking industry in general, become unavailable to transport crude oil, condensate, and/or our refined products because of acts of God, accidents, government regulation, terrorism or other events, our revenue and net income would be materially and adversely affected.

B10. Our suppliers source a substantial amount, if not all, of our crude oil and condensate from the Eagle Ford Shale and may experience interruptions of supply from that region.

Our suppliers source a substantial amount, if not all, of our crude oil and condensate from the Eagle Ford Shale. Consequently, we may be disproportionately exposed to the impact of delays or interruptions of supply from that region caused by transportation capacity constraints, curtailment of production, unavailability of equipment, facilities, personnel or services, significant governmental regulation, severe weather, plant closures for scheduled maintenance, or the interruption of oil or natural gas being transported from wells in that area.

B11. Our refining operations and customers are primarily located within the Eagle Ford Shale and changes in the supply/demand balance in this region could result in lower refining margins.

Our primary operating assets are in Nixon, Texas in the Eagle Ford Shale, and we market our refined products in a single, relatively limited geographic area. Therefore, we are more susceptible to regional economic conditions than our more geographically diversified competitors. Should the supply/demand balance shift in our region due to changes in the local economy, an increase in refining capacity or other reasons, resulting in supply in the PADD 3 (Gulf Coast) region to exceed demand, we would have to deliver refined products to customers outside of our current operating region and thus incur considerably higher transportation costs, resulting in lower refining margins.

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Risk Factors

B12. Severe weather or other events affecting our facilities, or those of our vendors, suppliers, or customers could have a material adverse effect on our liquidity, business, financial condition, and results of operations.

Our operations are subject to all of the risks and operational hazards inherent in receiving, handling, storing, and transferring crude oil and petroleum products, including: damages to facilities, related equipment and surrounding properties caused by severe weather (such as extreme cold or hot temperatures, hurricanes, floods, and other natural disasters) or other events (such as equipment malfunctions, mechanical or structural failures, explosions, fires, spills, or acts of terrorism) at our facilities or at third-party facilities on which our operations are dependent could result in severe damage or destruction to our assets or the temporary or permanent shut-down of our operations. If we are unable to operate, our liquidity, business, financial condition, and results of operations could be materially affected.

B13. Regulatory changes, as well as proposed measures that are reasonably likely to be enacted, to reduce greenhouse gas emissions could require us to incur significant costs or could result in a decrease in demand for our refined products, which could adversely affect our business.

Scientific studies conclusively show that, in the absence of human intervention, the rate of increase of carbon dioxide in the atmosphere will significantly increase in the next 100 years. This increase in carbon dioxide has enhanced the Earth's natural greenhouse effect, resulting in global warming. Higher concentrations of greenhouse gases in the atmosphere can produce changes in climate with significant physical effects, including increased frequency and severity of storms, floods, and other extreme weather events that could affect our operations. Increased concern over the effects of climate change have begun to affect our competition and customers' energy strategies, consumer consumption patterns, and government and private sector alternative energy initiatives. Changing customer sentiment towards renewable and sustainable energy products may reduce demand for our products, and an excess of supply over demand could reduce fossil fuel prices. In addition, if we fail to stay in step with the pace and extent of the market shift we could impact future earnings; if we move too fast we risk investing in technologies, markets, and low-carbon products that will be unsuccessful. These factors could also have a material adverse effect on our business, financial condition, and results of operations.

Both houses of Congress have actively considered legislation to reduce emissions of greenhouse gases, such as carbon dioxide and methane, including proposals to: (i) establish a Cap-and-Trade system, (ii) create a federal renewable energy or "clean" energy standard requiring electric utilities to provide a certain percentage of power

from such sources, and (iii) create enhanced incentives for use of renewable energy and increased efficiency in energy supply and use. In addition, the EPA is taking steps to regulate greenhouse gases under the existing federal CAA. The EPA has already adopted regulations limiting emissions of greenhouse gases from motor vehicles, addressing the permitting of greenhouse gas emissions from stationary sources, and requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources, including refineries. Various states, individually as well as in some cases on a regional basis, have taken steps to control greenhouse gas emissions, including adoption of greenhouse gas reporting requirements, Cap-and-Trade systems, and renewable portfolio standards. Reducing greenhouse gas emissions, including carbon dioxide, has also been a focus of the Biden Administration. In February 2021, the United States rejoined the Paris Agreement, and in April 2021 the Biden Administration announced a new target for the United States to achieve a 50-52 percent reduction from 2005 levels in economy-wide net greenhouse gas pollution in 2030. These and similar regulations could require us to incur costs to monitor, report, and reduce greenhouse gas emissions associated with our operations.

Requirements to reduce greenhouse gas emissions could result in increased costs to operate and maintain the Nixon facility as well as implement and manage new emission controls and programs. For example, some states have passed regulations, such as Cap-and-Trade and the Low Carbon Fuel Standard, to achieve greenhouse gas emission reductions below set targets by 2030 and beyond. Cap-and-Trade places a cap on greenhouse gases and refiners are required to acquire a sufficient number of credits to cover emissions from their refinery and in-state sales of gasoline and diesel. The Low Carbon Fuel Standard requires an established percentage reduction in the carbon intensity of gasoline and diesel by a specified time period. Compliance with the Low Carbon Fuel Standard is achieved through blending lower carbon intensity biofuels into gasoline and diesel or by purchasing credits. Compliance with each of these programs is facilitated through a market-based credit system. If sufficient credits are unavailable for purchase or refiners are unable to pass through costs to their customers, they must pay a higher price for credits. It is currently uncertain how the current presidential administration or future administrations will address greenhouse gas emissions. In the event we do incur increased costs as a result of increased efforts to control greenhouse gas emissions, we may not be able to pass on any of these costs to our customers. Regulatory requirements also could adversely affect demand for the refined petroleum products that we produce. Any increased costs or reduced demand could materially and adversely affect our business and results of operations.

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Risk Factors

B14. We may not be successful in integrating or pursuing acquisitions in the future.

Although we regularly engage in discussions with, and submit proposals to, acquisition candidates, suitable acquisitions may not be available in the future on reasonable terms. Even if we do identify an appropriate acquisition candidate, we may be unable to successfully negotiate the terms of an acquisition, finance the acquisition, or, if the acquisition occurs, effectively integrate the acquired business into our existing businesses. Negotiations of potential acquisitions and the integration of acquired business operations may require a disproportionate amount of management's attention and our resources. Even if we complete additional acquisitions, continued acquisition financing may not be available or available on reasonable terms, any new businesses may not generate the anticipated level of revenues, the anticipated cost efficiencies, or synergies may not be realized, and these businesses may not be integrated successfully or operated profitably. Our inability to successfully identify, execute, or effectively integrate future acquisitions may negatively affect our results of operations.

C. Risks Related to Pipeline and Facilities Assets, as well as our Pipelines and Oil and Gas Properties

C1. Assessment of civil penalties by BOEM for our failure to satisfy orders to provide additional financial assurance (supplemental pipeline bonds) within the time period prescribed.

To cover the various obligations of lessees and rights-of-way holders operating in federal waters of the Gulf of Mexico, BOEM evaluates an operator's financial ability to carry out present and future obligations to determine whether the operator must provide additional security beyond the statutory bonding requirements. Such obligations include the cost of plugging and abandoning wells and decommissioning pipelines and platforms at the end of production or service activities. Once plugging and abandonment work has been completed, the collateral backing the financial assurance is released by BOEM.

BDPL historically maintained \$0.9 million in financial assurance to BOEM for the decommissioning of its trunk pipeline offshore in federal waters. Following an agency restructuring of the financial assurance program, in March 2018 BOEM ordered BDPL to provide additional financial assurance totaling approximately \$4.8 million for five (5) existing pipeline rights-of-way. In June 2018, BOEM issued BDPL INCs for each right-of-way that failed to comply. BDPL appealed the INCs to the IBLA. Although the IBLA granted multiple extension requests, the Office of the Solicitor of the U.S. Department of the Interior indicated that BOEM would not consent to further extensions. The solicitor's office signaled that BDPL's adherence to milestones identified in an August 2019 meeting between management and BSEE may help in future discussions with BOEM related to the INCs. Decommissioning of these assets will significantly reduce or eliminate the amount of financial assurance required by BOEM, which may serve to partially or fully resolve the INCs. Decommissioning of these assets was delayed due to our cash constraints associated with historical net losses and the ongoing impact of COVID-19. We cannot currently estimate when decommissioning may occur.

BDPL's pending appeal of the BOEM INCs does not relieve BDPL of its obligations to provide additional financial assurance or of BOEM's authority to impose financial penalties. There can be no assurance that we will be able to meet additional financial assurance (supplemental pipeline bond) requirements. If BDPL is required by BOEM to provide significant additional financial assurance (supplemental pipeline bonds) or is assessed significant penalties under the INCs, we will experience a significant and material adverse effect on our operations, liquidity, and financial condition.

We are currently unable to predict the outcome of the BOEM INCs. Accordingly, we did not record a liability on our consolidated balance sheets as of December 31, 2021 and 2020. At both December 31, 2021 and 2020, BDPL maintained approximately \$0.9 million in credit and cash-backed pipeline rights-of-way bonds issued to BOEM.

C2. Assessment of civil penalties by BSEE for our failure to decommission pipeline and platform assets within the time periods prescribed.

BDPL has pipelines and platform assets that are subject to BSEE's idle iron regulations. Idle iron regulations mandate lessees and rights-of-way holders to permanently abandon and/or remove platforms and other structures when they are no longer useful for operations. Until such structures are abandoned or removed, lessees and rights-of-way holders are required to inspect and maintain the assets in accordance with regulatory requirements.

In December 2018, BSEE issued an INC to BDPL for failure to flush and fill Pipeline Segment No. 13101. Management met with BSEE in August 2019 to address BDPL's plans with respect to decommissioning its offshore pipelines and platform assets. BSEE proposed that BDPL re-submit pipeline and platform decommissioning permit applications, including a safe boarding plan, by February 2020. BDPL submitted permit applications to BSEE in February 2020 and the USACOE in March 2020. In April 2020, BSEE issued another INC to BDPL for failure to perform the required structural surveys for the GA-288C Platform. BDPL completed the required platform surveys in June 2020. Abandonment operations were delayed due to our cash constraints associated with historical net losses and the ongoing impact of COVID-19. We cannot currently estimate when decommissioning may occur.

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Lack of permit approvals does not relieve BDPL of its obligations to remedy the BSEE INCs or of BSEE's authority to impose financial penalties. If BDPL fails to complete decommissioning of the offshore pipelines and platform assets and/or remedy the INCs within a timeframe determined to be prudent by BSEE, BDPL could be subject to regulatory oversight and enforcement, including but not limited to failure to correct an INC, civil penalties, and revocation of BDPL's operator designation, which could have a material adverse effect on our earnings, cash flows and liquidity.

We are currently unable to predict the outcome of the BSEE INCs. Accordingly, we have not recorded a liability on our consolidated balance sheet as of December 31, 2020. At December 31, 2021 and 2020, BDPL maintained \$3.5 million and \$2.4 million, respectively, in AROs related to abandonment of these assets.

D. Risks Related to Our Common Stock

D1. Our stock price has experienced fluctuations and may continue to do so, resulting in a substantial loss in your investment.

The market for our Common Stock has been characterized by volatile prices. As a result, investors in our Common Stock may experience a decrease in the value of their securities, including decreases unrelated to our operating performance or prospects. The market price of our Common Stock is likely to be highly unpredictable and subject to wide fluctuations in response to various factors, many of which are beyond our control. These factors include:

- Quarterly variations in our operating results and achievement of key business metrics.
- Changes in the global economy and the local economies in which we operate.
- Our ability to obtain working capital financing.
- Changes in the federal, state, and local laws and regulations to which we are subject.
- Market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors.
- The departure of any of our key executive officers and directors.
- Future sales of our securities.

D2. Our stock price may decline due to sales of shares.

Affiliates sales of substantial amounts of our Common Stock, or the perception that these sales may occur, may adversely affect the price of our Common Stock and impede our ability to raise capital through the issuance of equity securities in the future. Affiliates could elect in the future to request that we file a registration statement to them to sell shares of our Common Stock. If Affiliates were to sell a large number of shares into the public markets, Affiliates could cause the price of our Common Stock to decline.

D3. We are authorized to issue up to a total of 20 million shares of our Common Stock and 2.5 million shares of preferred stock; issuance of additional shares would further dilute the equity ownership of current holders and potentially dilute the share price of our Common Stock.

We periodically issue Common Stock to non-employee directors for services rendered to the Board and to Jonathan Carroll pursuant to the Guaranty Fee Agreements. In the past, we have also issued Common Stock, Preferred Stock, convertible securities (such as convertible notes), and warrants in order to raise capital. We believe that it is necessary to maintain a sufficient number of available authorized shares of our Common Stock and Preferred Stock to provide us with the flexibility to issue Common Stock or Preferred Stock for business purposes that may arise as deemed advisable by our Board. These purposes could include, among other things, (i) future stock splits, which may increase the liquidity of our shares; (ii) the sale of stock to obtain additional capital or to acquire other companies or businesses, which could enhance our growth strategy or allow us to reduce debt if needed; and (iii) for other bona fide purposes. Our Board may authorize us to issue the available authorized shares of Common Stock or Preferred Stock without notice to, or further action by, our stockholders, unless stockholder approval is required by law or the rules of the OTCQX.

The issuance of additional shares of Common Stock or new shares of Preferred Stock, convertible securities, and/or warrants may significantly dilute the equity ownership of the current holders of our Common Stock, affect the rights of our stockholders, or could reduce the market price of our Common Stock. In addition, the issuance or sale of large amounts of our Common Stock, or the potential for issuance or sale even if they do not actually occur, may have the effect of depressing the market price of our Common Stock.

D4. Shares eligible for future sale pursuant to Rule 144 may adversely affect the market.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of Common Stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to Rule 144, stockholders who have been non-affiliates for the preceding three months may sell shares of our Common Stock freely after six months subject only to the current public information requirement. Affiliates may sell shares of our Common Stock after six months subject to the Rule 144 volume, manner of sale, current public information, and notice requirements. Any substantial sales of our Common Stock pursuant to Rule 144 may have a material adverse effect on the market price of our Common Stock.

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Risk Factors

D5. We do not expect to pay cash dividends in the foreseeable future and therefore investors should not anticipate cash dividends on their investment.

Under certain of our secured loan agreements, we are restricted from declaring or paying any dividend on our Common Stock without the prior written consent of the lender. We have historically not declared any dividends on our Common Stock and there can be no assurance that cash dividends will ever be paid on our Common Stock.

D6. We do not currently have a chief financial officer; and failure to maintain effective internal controls in accordance with Section 404(a) of the Sarbanes-Oxley Act could result in material weaknesses in our internal controls and have a material adverse effect on our business and stock price.

As a publicly traded company, we are required to comply with the SEC's rules implementing Sections 302 and 404(a) of the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Jonathan Carroll, our Chief Executive Officer, also serves as our principal financial and principal accounting officer. Although we review our internal controls over financial reporting in order to ensure compliance with Section 404 requirements, having a chief financial officer would reduce the likelihood of errors related to the recording, disclosure, and presentation of consolidated financial information in quarterly, annual, and other filings. Material weaknesses could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which ultimately could negatively impact our stock price.

There are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. Additionally, judgments in decision-making can be faulty and breakdowns can occur because of a simple error or mistake. An effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, management does not expect that the control system can prevent or detect all errors or fraud. Further, projections of any evaluation or assessment of effectiveness of a control system to future periods are subject to the risks that, over time, controls may become inadequate because of changes in an entity's operating environment or deterioration in the degree of compliance with policies or procedures.

As previously reported, for the twelve months ended December 31, 2020, management's evaluation of our internal controls determined they were ineffective because there was not a process in place for formal review of manual journal entries. In addition, we lacked resources to handle complex accounting transactions. Management took steps

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Properties and Legal Proceedings

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

An Affiliate operates and manages all our properties under the Amended and Restated Operating Agreement. Our owned facilities have been constructed or acquired over a period of years and vary in age and operating efficiency. We believe that all our properties and facilities are adequate for our operations and that are facilities are adequately maintained. At our corporate headquarters, BDSC leases 7,675 square feet of office space in Houston, Texas. The location and general description of our other properties are described within refinery operations, tolling and terminaling, and inactive operations discussions in "Part I, Item 1. Business".

BDSC Office Lease Default

In March 2021, BDSC defaulted on the office lease due to non-payment of rent. In May 2021, BDSC and TR 801 Travis LLC ("Building Lessor") reached an agreement to cure BDSC's office lease default. Under the terms of a fourth amendment to the office lease, Building Lessor agreed to defer BDSC's past due obligations, including rent installments and other charges totaling approximately \$0.1 million (the "Past Due Obligations"), in equal monthly installments beginning in June 2021, and continuing through lease expiration. The Past Due Obligations are subject to an annual percentage rate of 4.50%. BDSC's monthly base rent including the prorated portion of the Past Due Obligations is \$0.02 million.

Building Lessor notified BDSC in an October 11, 2021 letter of a new default under the office lease due to non-payment of rent. As of the filing date of this report, BDSC was in default related to required monthly base rent including Past Due Obligations from April 2021 to March 2022. Default under the office lease permits Building Lessor to declare the amounts owed under the office lease immediately due and payable, exercise its rights concerning collateral securing obligors' obligations under the office lease, including property placed in or upon the leased premises, and exercise any other rights and remedies available. Although BDSC intends to cure the lease default, we can provide no assurance that our efforts will be successful.

See "Part I, Item 1. Business" for additional disclosures related to our properties, leases, decommissioning obligations, and assets pledged as collateral.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are involved in legal matters incidental to the routine operation of our business, such as mechanic's liens and contract-related disputes. We may also become party to lawsuits, administrative proceedings, and governmental investigations, including environmental, regulatory, and other matters. Large, and sometimes unspecified, damages or penalties may be sought from us in some matters and certain matters may require years to resolve. Although we cannot provide assurance, we believe that an adverse resolution of the matters described below would not have a material impact on our liquidity, consolidated financial position, or consolidated results of operations.

Unresolved Matters

BOEM Additional Financial Assurance (Supplemental Pipeline Bonds). To cover the various obligations of lessees and rights-of-way holders operating in federal waters of the Gulf of Mexico, BOEM evaluates an operator's financial ability to carry out present and future obligations to determine whether the operator must provide additional security beyond the statutory bonding requirements. Such obligations include the cost of plugging and abandoning wells and decommissioning pipelines and platforms at the end of production or service activities. Once plugging and abandonment work has been completed, the collateral backing the financial assurance is released by BOEM.

BDPL historically maintained \$0.9 million in financial assurance to BOEM for the decommissioning of its trunk pipeline offshore in federal waters. Following an agency restructuring of the financial assurance program, in March 2018 BOEM ordered BDPL to provide additional financial assurance totaling approximately \$4.8 million for five (5) existing pipeline rights-of-way. In June 2018, BOEM issued BDPL INCs for each right-of-way that failed to comply. BDPL appealed the INCs to the IBLA. Although the IBLA granted multiple extension requests, the Office of the Solicitor of the U.S. Department of the Interior indicated that BOEM would not consent to further extensions. The solicitor's office signaled that BDPL's adherence to milestones identified in an August 2019 meeting between management and BSEE may help in future discussions with BOEM related to the INCs. Decommissioning of these assets will significantly reduce or eliminate the amount of financial assurance required by BOEM, which may serve to partially or fully resolve the INCs. Decommissioning of these assets was delayed due to our cash constraints associated with historical net losses and the ongoing impact of COVID-19. We cannot currently estimate when decommissioning may occur.

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Properties and Legal Proceedings

BDPL's pending appeal of the BOEM INCs does not relieve BDPL of its obligations to provide additional financial assurance or of BOEM's authority to impose financial penalties. There can be no assurance that we will be able to meet additional financial assurance (supplemental pipeline bond) requirements. If BDPL is required by BOEM to provide significant additional financial assurance (supplemental pipeline bonds) or is assessed significant penalties under the INCs, we will experience a significant and material adverse effect on our operations, liquidity, and financial condition.

We are currently unable to predict the outcome of the BOEM INCs. Accordingly, we did not record a liability on our consolidated balance sheets as of December 31, 2021 and 2020. At both December 31, 2021 and 2020, BDPL maintained approximately \$0.9 million in credit and cash-backed pipeline rights-of-way bonds issued to BOEM.

TCEQ Proposed Agreed Order. In October 2021, LRM received a proposed agreed order from the TCEQ for alleged solid and hazardous waste violations discovered during an investigation from January 29, 2020 to March 2, 2020. The proposed agreed order assesses an administrative penalty of approximately \$0.4 million and identifies actions needed to correct the alleged violations. We are currently seeking to negotiate a reduced penalty amount. However, we recorded a liability for the maximum proposed amount of \$0.4 million on our consolidated balance sheet as of December 31, 2021.

Pilot Dispute Related to Set-Off Payments. On October 4, 2021, NPS repaid all obligations owed to Pilot under the Amended Pilot Line of Credit. However, in a letter from NPS to Pilot dated October 28, 2021, NPS disputed approximately \$0.3 million in payments NPS believes Pilot misapplied as part of the Amended Pilot Line of Credit setoff. As of the filing date of this report, the amount remained in dispute between the parties.

Defaults under Secured Loan Agreements. We are currently in default under certain of our secured loan agreements with third parties and related parties. See “Part II, Item 8. Financial Statements and Supplementary Data – Notes (1), (3), (10), and (11)” for additional disclosures related to third-party and related-party debt, defaults on such debt, and the potential effects of such defaults on our business, financial condition, and results of operations. If third parties exercise their rights and remedies due to defaults under our secured loan agreements, our business, financial condition, and results of operations will be materially adversely affected.

Counterparty Contract-Related Dispute. As of the filing date of this report, we were involved in a contract-related dispute with Tartan involving a revenue sharing-arrangement for the storage and sale of crude oil. Management is working to resolve the dispute amicably, however, the potential outcome is unknown. Management does not believe that the contract-related dispute will have a material adverse effect on our financial position, earnings, or cash flows. However, there can be no assurance that management’s efforts will result in a manageable outcome.

Resolved Matters

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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Market for Equity, Stockholder Matters and Purchases of Equity Securities

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Stock trades on the OTCQX U.S. tier of the OTC Markets under the ticker symbol “BDCO.” The following table sets forth, for the quarterly periods indicated, the high and low bid prices for our Common Stock as reported by the OTC Market Report published by OTC Markets Group Inc. The quotations reflect inter-dealer prices, without adjustment for retail mark-ups, markdowns or commissions and may not represent actual transactions.

	High Bid	Low Bid		High Bid	Low Bid
2021			2020		
December 31	\$ 0.40	\$ 0.22	December 31	\$ 0.39	\$ 0.11
September 30	\$ 0.44	\$ 0.22	September 30	\$ 0.51	\$ 0.25
June 30	\$ 0.57	\$ 0.33	June 30	\$ 0.53	\$ 0.35
March 31	\$ 0.63	\$ 0.23	March 31	\$ 0.55	\$ 0.35

At both December 31, 2021 and 2020, we had 12,693,514 shares of Common Stock outstanding. Affiliates controlled approximately 82% of the voting power of our Common Stock as of the filing date of this report. See “Part I, Item 1A. Risk Factors” for risks associated with investments in our Common Stock.

Stockholders

At March 31, 2022, we had approximately 270 record holders and approximately 3,000 beneficial holders of our Common Stock.

Dividends

Under certain of our secured loan agreements, we are restricted from declaring or paying any dividend on our Common Stock without the prior written consent of the lender. We have not declared any dividends on our Common Stock during the last two fiscal years.

Sales of Unregistered Securities

Set forth below is information regarding the sale or issuance of shares of Common Stock by us for the twelve months ended December 31, 2021 and 2020 that were not registered under the Securities Act:

- On April 30, 2020, we issued an aggregate of 231,065 restricted shares of Common Stock to Jonathan Carroll, which represents payment of the common stock component of guaranty fees for the period November 2019 through March 2020. Due to price differences between the shares’ cost basis and the trading price of Blue Dolphin’s common stock on the transaction settlement date, we recorded income of approximately \$0.03 million related to the share issuance. As a condition for our secured loan agreements with Veritex, Mr. Carroll was required to personally guarantee repayment of borrowed funds and accrued interest. Under the guaranty fee agreements, Mr. Carroll is entitled to receive guaranty fees. The fees are payable 50% in cash and 50% in Common Stock. The Common Stock portion is paid periodically. For the foreseeable future, management does not intend to pay Mr. Carroll the cash portion due to Blue Dolphin’s working capital deficits. The cash portion will continue to accrue and be added to the outstanding principal balance owed to Mr. Carroll under the March Carroll Note.
- On April 30, 2020, we also issued an aggregate of 135,084 restricted shares of Common Stock to certain of our non-employee, independent directors, which represents payment for services rendered to the Board for the three-month periods ended September 30, 2018, March 31, 2019, September 30, 2019, and March 31, 2020. Due to price differences between the shares’ cost basis and the trading price of Blue Dolphin’s common stock on the transaction settlement date, we recorded income of approximately \$0.05 million related to the share issuance.

The sale and issuance of the securities were exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act. For the foreseeable future, management does not intend on paying Mr. Carroll the cash portion of guaranty fees due to Blue Dolphin’s working capital deficits. The cash portion will continue to be accrued and added to the principal balance of the March Carroll Note. See “Part II, Item 8. Financial Statements and Supplementary Data – Note (3)” for additional disclosures related to Affiliates and working capital deficits, as well as for information related to the guaranty fee agreements.

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Market for Equity, Stockholder Matters and Purchases of Equity Securities

[Reserved]

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[Table of Contents](#)**Management's Discussion and Analysis****ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's Discussion and Analysis is our analysis of our financial performance, financial condition, and significant trends that may affect future performance. All statements in this section, other than statements of historical fact, are forward-looking statements that are inherently uncertain. See "Important Information Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of the factors that could cause actual results to differ materially from those projected in these statements.

Overview

Blue Dolphin is an independent downstream energy company operating in the Gulf Coast region of the United States. Our subsidiaries operate a light sweet-crude, 15,000-bpd crude distillation tower with more than 1.2 million bbls of petroleum storage tank capacity in Nixon, Texas. Our assets are primarily organized in two segments: refinery operations (owned by LE) and tolling and terminaling services (owned by LRM and NPS). Subsidiaries that are reflected in corporate and other include BDPL (inactive pipeline assets), BDPC (inactive leasehold interests in oil and gas wells), and BDSC (administrative services). See "Part II, Item 8. Financial Statements and Supplementary Data – Note (4)" for more information related to our business segments and properties. Blue Dolphin was formed in 1986 as a Delaware corporation and is traded on the OTCQX under the ticker symbol "BDCC".

Affiliates

Affiliates controlled approximately 82% of the voting power of our Common Stock as of the filing date of this report. An Affiliate operates and manages all Blue Dolphin properties and has historically funded working capital requirements during periods of working capital deficits, and an Affiliate is a significant customer of our refined products. Blue Dolphin and certain of its subsidiaries are currently parties to a variety of agreements with Affiliates. See "Part II, Item 8. Financial Statements and Supplementary Data – Note (3)" for additional disclosures related to Affiliate agreements and arrangements and risks associated with working capital deficits.

General Trends and Outlook

We anticipate that our business will continue to be affected by the following key factors. Our expectations are based on assumptions made by us and information currently available to us. To the extent our underlying assumptions about, or interpretations of, available information prove to be incorrect, our actual results may vary materially from our expected results.

COVID-19 Pandemic. In March 2020, the WHO declared the outbreak of COVID-19 a pandemic, and the U.S. economy began to experience pronounced adverse effects as a result of the global outbreak. COVID-19 has disrupted the U.S. economy since the first quarter of 2020 and immediately resulted in a decline in demand for our products. We began to see improvement in demand for our refined products beginning late in the second half of 2020, which continued through 2021. Despite worldwide advances in containment of the virus and incremental economic market recovery throughout 2021, COVID-19 continues to be dynamic, and near-term economic and other challenges remain. The COVID-19 pandemic continues to evolve, and the extent to which the pandemic may impact our business, financial condition, liquidity, results of operations, and prospects will depend highly on future developments, which are very uncertain and cannot be predicted with confidence.

Under earlier state and federal mandates that regulated business closures, our business was deemed an essential business and, as such, remained open. Although uncertainties exist with respect to the future impact of the pandemic, we expect to continue operating with minimal disruptions. We have instituted various initiatives throughout the company as part of our business continuity programs, and we are working to mitigate risk when disruptions occur. Personnel safety continues to be prioritized through cleaning procedures, social distancing guidelines, personal protection equipment, outside visitor limitations, and remote working for all corporate personnel.

Commodity Prices. In February 2022, Russia invaded neighboring Ukraine. The conflict has caused turmoil in global markets, resulting in higher oil prices, and injected even more uncertainty into a worldwide economy recovering from the effects of COVID-19. Given the evolving conflict, there are many unknown factors and events that could materially impact our operations. These events have and continue to impact commodity prices, which could have a material effect on our earnings, cash flows, and financial condition. In the short-term, commodity price fluctuations are highly uncertain. Actual price outcomes will be dependent on the degree to which existing sanctions imposed on Russia, any potential future sanctions, and independent corporate actions affect Russia's oil production or the sale of Russia's oil in the global market. In addition, the degree to which other oil producers respond to current oil prices, as well as the effects macroeconomic developments might have on global oil demand, will be important for oil price formation in the coming months.

Liquidity and Access to Capital Markets. We continue to actively explore additional financing to meet working capital needs or refinance and restructure debt. During the twelve months ended December 31, 2021 and 2020, we successfully secured \$10.5 million and \$0.3 million, respectively, in working capital through CARES Act loans. In addition, subsequent to the period covered by this report, we secured an additional \$1.5 million in working capital through modification of the existing BDEC Term Loan Due 2051. There can be no assurance that we will be able to raise additional capital on acceptable terms, or at all. If we are unable to raise sufficient additional capital, we may not, in the short term, be able to purchase crude oil and condensate or meet debt payment obligations. In the long term, we may not be able to withstand business disruptions, such as from COVID-19, or execute our business strategy. We may have to consider other options, such as selling assets, raising additional debt or equity capital, seeking bankruptcy protection, or ceasing operations.

[Table of Contents](#)**Management's Discussion and Analysis**

Changes in Regulations. Our operations and the operations of our customers have been, and will continue to be, affected by political developments and federal, state, tribal, local, and other laws and regulations that are becoming more numerous, more stringent, and more complex. These laws and regulations include, among other things, permitting requirements, environmental protection measures such as limitations on methane and other GHG emissions, and renewable fuels standards. The number and scope of the regulations with which we and our customers must comply has a meaningful impact on our and their businesses, and new or revised regulations, reinterpretations of existing regulations, and permitting delays or denials could adversely affect the profitability of our assets.

Business Strategy and Accomplishments

Our primary business objective is to improve our financial profile by executing the below strategies, modified as necessary, to reflect changing economic conditions and other circumstances:

Optimize
Existing
Asset Base

- Maintain safe operations and enhance health, safety, and environmental systems.
- Planning and managing turnarounds and downtime.

Improve
Operational
Efficiencies

- Reduce or streamline variable costs incurred in production.
- Increase throughput capacity and optimize product slate.
- Increase tolling and terminaling revenue.

Seize Market
Opportunities

- Leverage existing infrastructure to engage in renewable energy projects.
- Take advantage of market opportunities as they arise.

Optimize Existing Asset Base. Management is committed to maintaining the safe and reliable operation of Nixon facility. We successfully balanced protecting personnel from exposure to COVID-19 with ensuring adequate staffing levels to operate the plant. Although the refinery experienced 42 days downtime during the twelve-month period ended 2020 due to the impact of COVID-19, management efficiently used more than half of the downtime (22 days) to safely complete a planned maintenance turnaround and perform repairs and maintenance on boilers, heaters, and an exchanger. Despite the continued impact of COVID-19, downtime during the twelve-month period ended 2021 significantly decreased to 23 days. Of the 23 days of downtime in 2021, 10 days related to a power failure due to Winter Storm Uri.

Improve Operational Efficiencies. Given the impact of COVID-19, management focused on optimizing receivables and payables by prioritizing payments, optimizing inventory levels based on demand, monitoring discretionary spending, and delaying capital expenditures. These austerity measures, combined with maintenance and repair activities, gave rise to improved refinery throughput, production, and sales during the twelve-months ended December 31, 2021 compared to 2020.

Seize Market Opportunities. We intend to be a proactive participant in the transition to a lower carbon energy future. In March 2021, we announced plans to leverage our existing infrastructure to establish adjacent lines of business, capture growing market opportunities, and capitalize on green energy growth. During 2021, we explored several potential commercial partnerships and will continue these efforts throughout 2022. While we believe our renewable energy strategy successfully aligns with our long-term growth strategy and financial and operational priorities, they are aspirational and may change, and there is no guarantee that we will achieve our objectives.

Successful execution of our business strategy depends on several factors. These factors include (i) having adequate working capital to meet operational needs and regulatory requirements, (ii) maintaining safe and reliable operations at the Nixon facility, (iii) meeting contractual obligations, (iv) having favorable margins on refined products, and (v) collaborating with new partners to develop and finance clean energy projects. Our business strategy involves risks. Accordingly, we cannot assure investors that our plans will be successful.

We regularly engage in discussions with third parties regarding possible joint ventures, asset sales, mergers, and other potential business combinations. However, we do not anticipate any material activities outside of renewable energy-related projects in the foreseeable future. Management determined that conditions exist that raise substantial doubt about our ability to continue as a going concern due to defaults under our secured loan agreements, substantial current debt, margin volatility, historical net losses and working capital deficits. A 'going concern' opinion could impair our ability to finance our operations by selling equity, incurring debt, or other financing alternatives. Our ability to continue as a going concern depends on sustained positive operating margins and working capital to sustain operations, purchase of crude oil and condensate, and payments on long-term debt. If we cannot achieve these goals, we may have to cease operating or seek bankruptcy protection.

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Management's Discussion and Analysis

Results of Operations

A discussion and analysis of the factors contributing to our consolidated financial results of operations is presented below and should be in read in conjunction with our financial statements in "Part II, Item 8. Financial Statements and Supplementary Data". The financial statements, together with the following information, are intended to provide investors with a reasonable basis for assessing our historical operations, but they should not serve as the only criteria for predicting future performance.

Major Influences on Results of Operations. Our results of operations and liquidity are highly dependent upon the margins that we receive for our refined products. The dollar per bbl commodity price difference between crude oil and condensate (input) and refined products (output) is the most significant driver of refining margins, and they have historically been subject to wide fluctuations. When the spread between these commodity prices decreases, our margins are negatively affected. To improve margins, we must maximize yields of higher value finished petroleum products and minimize costs of feedstocks and operating expenses. Although an increase or decrease in the commodity price for crude oil and other feedstocks generally results in a similar increase or decrease in commodity prices for finished petroleum products, typically there is a time lag between the two. The effect of crude oil commodity price changes on our finished petroleum product commodity prices therefore depends, in part, on how quickly and how fully the market adjusts to reflect these changes. Unfavorable margins may have a material adverse effect on our earnings, cash flows, and liquidity.

Since the beginning of 2020, the COVID-19 pandemic disrupted economies around the world, including the oil and gas industry in which we operate. The rapid spread of the virus led to the implementation of various responses, including federal, state, and local government-imposed quarantines, shelter-in-place mandates, sweeping restrictions on travel, and other public health and safety measures. Actions by members of OPEC and other producer countries in 2020 concerning oil production and pricing significantly impacted supply and demand in global oil and gas markets, which impacted our operational and financial performance. In particular, we experienced net losses due to unfavorable margins per bbl and significantly lower sales volume due to significant refinery downtime. Global oil prices and refined product demand recovered somewhat in 2021 compared to 2020 as COVID-19 cases stabilized, mortality rates decreased, and availability and inoculation rates of vaccines increased. However, recovery of jet fuel demand lagged that of other refined products as airline travel restrictions and consumer hesitancy to fly during the pandemic continued. Despite the uptick in market conditions during the second half of 2021, overall, we experienced operating and net losses due to unfavorable margins and lower sales volume, which affected our liquidity. Cash constraints adversely impacted the frequency of crude oil acquisition, debt payments, and abandonment of pipeline and facilities assets.

The extent to which the continued COVID-19 pandemic will impact our operations depends on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, additional or modified government actions, new information that may emerge concerning variants, actions taken to contain the spread of COVID-19 and treat its impact, and the availability and acceptance of vaccines to mitigate such spread, among others.

In February 2022, Russia invaded neighboring Ukraine. The conflict has caused turmoil in global markets, resulting in higher oil prices, and injected even more uncertainty into a worldwide economy recovering from the effects of COVID-19. Given the evolving conflict, there are many unknown factors and events that could materially impact our operations.

The Russian conflict with Ukraine and the COVID-19 pandemic continue to evolve, and the extent to which these events may impact our business, financial condition, liquidity, results of operations, and prospects will depend highly on future developments, which are very uncertain and cannot be predicted with confidence.

How We Evaluate Our Operations. Management uses certain financial and operating measures to analyze segment performance. These measures are significant factors in assessing our operating results and profitability and include: segment contribution margin (deficit), and refining gross profit (deficit) per bbl, tank rental revenue, operation costs and expenses, refinery throughput and production data, and refinery downtime. Segment contribution margin (deficit) and refining gross profit (deficit) per bbl are non-GAAP measures.

Segment Contribution Margin (Deficit) and Refining Gross Profit (Deficit) per Bbl

Segment contribution margin (deficit) is used to evaluate both refinery operations and tolling and terminaling while refining gross profit (deficit) per bbl is a refinery operations benchmark. Both measures supplement our financial information presented in accordance with U.S. GAAP. Management uses these non-GAAP measures to analyze our results of operations, assess internal performance against budgeted and forecasted amounts, and evaluate future impacts to our financial performance as a result of capital investments. Non-GAAP measures have important limitations as analytical tools. These non-GAAP measures, which are defined in our glossary of terms, should not be considered a substitute for GAAP financial measures. We believe these measures may help investors, analysts, lenders, and ratings agencies analyze our results of operations and liquidity in conjunction with our U.S. GAAP results. See “Part II, Item 7. Management’s Discussion and Analysis and Results of Operations — Non-GAAP Reconciliations” and the financial statements within “Part II, Item 8. Financial Statements and Supplementary Data” for a reconciliation of Non-GAAP measures to U.S. GAAP.

Tank Rental Revenue

Tolling and terminaling revenue primarily represents tank rental storage fees associated with customer tank rental agreements. As a result, tank rental revenue is one of the measures management uses to evaluate the performance of our tolling and terminaling business segment.

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Management’s Discussion and Analysis

Operation Costs and Expenses

We manage operating expenses in tandem with meeting environmental and safety requirements and objectives and maintaining the integrity of our assets. Operating expenses are comprised primarily of labor expenses, repairs and other maintenance costs, and utility costs. Expenses for refinery operations generally remain stable across broad ranges of throughput volumes, but they can fluctuate from period to period depending on the mix of activities performed during that period and the timing of those expenses. Operation costs for tolling and terminaling operations are relatively fixed.

Refinery Throughput and Production Data

The amount of revenue we generate from the refinery operations business segment primarily depends on the volumes of crude oil and refined products that we handle through our processing assets and the volume sold to customers. These volumes are affected by the supply and demand of, and demand for, crude oil and refined products in the markets served directly or indirectly by our assets, as well as refinery downtime.

Refinery Downtime

The Nixon refinery periodically experiences planned and unplanned temporary shutdowns. Any scheduled or unscheduled downtime will result in lost margin opportunity, potential increased maintenance expense, and a reduction of refined products inventory, which could reduce our ability to meet our payment obligations.

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Management’s Discussion and Analysis

Consolidated Results. Our consolidated results of operations include certain other unallocated corporate activities and the elimination of intercompany transactions and therefore do not equal the sum of operating results of refinery operations and tolling and terminaling business segments.

Twelve Months Ended December 31, 2021 Versus December 31, 2020 (YE 2021 Versus YE 2020)

Overview. Net loss for YE 2021 was \$12.8 million, or a loss of \$1.01 per share, compared to a net loss of \$14.5 million, or a loss of \$1.15 per share, for YE 2020. The improvement in net loss was the result of improved margins per bbl and slightly higher sales volume.

Total Revenue from Operations. Total revenue from operations increased significantly to \$300.8 million for YE 2021 from \$174.8 million for YE 2020. The significant increase related to a rise in refinery operations revenue driven by higher commodity pricing per bbl on refined products sold and slightly higher sales volumes. During the same comparative periods, tolling and terminaling revenue decreased by \$0.5 million, or nearly 12%, to \$3.7 million.

Total Cost of Goods Sold. Total cost of goods sold increased nearly 70% to \$300.0 million for YE 2021 from \$176.9 million for YE 2020. The significant increase related to higher commodity prices per bbl for crude oil and chemicals, slightly higher throughput volume, and reduced refinery downtime in 2021.

Gross Profit (Deficit). Gross profit was \$0.9 million for YE 2021 compared to a gross deficit of \$2.1 million for YE 2020. The improvement between the periods primarily related to higher margins per bbl due to a positive shift in the commodity price market.

Impairment of Assets. During YE 2021 we recorded an impairment of \$1.1 million related to the remaining carrying value of asset retirement costs associated with our pipeline and facilities assets. There was no impairment charge in YE 2020.

General and Administrative Expenses. General and administrative expenses increased 31% to \$3.0 million in YE 2021 compared to \$2.3 million in YE 2020. The increase related to higher corporate insurance in YE 2021 compared to YE 2020.

Depletion, Depreciation and Amortization. Depletion, depreciation, and amortization expenses for YE 2021 totaled \$2.8 million compared to \$2.7 million in YE 2020. The nearly 4% increase primarily related to placing a petroleum storage tank in service.

Total Other Income (Expense). Total other expense in YE 2021 was \$6.1 million compared to \$6.6 million in YE 2020, representing a decrease of \$0.5 million. Total other expense primarily relates to interest expense associated with our secured loan agreements with Veritex, related-party debt, and the line of credit with Pilot. The decrease between the comparative periods primarily related to paying off the Amended Pilot Line of Credit.

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Management’s Discussion and Analysis

Refinery Operations. The refinery operations business segment is owned by LE. Assets within this segment consist of a light sweet-crude, 15,000-bpd crude distillation tower, petroleum storage tanks, loading and unloading facilities, and approximately 56 acres of land. Refinery operations revenue is derived from refined product sales.

	Twelve Months Ended	
	December 31,	
	2021	2020
	(in thousands)	
Refined product sales	\$ 297,103	\$ 170,801
Less: Total cost of goods sold	(299,906)	(178,882)
Gross profit (deficit)	(2,803)	(8,081)
Sales (Bbls)	4,071	3,918
Gross Deficit per Bbl	\$ (0.69)	\$ (1.60)

	Twelve Months Ended	
	December 31,	
	2021	2020
	(in thousands)	
Net revenue ⁽¹⁾	\$ 297,103	\$ 170,801
Intercompany fees and sales	(2,457)	(2,384)
Operation costs and expenses	(298,082)	(175,201)
Segment Contribution Deficit	\$ (3,436)	\$ (6,984)

(1)

Net revenue excludes intercompany crude sales.

Tolling and Terminating. Our tolling and terminaling business segment is owned by LRM and NPS. Assets within this segment include petroleum storage tanks and loading and unloading facilities. Tolling and terminaling revenue is derived from tank storage rental fees, tolling and reservation fees for use of the naphtha stabilizer, and fees collected for ancillary services, such as in-tank blending.

	Twelve Months Ended	
	December 31,	
	2021	2020
	(in thousands)	
Net revenue ⁽¹⁾	\$ 3,717	\$ 4,209
Intercompany fees and sales	2,457	2,384
Operation costs and expenses	(1,825)	(1,661)
Segment Contribution Margin	\$ 4,349	\$ 4,932

(1)

Net revenue excludes intercompany crude sales.

YE 2021 Versus YE 2020

- Refining gross deficit per bbl was \$0.69 for YE 2021 compared to \$1.60 for YE 2020, representing an improvement of \$0.91 per bbl. The significant increase related to improved margins, higher sales volume, and reduced refinery downtime in 2021.
- Segment contribution margin in YE 2021 improved \$3.5 million to a deficit of \$3.4 million from a deficit of \$7.0 million in YE 2020. The improvement related to higher margins per bbl and slightly higher sales volume in 2021.
- Refinery downtime improved significantly in YE 2021 to 23 days compared to 42 days in YE 2020. Refinery downtime in 2021 primarily related to lack of crude due to cash constraints and a power loss during Winter Storm Uri. Comparatively, refinery downtime in 2020 primarily related to lack of crude due to cash restraints, a maintenance turnaround, and equipment repairs. Improved operating days in YE 2021 favorably impacted refinery throughput and production.

YE 2021 Versus YE 2020

- Tolling and terminaling net revenue decreased 12% in YE 2021 compared to YE 2020 primarily as a result of lower tank rental revenue.
- Intercompany fees and sales, which reflect fees associated with an intercompany tolling agreement tied to naphtha volumes, increased in YE 2021 compared to YE 2020. Naphtha sales volumes increased between the periods.
- Segment contribution margin in YE 2021 decreased nearly 12% to \$4.3 million compared to \$4.9 million in YE 2020. The decrease related to lower revenue.

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Management's Discussion and Analysis

Non-GAAP Reconciliations

Reconciliation of Segment Contribution Margin (Deficit)

	Twelve Months Ended December 31,							
	2021		2020		2021		2020	
	Refinery Operations	Tolling and Terminating	Corporate and Other	Total	Refinery Operations	Tolling and Terminating	Corporate and Other	Total
	(in thousands)							
Segment contribution margin (deficit)	\$ (3,436)	\$ (6,984)	\$ 4,349	\$ 4,932	\$ (197)	\$ (169)	\$ 716	\$ (2,221)
General and administrative expenses ⁽¹⁾	(1,549)	(1,257)	(343)	(307)	(2,742)	(1,381)	(4,634)	(2,945)
Depreciation and amortization	(1,214)	(1,186)	(1,362)	(1,296)	(204)	(204)	(2,780)	(2,686)
Interest and other non-operating income (expenses), net	(2,779)	(2,929)	(1,649)	(2,546)	(1,715)	(1,116)	(6,143)	(6,591)
Income (loss) before income taxes	(8,978)	(12,356)	995	783	(4,858)	(2,870)	(12,841)	(14,443)
Income tax expense	-	-	-	-	-	(15)	-	(15)
Income (loss) before income taxes	\$ (8,978)	\$ (12,356)	\$ 995	\$ 783	\$ (4,858)	\$ (2,885)	\$ (12,841)	\$ (14,458)

(1) General and administrative expenses within refinery operations include the LEH operating fee.

Capital Resources and Liquidity

We currently rely on revenue from operations, including sales of refined products and rental of petroleum storage tanks, Affiliates, and financing to meet our liquidity needs. Due to defaults under our secured loan agreements, substantial current debt, margin volatility, historic net losses and working capital deficits, we have inadequate liquidity to sustain operations. Our short-term working capital needs are primarily related to: (i) purchasing crude oil and condensate to operate the Nixon refinery, (ii) reimbursing LEH for direct operating expenses and paying the LEH operating fee under the Amended and Restated Operating Agreement, (iii) servicing debt, (iv) maintaining and expanding the Nixon facility through capital expenditures, and (v) meeting regulatory compliance mandates. Our long-term working capital needs are primarily related to repayment of long-term debt obligations.

We remain focused on maintaining the safe and reliable operation of Nixon facility and conserving cash. The Russian conflict with Ukraine and the COVID-19 pandemic continue to evolve, and the extent to which these events may impact our business, financial condition, liquidity, results of operations, and prospects will depend highly on future developments, which are very uncertain and cannot be predicted with confidence.

Management believes it has made significant progress on bolstering liquidity through efforts including securing additional financing, aggressively evaluating all discretionary spending, non-essential costs for near-term cost reductions; and where possible, modifying vendor and contractor payment terms. During the twelve months ended December 31, 2021 and 2020, we successfully secured \$10.5 million and \$0.3 million, respectively, in working capital through CARES Act loans. In addition, subsequent to the period covered by this report, we secured an additional \$1.5 million in working capital through modification of the existing BDEC Term Loan Due 2051. We continue to actively explore additional financing to meet working capital needs or refinance and restructure debt.

There can be no assurance that we will be able to raise additional capital on acceptable terms, or at all. If we are unable to raise sufficient additional capital, we may not, in the short term, be able to purchase crude oil and condensate or meet debt payment obligations. In the long term, we may not be able to withstand business disruptions, such as from COVID-19, or execute our business strategy. We may have to consider other options, such as selling assets, raising additional debt or equity capital, seek bankruptcy protection, or cease operating.

Working Capital

We had \$78.5 million and \$72.3 million in working capital deficits at December 31, 2021 and 2020, respectively. Excluding the current portion of long-term debt, we had \$15.5 million and \$22.6 million in working capital deficits at December 31, 2021 and 2020, respectively. Cash and cash equivalents totaled \$0.01 and \$0.5 million at December 31, 2021 and 2020, respectively. Restricted cash (current portion) totaled \$0.05 million at both December 31, 2021 and 2020. Restricted cash, noncurrent totaled \$0 and \$0.5 million at December 31, 2021 and 2020, respectively.

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Management's Discussion and Analysis

Sources and Use of Cash

Components of Cash Flows

	December 31,	
	2021	2020
(in thousands)		
Cash Flows Provided By (Used In):		
Operating activities	\$ (6,056)	\$ (3,901)
Investing activities	-	(1,085)
Financing activities	5,002	5,429
Increase (Decrease) in Cash and Cash Equivalents	\$ (1,054)	\$ 443

Cash Flow 2021 Compared to 2020

We had a cash flow deficit from operations of \$6.1 million for YE 2021 compared to a cash flow deficit of \$3.9 million for YE 2020. The significant reduction in cash flow from operations in FY 2021 was due to payoff of the Pilot Amended Line of Credit in October 2021 and loss from operations. The cash flow deficit for YE 2020 primarily related to loss from operations.

Capital Expenditures

During YE 2021, capital expenditures totaled \$0. In FY 2020, we invested \$1.1 million in capital expenditures. Capital expenditures in YE 2020 primarily related to: (i) a 13-day maintenance turnaround and equipment repairs and (ii) completion of the Nixon Facility Expansion Project, which involved construction of nearly 1.0 million bbls of new petroleum storage tanks, smaller efficiency improvements to the refinery, and acquisition of refurbished refinery equipment for future development. Maintenance and repair costs were expensed as incurred.

We account for our capital expenditures in accordance with GAAP. We also classify capital expenditures as 'maintenance' if the expenditure maintains capacity or throughput or as 'expansion' if the expenditure increases capacity or throughput capabilities. Although classification is generally a straightforward process, in certain circumstances the determination is a matter of management judgment and discretion.

We budget for maintenance capital expenditures throughout the year on a project-by-project basis. Projects are determined based on maintaining safe and efficient operations, meeting customer needs, complying with operating policies and applicable law, and producing economic benefits, such as increasing efficiency and/or lowering future expenses.

Future Expected Capital Expenditures

Management is committed to maintaining the safe and reliable operation of the Nixon facility. Due to continued uncertainties related to the COVID-19 pandemic, we anticipate little, if any, new capital expenditures in 2022. However, to the extent we are able to capitalize on green energy growth opportunities, capital expenditures may be financed through project-based government loans.

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Management's Discussion and Analysis

Debt Overview.

The table below summarizes our principal contractual obligations at December 31, 2021, by expected settlement period.

Total Debt and Lease Obligations

	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	5 Years and Later	Total
	(in thousands)				
Long-Term Debt ⁽¹⁾					
Third-Party	\$ 42,953	\$ 32	\$ 30	\$ 776	\$ 43,791
Related-Party	20,042	-	-	-	20,042
Total Long-Term Debt	62,995	32	30	776	63,833
Lease Obligations	215	156	-	-	371
	\$ 63,210	\$ 188	\$ 30	\$ 776	\$ 64,204

- (1) See “Part II, Item 8. Financial Statements and Supplementary Data – Notes (3), (10), and (11) for additional disclosures related to third-party and related-party debt. Long-term debt excludes interest, which is estimated to be 12.1 million payable in less than 1 year, \$0.1 million between one and three years, \$0.1 million between three and five years, and \$0.5 million in five years and later.”

Net cash provided by financing activities was \$5.0 million in YE 2021 compared to \$5.4 million in YE 2020. Net proceeds from the issuance of debt totaled \$10.5 million in YE 2021 compared to \$0.4 million in YE 2020. In YE 2021, issuance of debt was associated with the NPS Term Loan Due 2031.

Principal payments on long-term debt totaled \$4.7 million in YE 2021 compared to \$3.9 million in YE 2020. For YE 2021 and YE 2020, principal and interest payments to Veritex were \$0.6 million and \$0.9 million, respectively. For both YE 2021 and YE 2020, principal and interest payments to John Kissick and related parties were \$0. From June 2020 to October 2021, Pilot applied payments owed to NPS under two terminal services agreements against NPS’ payment obligations to Pilot under the Amended Pilot Line of Credit. For YE 2021 and YE 2020, the tank lease payment setoff totaled \$1.9 million and \$1.3 million, respectively.

On October 4, 2021, NPS repaid all obligations owed to Pilot under the Amended Pilot Line of Credit. However, in a letter from NPS to Pilot dated October 28, 2021, NPS disputed approximately \$0.3 million in payments NPS believes Pilot misapplied as part of the Amended Pilot Line of Credit setoff. As of the filing date of this report, the amount remained in dispute between the parties.

Debt Defaults. The majority of our debt is in default.

Third-Party Defaults

· Veritex Loans – For YE 2021 and 2020, principal and interest payments to Veritex were \$0.6 million and \$0.9 million, respectively. As of the filing date of this report, LE and LRM were in default under the LE Term Loan Due 2034 and LRM Term Loan Due 2034 for failing to make required monthly principal and interest payments and failing to satisfy financial covenants. In addition, LE was in default under the LE Term Loan Due 2034 for failing to replenish a \$1.0 million payment reserve account. Defaults under the LE Term Loan Due 2034 and LRM Term Loan Due 2034 permit Veritex to declare the amounts owed under these loan agreements immediately due and payable, exercise its rights concerning collateral securing obligors’ obligations under these loan agreements, and exercise any other rights and remedies available.

· GNCU Loan – For the twelve-months ended December 31, 2021, interest only payments to GNCU were \$0.01 million. As of the filing date of this report, NPS was in default under the NPS Term Loan Due 2031 for failing to satisfy financial covenants.

· Amended Pilot Line of Credit – On October 4, 2021, NPS repaid all obligations owed to Pilot under the Amended Pilot Line of Credit. However, in a letter from NPS to Pilot dated October 28, 2021, NPS disputed approximately \$0.3 million in payments NPS believes Pilot misapplied as part of the Amended Pilot Line of Credit setoff. As of the filing date of this report, the amount remained in dispute between the parties.

From June 2020 to October 2021, Pilot applied payments owed to NPS under two terminal services agreements against NPS’ payment obligations to Pilot under the Amended Pilot Line of Credit. For YE 2021 and 2020, the tank lease payment setoff totaled \$1.9 million and \$1.3 million, respectively. The amount of interest NPS incurred under the Amended Pilot Line of Credit totaled \$0.7 million and \$1.4 million, respectively, for YE 2021 and 2020.

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Management’s Discussion and Analysis

· Kissick Debt – Under a 2015 subordination agreement, John Kissick agreed to subordinate his right to payments, as well as any security interest and liens on the Nixon facility’s business assets, in favor of Veritex as holder of the LE Term Loan Due 2034. To date, LE has made no payments under the subordinated Kissick Debt. Mr. Kissick has taken no action due to the non-payment. As of the filing date of this report, defaults under the Kissick Debt related to payment of past due obligations at maturity.

We can provide no assurance that: (i) our assets or cash flow will be sufficient to fully repay borrowings under our secured loan agreements, either upon maturity or if accelerated, (ii) LE, LRM, and NPS will be able to refinance or restructure the debt, and/or (iii) third parties will provide future default waivers. Defaults under our secured loan agreements and any exercise by third parties of their rights and remedies related to such defaults may have a material adverse effect on the trading prices of our Common Stock and on the value of an investment in our Common Stock, and holders of our Common Stock could lose their investment in our Common Stock in its entirety. Management maintains ongoing dialogue with lenders regarding defaults and potential restructuring and refinance opportunities.

Related-Party Defaults

· Notes and Loan Agreement – As of the filing date of this report, Blue Dolphin was in default concerning past due payment obligations under the March Carroll Note, March Ingleside Note, and June LEH Note. As of the same date, BDPL was also in default related to past due payment obligations under the BDPL-LEH Loan Agreement. Affiliates controlled approximately 82% of the voting power of our Common Stock as of the filing date of this report, an Affiliate operates and manages all Blue Dolphin properties, an Affiliate is a significant customer of our refined products, and we borrow from Affiliates during periods of working capital deficits.

Concentration of Customers Risk. We routinely assess the financial strength of our customers and have not experienced significant write-downs in accounts receivable balances. We believe that our accounts receivable credit risk exposure is limited.

Twelve Months Ended	Number Significant Customers	% Total Revenue from Operations	Portion of Accounts Receivable at December 31,
December 31, 2021	3	71.9%	\$ 0
December 31, 2020	3	70.8%	\$ 0

One of our significant customers is LEH, an Affiliate. Due to a HUBZone certification, the Affiliate purchases our jet fuel under a Jet Fuel Sales Agreement and bids on jet fuel contracts under preferential pricing terms. The Affiliate accounted for 29.9% and 28.7% of total revenue from operations for the twelve months ended December 31, 2021, and 2020, respectively. The Affiliate represented \$0 in accounts receivable at both December 31, 2021, and 2020, respectively. See “Part I, Item 1A. Risk Factors” and “Part II, Item 8. Financial Statements and Supplementary Data – Notes (3) and (16)” for additional disclosures related to Affiliate agreements, arrangements, and risk.

BOEM Additional Financial Assurance (Supplemental Pipeline Bonds)

To cover the various obligations of lessees and rights-of-way holders operating in federal waters of the Gulf of Mexico, BOEM evaluates an operator’s financial ability to carry out present and future obligations to determine whether the operator must provide additional security beyond the statutory bonding requirements. Such obligations include the cost of plugging and abandoning wells and decommissioning pipelines and platforms at the end of production or service activities. Once plugging and abandonment work has been completed, the collateral backing the financial assurance is released by BOEM.

BDPL historically maintained \$0.9 million in financial assurance to BOEM for the decommissioning of its trunk pipeline offshore in federal waters. Following an agency restructuring of the financial assurance program, in March 2018 BOEM ordered BDPL to provide additional financial assurance totaling approximately \$4.8 million for five (5) existing pipeline rights-of-way. In June 2018, BOEM issued BDPL INCs for each right-of-way that failed to comply. BDPL appealed the INCs to the IBLA. Although the IBLA granted multiple extension requests, the Office of the Solicitor of the U.S. Department of the Interior indicated that BOEM would not consent to further extensions. The solicitor’s

office signaled that BDPL's adherence to milestones identified in an August 2019 meeting between management and BSEE may help in future discussions with BOEM related to the INCs. Decommissioning of these assets will significantly reduce or eliminate the amount of financial assurance required by BOEM, which may serve to partially or fully resolve the INCs. Decommissioning of these assets was delayed due to our cash constraints associated with historical net losses and the ongoing impact of COVID-19. We cannot currently estimate when decommissioning may occur.

BDPL's pending appeal of the BOEM INCs does not relieve BDPL of its obligations to provide additional financial assurance or of BOEM's authority to impose financial penalties. There can be no assurance that we will be able to meet additional financial assurance (supplemental pipeline bond) requirements. If BDPL is required by BOEM to provide significant additional financial assurance (supplemental pipeline bonds) or is assessed significant penalties under the INCs, we will experience a significant and material adverse effect on our operations, liquidity, and financial condition.

We are currently unable to predict the outcome of the BOEM INCs. Accordingly, we did not record a liability on our consolidated balance sheets as of December 31, 2021 and 2020. At both December 31, 2021 and 2020, BDPL maintained approximately \$0.9 million in credit and cash-backed pipeline rights-of-way bonds issued to BOEM.

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Management's Discussion and Analysis

BSEE Offshore Pipelines and Platform Decommissioning

BDPL has pipelines and platform assets that are subject to BSEE's idle iron regulations. Idle iron regulations mandate lessees and rights-of-way holders to permanently abandon and/or remove platforms and other structures when they are no longer useful for operations. Until such structures are abandoned or removed, lessees and rights-of-way holders are required to inspect and maintain the assets in accordance with regulatory requirements.

In December 2018, BSEE issued an INC to BDPL for failure to flush and fill Pipeline Segment No. 13101. Management met with BSEE in August 2019 to address BDPL's plans with respect to decommissioning its offshore pipelines and platform assets. BSEE proposed that BDPL re-submit pipeline and platform decommissioning permit applications, including a safe boarding plan, by February 2020. BDPL submitted permit applications to BSEE in February 2020 and the USACOE in March 2020. In April 2020, BSEE issued another INC to BDPL for failure to perform the required structural surveys for the GA-288C Platform. BDPL completed the required platform surveys in June 2020. Abandonment operations were delayed due to our cash constraints associated with historical net losses and the ongoing impact of COVID-19. We cannot currently estimate when decommissioning may occur.

Lack of permit approvals does not relieve BDPL of its obligations to remedy the BSEE INCs or of BSEE's authority to impose financial penalties. If BDPL fails to complete decommissioning of the offshore pipelines and platform assets and/or remedy the INCs within a timeframe determined to be prudent by BSEE, BDPL could be subject to regulatory oversight and enforcement, including but not limited to failure to correct an INC, civil penalties, and revocation of BDPL's operator designation, which could have a material adverse effect on our earnings, cash flows and liquidity.

We are currently unable to predict the outcome of the BSEE INCs. Accordingly, we have not recorded a liability on our consolidated balance sheet as of December 31, 2021. At December 31, 2021 and 2020, BDPL maintained \$3.5 million and \$2.4 million, respectively, in AROs related to abandonment of these assets.

Off-Balance Sheet Arrangements. None.

Accounting Standards.

Critical Accounting Policies and Estimates

Significant Accounting Policies. Our significant accounting policies relate to use of estimates, cash and cash equivalents, restricted cash, accounts receivable and allowance for doubtful accounts, inventory, property and equipment, leases, revenue recognition, income taxes, impairment or disposal of long-lived assets, asset retirement obligations, and computation of earnings per share.

Estimates. The nature of our business requires that we make estimates and assumptions in accordance with U.S. GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. The ongoing COVID-19 pandemic has impacted these estimates and assumptions and will continue to do so.

The ongoing COVID-19 pandemic and related governmental responses, volatility in commodity prices, and severe weather resulting from climate change have impacted and likely will continue to impact our business. Under earlier state and federal mandates that regulated business closures, our business was deemed as an essential business and, as such, remained open. As U.S. federal, state, and local officials address surging coronavirus cases and roll out COVID-19 vaccines, we expect to continue operating.

In February 2022, Russia invaded neighboring Ukraine. The conflict has caused turmoil in global markets, resulting in higher oil prices, and injected even more uncertainty into a worldwide economy recovering from the effects of COVID-19. Given the evolving conflict, there are many unknown factors and events that could materially impact our operations.

We have instituted various initiatives throughout the company as part of our business continuity programs, and we are working to mitigate risk when disruptions occur. The Russian conflict with Ukraine and the COVID-19 pandemic continue to evolve. Therefore, uncertainty around the availability and commodity prices of crude oil, the commodity prices and demand for our refined products, and the general business environment is expected to continue through 2022 and beyond.

We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of the Russian-Ukrainian conflict and COVID-19 as of December 31, 2021 and through the filing date of this report. The accounting matters assessed included, but were not limited to, our allowance for doubtful accounts, inventory, and related reserves, and the carrying value of long-lived assets.

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Management's Discussion and Analysis

New Accounting Standards and Disclosures

New Pronouncements Adopted. The FASB issues ASUs to communicate changes to the FASB ASC, including modifications to non-authoritative SEC content. During the twelve months ended December 31, 2021, we did not adopt any ASUs.

Codification Improvements. In October 2020, FASB issued ASU 2020-10, Codification Improvements. The amendments in this guidance affected a wide variety of topics in the ASC by either clarifying the codification or correcting unintended application of guidance. The changes did not have a significant effect on current accounting practice or create a significant administrative cost to most entities. For all reporting entities, the amendments in ASU 2020-10 were effective for fiscal years ending after December 15, 2020. Early adoption was permitted. Adoption of this guidance did not have a significant impact on our consolidated financial statements.

New Pronouncements Issued, Not Yet Effective.

No new pronouncements issued but not yet effective are not expected to have a material impact on our financial position, results of operations, or liquidity.

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Quantitative and Qualitative Disclosure

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

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Financial Statements

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm



To the Board of Directors and
Stockholders of Blue Dolphin Energy Company

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Blue Dolphin Energy Company and Subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations, stockholders’ equity (deficit) and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company’s Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note (1) to the consolidated financial statements, the Company is in default under secured and related party loan agreements and has a net working capital deficiency. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note (1). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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Financial Statements

Impairment of Long-Lived Assets

As described in Note 8 to the consolidated financial statements, the Company's consolidated property, plant and equipment balance relating to refinery operations was \$60 million as of December 31, 2021. Management conducts an impairment test whenever facts or circumstances indicate that the carrying value of the assets may not be recoverable. The carrying value is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or group of assets. If the carrying value exceeds the sum of the undiscounted cash flows, an impairment loss equal to the amount by which the carrying value exceeds the fair value of the asset or group of assets is recognized. Management applies significant judgment in projecting future cash flow that includes the use of significant assumptions with respect to future sales of refined product and commodity pricing.

We identified the evaluation of the impairment analysis for long-lived assets associated with refinery operations as a critical audit matter due to the high degree of auditor judgment and subjectivity in performing procedures to evaluate management's significant assumptions in projecting its future cash flows.

Our audit procedures included, among others (i) testing management's process to project future cash flows, (ii) testing the completeness, accuracy and relevance of the data used in projected future cash flows and (iii) evaluating the reasonableness of the significant assumptions used by management. Evaluating the reasonableness of the significant assumptions used by management involved a comparison of projected sales volumes to historic amounts and evaluating the reasonableness of fluctuations based on management's future plans as well as factors surrounding expected margins based on commodity pricing.

We have served as the Company's auditor since 2002.

/s/ UHY LLP
 UHY LLP
 Sterling Heights, Michigan
 April 1, 2022
 PCAOB Number: 01195

Blue Dolphin Energy Company

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Financial Statements

Consolidated Balance Sheets

	December 31,	
	2021	2020
	(in thousands except share amounts)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9	\$ 549
Restricted cash	48	48
Accounts receivable, net	126	214
Prepaid expenses and other current assets	2,433	3,564
Deposits	110	124
Inventory	3,098	1,062
Total current assets	5,824	5,561
LONG-TERM ASSETS		
Total property and equipment, net	59,923	62,497
Operating lease right-of-use assets, net	332	498
Restricted cash, noncurrent	-	514
Surety bonds	230	230
Total long-term assets	60,485	63,739
TOTAL ASSETS	\$ 66,309	\$ 69,300
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Long-term debt less unamortized debt issue costs, current portion (in default)	\$ 42,953	\$ 33,692
Line of credit payable (in default)	-	8,042
Long-term debt, related party, current portion (in default)	20,042	16,010
Interest payable (in default)	8,689	6,408
Interest payable, related party (in default)	3,454	2,814
Accounts payable	2,548	3,274
Accounts payable, related party	155	155
Current portion of lease liabilities	215	194
Asset retirement obligations, current portion	-	2,370
Accrued expenses and other current liabilities	6,225	4,882
Total current liabilities	84,281	77,841
LONG-TERM LIABILITIES		
Asset retirement obligations, net of current	3,461	-
Long-term lease liabilities, net of current	156	370
Deferred revenues	1,200	1,520
Long-term debt, net of current portion	838	355
Total long-term liabilities	5,655	2,245
TOTAL LIABILITIES	89,936	80,086
Commitments and contingencies (Note 16)		
STOCKHOLDERS' DEFICIT		
Common stock (\$0.01 par value, 20,000,000 shares authorized; 12,693,514 shares issued at both December 31, 2021 and 2020)(1)	127	127
Additional paid-in capital	38,457	38,457
Accumulated deficit	(62,211)	(49,370)
TOTAL STOCKHOLDERS' DEFICIT	(23,627)	(10,786)

- (1) Blue Dolphin has 20,000,000 shares of common stock, par value \$0.01 per share, and 2,500,000 shares of preferred stock, par value \$0.10 per share, authorized. There are 12,693,514 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding.

The accompanying notes are an integral part of these consolidated financial statements.

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Financial Statements

Consolidated Statements of Operations

	Twelve Months Ended December 31,	
	2021	2020
(in thousands, except share and per-share amounts)		
REVENUE FROM OPERATIONS		
Refinery operations	\$ 297,103	\$ 170,601
Tolling and terminaling	3,717	4,209
Total revenue from operations	300,820	174,810
COST OF GOODS SOLD		
Crude oil, fuel use, and chemicals	292,438	167,079
Other conversion costs	7,468	9,783
Total cost of goods sold	299,906	176,862
Gross profit (loss)	914	(2,052)
COST OF OPERATIONS		
LEH operating fee, related party	522	646
Other operating expenses	198	169
General and administrative expenses	3,021	2,299
Depletion, depreciation and amortization	2,780	2,686
Impairment of assets	1,092	-
Total cost of operations	7,613	5,800
Loss from operations, related party	(6,699)	(7,852)
OTHER INCOME (EXPENSE)		
Easement, interest and other income	2	172
Interest and other expense	(6,199)	(6,763)
Gain on extinguishment of debt	55	-
Total other expense	(6,142)	(6,591)
Loss before income taxes	(12,841)	(14,443)
Income tax expense	-	(15)
Net Loss	\$ (12,841)	\$ (14,458)
Loss per common share:		
Basic	\$ (1.01)	\$ (1.15)
Diluted	\$ (1.01)	\$ 1.15)
Weighted average number of common shares outstanding:		
Basic	12,693,514	12,574,465
Diluted	12,693,514	12,574,465

The accompanying notes are an integral part of these consolidated financial statements.

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Financial Statements

Consolidated Statements of Stockholders' Equity (Deficit)

Shares Issued	Common Stock		Accumulated Deficit	Total Stockholders Equity (Deficit)
	Par Value	Additional Paid-In Capital		
(in thousands except share amounts)				

Balance at December 31, 2019	12,327,365	\$	123	\$	38,275	\$	(34,912)	\$	3,486
Comon stock issued for services	135,084		2		66		-		68
Common stock issued for extinguishment of related-party debt	231,065		2		116		-		118
Net loss	-		-		-		(14,458)		(14,458)
Balance at December 31, 2020	12,693,514	\$	127	\$	38,457	\$	(49,370)	\$	(10,786)
Net loss	-		-		-		(12,841)		(12,841)
Balance at December 31, 2021	12,693,514	\$	127	\$	38,457	\$	(62,211)	\$	(23,627)

The accompanying notes are an integral part of these consolidated financial statements.

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Financial Statements

Consolidated Statements of Cash Flows

	Twelve Months Ended December 31,	
	2021	2020
(in thousands)		
OPERATING ACTIVITIES		
Net loss	\$ (12,841)	\$ (14,458)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depletion, depreciation and amortization	2,780	2,686
Deferred income tax	-	15
Amortization of debt issue costs	147	348
Guaranty fees paid in kind	608	609
Related-party interest expense paid in kind	1,116	559
Deferred revenues and expenses	(320)	(410)
Loss (gain) on issuance of shares	-	(80)
Impairment of assets	1,092	-
Gain on extinguishment of debt	(55)	-
Changes in operating assets and liabilities		
Accounts receivable	88	232
Accounts receivable, related party	-	1,364
Prepaid expenses and other current assets	1,131	(1,288)
Deposits and other assets	14	34
Inventory	(2,036)	583
Accounts payable, accrued expenses and other liabilities	2,220	5,899
Accounts payable, related party	-	6
Net cash used in operating activities	(6,056)	(3,901)
INVESTING ACTIVITIES		
Capital expenditures	-	(1,085)
Net cash used in investing activities	-	(1,085)
FINANCING ACTIVITIES		
Proceeds from debt	10,500	370
Payments on debt	(4,738)	(3,930)
Payments of debt issuance costs	(750)	-
Net activity on related-party debt	(10)	8,989
Net cash provided by financing activities	5,002	5,429
Net change in cash, cash equivalents, and restricted cash	(1,054)	443
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD	1,111	668
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 57	\$ 1,111

Supplemental Information:

Non-cash investing and financing activities:

Financing of line of credit via related-party debt	\$ 2,331	\$ 2,778
Issuance of shares for services and/or to extinguish debt	\$ -	\$ 267
Conversion of related-party notes to common stock	\$ -	\$ 148
Line of credit financed by offsetting tank leases less interest	\$ 1,098	\$ 273
Interest paid	\$ 1,252	\$ 2,311
Income taxes paid (refunded)	\$ -	\$ (100)

The accompanying notes are an integral part of these consolidated financial statements.

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Notes to Consolidated Financial Statements

(1) Organization**Overview**

Blue Dolphin was formed in 1986 as a Delaware corporation. The company is an independent downstream energy company operating in the Gulf Coast region of the United States. Operations primarily consist of a light sweet-crude, 15,000-bpd crude distillation tower, and approximately 1.2 million bbls of petroleum storage tank capacity in Nixon, Texas. Blue Dolphin trades on the OTCQX under the ticker symbol “BDCO.”

Assets are organized in two business segments: ‘refinery operations’ (owned by LE) and ‘tolling and terminaling services’ (owned by LRM and NPS). ‘Corporate and other’ includes subsidiaries BDPL (inactive pipeline and facilities assets), BDPC (inactive leasehold interests in oil and gas wells), and BDSC (administrative services). See “Note (4)” to our consolidated financial statements for more information about our business segments.

Unless the context otherwise requires, references in this report to “we,” “us,” “our,” or “ours,” refer to Blue Dolphin, one or more of its consolidated subsidiaries or all of them taken as a whole.

Affiliates

Affiliates controlled approximately 82% of the voting power of our Common Stock as of the filing date of this report. An Affiliate operates and manages all Blue Dolphin properties and funds working capital requirements during periods of working capital deficits. In addition, an Affiliate is a significant customer of our refined products. Blue Dolphin and certain of its subsidiaries are currently parties to a variety of agreements with Affiliates. See “Note (3)” to our consolidated financial statements for additional disclosures related to Affiliate agreements, arrangements, and risks associated with working capital deficits.

Going Concern

Management determined that certain factors raise substantial doubt about our ability to continue as a going concern. These factors include defaults under secured loan agreements, substantial current debt, margin volatility, historical net losses and working capital deficits, as discussed more fully below. Our consolidated financial statements assume we will continue as a going concern and do not include any adjustments that might result from this uncertainty. Our ability to continue as a going concern depends on sustained positive operating margins and adequate working capital for, amongst other requirements, purchasing crude oil and condensate and making payments on long-term debt. If we are unable to process crude oil and condensate into sellable refined products or make required debt payments, we may consider other options. These options could include selling assets, raising additional debt or equity capital, cutting costs, reducing cash requirements, restructuring debt obligations, or filing bankruptcy.

Defaults Under Secured Loan Agreements. We are currently in default under certain of our secured loan agreements with third parties and related parties. As a result, the debt associated with these obligations was classified within the current portion of long-term debt on our consolidated balance sheets at December 31, 2021 and 2020. See Notes (3), (10), and (11) for additional disclosures related to third-party and related-party debt, defaults on such debt, and the potential effects of such defaults on our business, financial condition, and results of operations.

Third-Party Defaults

- Veritex Loans – For the twelve-months ended December 31, 2021 and 2020, principal and interest payments to Veritex were \$0.6 million and \$0.9 million, respectively. As of the filing date of this report, LE and LRM were in default under the LE Term Loan Due 2034 and LRM Term Loan Due 2034 for failing to make required monthly principal and interest payments and failing to satisfy financial covenants. In addition, LE was in default under the LE Term Loan Due 2034 for failing to replenish a \$1.0 million payment reserve account. Defaults under the LE Term Loan Due 2034 and LRM Term Loan Due 2034 permit Veritex to declare the amounts owed under these loan agreements immediately due and payable, exercise its rights concerning collateral securing obligors’ obligations under these loan agreements, and exercise any other rights and remedies available.
- GNCU Loan – For the twelve-months ended December 31, 2021, interest only payments to GNCU were \$0.01 million. As of the filing date of this report, NPS was in default under the NPS Term Loan Due 2031 for failing to satisfy financial covenants.
- Amended Pilot Line of Credit – On October 4, 2021, NPS repaid all obligations owed to Pilot under the Amended Pilot Line of Credit. However, in a letter from NPS to Pilot dated October 28, 2021, NPS disputed approximately \$0.3 million in payments NPS believes Pilot misapplied as part of the Amended Pilot Line of Credit setoff. As of the filing date of this report, the amount remained in dispute between the parties.

From June 2020 to October 2021, Pilot applied payments owed to NPS under two terminal services agreements against NPS’ payment obligations to Pilot under the Amended Pilot Line of Credit. For the twelve-month periods ended December 31, 2021 and 2020, the tank lease payment setoff totaled \$1.9 million and \$1.3 million, respectively.

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Notes to Consolidated Financial Statements

The amount of interest NPS incurred under the Amended Pilot Line of Credit totaled \$0.7 million and \$1.4 million, respectively, for the twelve months ended December 31, 2021 and 2020. See “Part II, Item 8. Financial Statements and Supplementary Data – Note (11)” and “Note (17)” to our consolidated financial statements for more information related to the Amended Pilot Line of Credit.

- Kissick Debt – Under a 2015 subordination agreement, John Kissick agreed to subordinate his right to payments, as well as any security interest and liens on the Nixon facility’s business assets, in favor of Veritex as holder of the LE Term Loan Due 2034. To date, LE has made no payments under the subordinated Kissick Debt. Mr. Kissick has taken no action due to the non-payment. As of the filing date of this report, defaults under the Kissick Debt related to payment of past due obligations at maturity.

We can provide no assurance that: (i) our assets or cash flow will be sufficient to fully repay borrowings under our secured loan agreements, either upon maturity or if accelerated, (ii) LE, LRM, and NPS will be able to refinance or restructure the debt, and/or (iii) third parties will provide future default waivers. Defaults under our secured loan agreements and any exercise by third parties of their rights and remedies related to such defaults may have a material adverse effect on the trading prices of our Common Stock and on the value of an investment in our Common Stock, and holders of our Common Stock could lose their investment in our Common Stock in its entirety. Management maintains ongoing dialogue with lenders regarding defaults and potential restructuring and refinance opportunities. See “Notes (1) and (11)” to our consolidated financial statements for additional information regarding defaults under our secured loan agreements and their potential effects on our business, financial condition, and results of operations.

Related-Party Defaults

- Notes and Loan Agreement – As of the filing date of this report, Blue Dolphin was in default concerning past due payment obligations under the March Carroll Note, March Ingleside Note, and June LEH Note. As of the same date, BDPL was also in default related to past due payment obligations under the BDPL-LEH Loan Agreement. Affiliates controlled approximately 82% of the voting power of our Common Stock as of the filing date of this report, an Affiliate operates and manages all Blue Dolphin properties, an Affiliate is a significant customer of our refined products, and we borrow from Affiliates during periods of working capital deficits.

Substantial Current Debt

Excluding accrued interest, we had current debt of \$63.0 million and \$57.7 million, respectively, as of December 31, 2021 and 2020. Current debt consists of bank debt, investor debt, and related party debt. Although the line of credit payable to Pilot fell within current debt during 2021, the Pilot debt was repaid in October 2021. Substantial current debt is primarily the result of secured loan agreements being in default. As a result, these debt obligations were classified within the current portion of long-term debt on our consolidated balance sheets at December 31, 2021 and 2020.

Margin Volatility. Crude oil refining is primarily a margin-based business. To improve margins, we must maximize yields of higher value finished petroleum products and minimize costs of feedstocks and operating expenses. When the spread between these commodity prices decreases, our margins are negatively affected. Although an increase or decrease in the commodity price for crude oil and other feedstocks generally results in a similar increase or decrease in commodity prices for finished petroleum products, typically there is a time lag between the two. The effect of crude oil commodity price changes on our finished petroleum product commodity prices therefore depends, in part, on how quickly and how fully the market adjusts to reflect these changes. Unfavorable margins may have a material adverse effect on our earnings, cash flows, and liquidity.

Since the beginning of 2020, the COVID-19 pandemic disrupted economies around the world, including the oil and gas industry in which we operate. The rapid spread of the virus led to the implementation of various responses, including federal, state, and local government-imposed quarantines, shelter-in-place mandates, sweeping restrictions on travel, and other public health and safety measures. Actions by members of OPEC and other producer countries in 2020 concerning oil production and pricing significantly impacted supply and demand in global oil and gas markets, which impacted our operational and financial performance. In particular, we experienced net losses due to unfavorable margins per bbl and significantly lower sales volume due to significant refinery downtime. Global oil prices and refined product demand recovered somewhat in 2021 compared to 2020 as COVID-19 cases stabilized, mortality rates decreased, and availability and inoculation rates of vaccines increased. However, recovery of jet fuel demand lagged that of other refined products as airline travel restrictions and consumer hesitancy to fly during the pandemic continued. Despite the uptick in market conditions during the second half of 2021, overall, we experienced operating and net losses due to unfavorable margins and lower sales volume, which affected our liquidity. Cash constraints adversely impacted the frequency of crude oil acquisition, debt payments, and abandonment of pipeline and facilities assets.

The extent to which the continued COVID-19 pandemic will impact our operations depends on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, additional or modified government actions, new information that may emerge concerning variants, actions taken to contain the spread of COVID-19 and treat its impact, and the availability and acceptance of vaccines to mitigate such spread, among others.

In February 2022, Russia invaded neighboring Ukraine. The conflict has caused turmoil in global markets, resulting in higher oil prices, and injected even more uncertainty into a worldwide economy recovering from the effects of COVID-19. Given the evolving conflict, there are many unknown factors and events that could materially impact our operations.

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Notes to Consolidated Financial Statements

The Russian conflict with Ukraine and the COVID-19 pandemic continue to evolve, and the extent to which these events may impact our business, financial condition, liquidity, results of operations, and prospects will depend highly on future developments, which are very uncertain and cannot be predicted with confidence.

Historic Net Losses and Working Capital Deficits

Net Losses. Net loss for the twelve months ended December 31, 2021, was \$12.8 million, or a loss of \$1.01 per share, compared to a net loss of \$14.5 million, or a loss of \$1.15 per share, for the twelve months ended December 31, 2020. The improvement between the comparative periods resulted from demand recovery, commodity price improvements, and encouraging trends in pandemic containment efforts.

Working Capital Deficits. We had \$78.5 million and \$72.3 million in working capital deficits at December 31, 2021 and 2020, respectively. Excluding the current portion of long-term debt, we had \$15.5 million and \$22.6 million in working capital deficits at December 31, 2021 and 2020, respectively.

Cash and cash equivalents totaled \$0.01 and \$0.5 million at December 31, 2021 and 2020, respectively. Restricted cash (current portion) totaled \$0.05 million at both December 31, 2021 and 2020. Restricted cash, noncurrent totaled \$0 and \$0.5 million at December 31, 2021 and 2020, respectively.

Our financial health has been materially and adversely affected by defaults in our secured loan agreements, substantial current debt, margin volatility, historical net losses and working capital deficits. If Pilot or Tartan terminate the Crude Supply Agreement or terminal services agreements, our ability to acquire crude oil and condensate could be adversely affected. If producers experience crude supply constraints and increased transportation costs, our crude acquisition costs may rise, or we may not receive sufficient amounts to meet our needs. During the twelve-month periods ended December 31, 2021 and 2020, the refinery experienced 23 days and 42 days of downtime, respectively. During the same time periods, 13 days and 20 days, respectively, related to lack of crude associated with cash constraints.

Operating Risks

Successful execution of our business strategy depends on several critical factors, including having adequate working capital to meet contractual, operational, regulatory, and safety needs and having favorable margins on refined products. The Russian conflict with Ukraine and the COVID-19 pandemic continue to evolve, and the extent to which these events may impact our business, financial condition, liquidity, results of operations, and prospects will depend highly on future developments, which are very uncertain and cannot be predicted with confidence.

Management continues to take steps to mitigate risk, avoid business disruptions, manage cash flow, and remain competitive in a volatile commodity price environment. Mitigation steps include: adjusting throughput and production based on market conditions, optimizing receivables and payables by prioritizing payments, optimizing inventory levels based on demand, monitoring discretionary spending, and delaying capital expenditures. To safeguard personnel, we adopted remote working where possible and social distancing, mask-wearing, and other site-specific precautionary measures where on-site operations are required. We also incentivize personnel to receive the COVID-19 vaccine.

We can provide no guarantees that: our business strategy will be successful, Affiliates will continue to fund our working capital needs when we experience working capital deficits, we will meet regulatory requirements to provide additional financial assurance (supplemental pipeline bonds) and decommission offshore pipelines and platform assets, we can obtain additional financing on commercially reasonable terms or at all, or margins on our refined products will be favorable. Further, if third parties exercise their rights and remedies under our secured loan agreements, our business, financial condition, and results of operations will be materially adversely affected.

(2) Principles of Consolidation and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements, which include Blue Dolphin and its subsidiaries, have been prepared in accordance with U.S. generally accepted accounting principles and the rules and regulations of the SEC. These rules and regulations conform to the accounting principles contained in FASB's ASC, the single source of GAAP. All significant intercompany items have been eliminated in consolidation. Additionally, any material subsequent events that occurred after the date through which this report covers have been properly recognized or disclosed in our financial statements. In management's opinion, all adjustments considered necessary for a fair presentation have been included, disclosures are adequate, and the presented information is not misleading.

Significant Accounting Policies

The summary of significant accounting policies of Blue Dolphin is presented to assist in understanding our consolidated financial statements. Our consolidated financial statements and accompanying notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies conform to GAAP and have been consistently applied in the preparation of our consolidated financial statements.

Notes to Consolidated Financial Statements

Use of Estimates. The preparation of our financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. Actual results could differ from those estimates. The ongoing COVID-19 pandemic and related governmental responses, volatility in commodity prices, and severe weather resulting from climate change have impacted and likely will continue to impact our business. We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us as of December 31, 2021 and through the filing date of this report. The accounting matters assessed included, but were not limited to, our allowance for doubtful accounts, inventory, and related reserves, and the carrying value of long-lived assets.

Cash and Cash Equivalents. Cash and cash equivalents represent liquid investments with an original maturity of three months or less. Cash balances are maintained in depository and overnight investment accounts with financial institutions that, at times, may exceed insured deposit limits. We monitor the financial condition of the financial institutions and have experienced no losses associated with these accounts.

Restricted Cash. Restricted cash, current portion reflects amounts held in a payment reserve account by Veritex as security for payments under the LE Term Loan Due 2034. Restricted cash, noncurrent represents funds held in a Veritex disbursement account for payment of construction related expenses. The 5-year capital improvement to build new petroleum storage tanks at the Nixon facility was completed in 2020.

Accounts Receivable and Allowance for Doubtful Accounts. Accounts receivable are presented net of any necessary allowance(s) for doubtful accounts. Receivables are recorded at the invoiced amount and generally do not bear interest. An allowance for doubtful accounts is established, when necessary, based on prior experience and other factors which, in management's judgment, deserve consideration in estimating bad debts. Management assesses collectability of the customer's account based on current aging status, collection history, and financial condition. Based on a review of these factors, management establishes or adjusts the allowance for specific customers and the entire accounts receivable portfolio. We had an allowance for doubtful accounts of \$0 and \$0.1 million at December 31, 2021 and 2020, respectively.

Inventory. Inventory primarily consists of refined products, crude oil and condensate, and chemicals. Inventory is valued at lower of cost or net realizable value with cost determined by the average cost method, and net realizable value determined based on estimated selling prices less associated delivery costs. If the net realizable value of our refined products inventory declines to an amount less than our average cost, we record a write-down of inventory and an associated adjustment to cost of goods sold. See "Note (7)" to our consolidated financial statements for additional disclosures related to inventory.

Property and Equipment.

Refinery and Facilities. We typically make ongoing improvements to the Nixon facility based on operational needs, technological advances, and safety and regulatory requirements. We capitalize additions to refinery and facilities assets, and we expense costs for repairs and maintenance as incurred. We record refinery and facilities at cost less any adjustments for depreciation or impairment. We adjust the asset and the related accumulated depreciation accounts for the refinery and facilities asset's retirement and disposal, with the resulting gain or loss included in the consolidated statements of operations. For financial reporting purposes, we compute refinery and facilities assets depreciation using the straight-line method with an estimated useful life of 25 years; we depreciate refinery and facilities assets when placed in service. We did not record any impairment of our refinery and facilities assets for the periods presented.

Pipelines and Facilities. We record our pipelines and facilities at cost less any adjustments for depreciation or impairment. We computed depreciation using the straight-line method over estimated useful lives ranging from 10 to 22 years. Per FASB ASC guidance, we performed impairment testing of our pipeline and facilities assets in 2016. Upon completion of testing, we fully impaired our pipeline assets at December 31, 2016. Our pipelines and facilities assets are inactive. Decommissioning of these assets was delayed due to cash constraints associated with historical net losses and the ongoing impact of COVID-19. We cannot currently estimate when decommissioning may occur.

Oil and Gas Properties. Our oil and gas properties are accounted for using the full-cost method of accounting, whereby all costs associated with acquisition, exploration and development of oil and gas properties, including directly related internal costs, are capitalized on a cost center basis. Amortization of such costs and estimated future development costs are determined using the unit-of-production method. All leases associated with our oil and gas properties have expired, and our oil and gas properties were fully impaired in 2011.

CIP. CIP expenditures, including capitalized interest, relate to construction and refurbishment activities and equipment for the Nixon facility. These expenditures are capitalized as incurred. Depreciation begins once the asset is placed in service. See "Note (8)" to our consolidated financial statements for additional disclosures related to refinery and facilities assets, oil and gas properties, pipelines and facilities assets, and CIP.

Leases. We determine whether a contract or agreement is or contains a lease at inception. If the contract is or includes a lease and has a term greater than one year, we recognize a ROU asset and lease liability as of the commencement date based on the present value of the lease payments over the lease term. We determine the present value of the lease payments by using the implicit rate when readily determinable. If the implicit rate is not defined, we use the incremental borrowing rate to discount lease payments to present value. We adjust lease terms to include options to extend or terminate the lease when it is reasonably certain that we will exercise those options.

Notes to Consolidated Financial Statements

For operating leases, we record lease cost on a straight-line basis over the lease term; we record lease expenses in the appropriate line on the income statement based on the leased asset's intended use. For finance leases (previously referred to under GAAP as capital leases), we amortize lease payments for the ROU asset on a straight-line basis over the lesser of the leased asset's useful life or the lease term; we record amortization expenses on the income statement in 'depreciation and amortization expense;' we record interest expense on the income statement in 'interest and other expense.'

Revenue Recognition.

Refinery Operations Revenue. We recognize revenue from refined products sales when we meet our performance obligation to the customer. We meet our performance obligation when the customer receives control of the product. The customer accepts control of the product when the product is lifted. Under bill and hold arrangements, the customer takes control of the product when added to the customer's bulk inventory as stored at the Nixon facility. We allocate a transaction price to each separately identifiable refined product load.

We consider a variety of facts and circumstances in assessing the point of a control transfer, including but not limited to: whether the purchaser can direct the use of the refined product, the transfer of significant risks and rewards, our rights to payment, and transfer of legal title. In each case, the term between the sale and when payment is due is not significant. We include incurred transportation, shipping, and handling costs in the cost of goods sold. We do not include excise and other taxes collected from customers and remitted to governmental authorities in revenue.

Tolling and Terminating Revenue. Tolling and terminating revenue represents fees under (i) tank storage agreements, whereby a customer agrees to pay a certain fee per tank based on tank size over time for the storage of products and (ii) tolling agreements, whereby a customer agrees to pay a certain fee per gallon or barrel for throughput volumes moving

through the naphtha stabilizer unit and a fixed monthly reservation fee for the use of the naphtha stabilizer unit.

We typically satisfy performance obligations for tolling and terminaling operations over time. We determine the transaction price at agreement inception based on the guaranteed minimum amount of revenue over the agreement term. We allocate the transaction price to the single performance obligation that exists under the agreement. We recognize revenue in the amount for which we have a right to invoice. Generally, payment terms do not exceed 30 days.

Revenue from tank storage customers may, from time to time, include fees for ancillary services, such as in-tank and tank-to-tank blending. These services are considered optional to the customer. The fixed cost under the customer's tank storage agreement does not include ancillary service fees. We consider ancillary services as a separate performance obligation under the tank storage agreement. We satisfy the performance obligation and recognize the associated fee when we complete the requested service.

Deferred Revenue. Deferred revenue represents a liability related to a revenue-producing activity as of the balance sheet date. We record unearned revenue, which usually consists of customer prepayments when we receive the cash payment. Once we satisfy the performance obligation, we recognize revenue in conformity with GAAP.

Income Taxes. We determine deferred income taxes based on: (i) temporary differences between carrying amounts and the actual income tax basis of our assets and liabilities and (ii) operating losses and tax credit carryforwards using currently enacted tax rates and laws in effect for the year in which we expect the differences to reverse. Our provision for income taxes consists of our current tax liability and the change in deferred income tax assets and liabilities.

Management uses significant judgment in evaluating uncertain tax positions and determining the provision for income taxes. As of each reporting date, we consider new evidence, both positive and negative, to assess the realizability of deferred tax assets. We weigh whether there is a more than 50% probability of realizing a portion or all the deferred tax assets. Realization depends on the generation of future taxable income before the expiration of any NOL carryforwards. We record a valuation allowance against deferred income tax assets if there is a more than 50% probability of not realizing some portion of the asset. We recognize an uncertain tax positions benefit in our financial statements if deferred tax assets meet a minimum recognition threshold. First, we determine whether there is a more than 50% probability that our income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If we meet the criteria, we record a benefit in the financial statements equal to the largest amount greater than 50% likely to be realized upon settlement with taxing authorities.

A significant piece of objective negative evidence evaluated was cumulative losses incurred over the three-year period ended December 31, 2021. Such objective evidence limits the ability to consider other subjective evidence, such as projections for future growth. Based on this evaluation, we recorded a valuation allowance against the deferred tax assets for which realization was not deemed more likely than not as of December 31, 2021 and 2020. In addition, we have NOL carryforwards that remain available for future use. See "Note (14)" to our consolidated financial statements for more information related to income taxes.

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Impairment or Disposal of Long-Lived Assets. We periodically evaluate our long-lived assets for impairment. Additionally, we re-assess our long-lived assets when events or circumstances indicate that the carrying value of these assets may not be recoverable. The carrying value is not recoverable if it exceeds the sum of the undiscounted cash flows expected from the use and eventual disposition of the asset or group of assets. If the carrying value exceeds the sum of the undiscounted cash flows, an impairment loss equal to the amount by which the carrying value exceeds the fair value of the asset or group of assets is recognized. Management uses significant judgment in forecasting future operating results and projected cash flows. If conditions or assumptions change, material impairment charges could be necessary.

Commodity price market volatility associated with the COVID-19 pandemic could affect the value of certain of our long-lived assets. Management evaluated refinery and facilities assets for impairment as of December 31, 2021. We did not record any impairment of our refinery and facilities assets for the periods presented. We recorded an impairment of \$1.1 million related to asset retirement costs for our pipeline/platform assets as of December 31, 2021. Additional impairment may be required in the future if losses continue to be material, or as new opportunities arise, such as reconfiguration of the Nixon refinery into a renewable fuels facility.

Asset Retirement Obligations. We record a liability for the discounted fair value of an ARO in the period incurred. We also capitalize the corresponding cost by increasing the carrying amount of the related long-lived asset. The liability is accreted towards its future value each period, and we depreciate the capitalized cost over the useful life of the related asset. We recognize a gain or loss if we settle the liability for an amount other than the amount recorded.

Refinery and Facilities. We believe we have no legal or contractual obligation to dismantle or remove the refinery and facilities assets. Further, we believe that these assets have indeterminate lives because we cannot reasonably estimate the dates or ranges of dates upon which we would retire these assets. Management will record an asset retirement obligation for these assets when a definitive obligation arises, and retirement dates are evident.

Pipeline and Facilities; Oil and Gas Properties. Management uses significant judgment to estimate future asset retirement costs for our pipelines, related facilities, and oil and gas properties. These costs relate to dismantling and disposing certain physical assets, plugging and abandoning wells, and restoring land and seabeds. Factors considered include regulatory requirements, structural integrity, water depth, reservoir depth, equipment availability, and mobilization efforts. We review our assumptions and estimates of future abandonment costs on an annual basis. See "Note (12)" to our consolidated financial statements for additional information related to AROs.

Computation of Earnings Per Share. We present basic and diluted EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding for the period. We calculate diluted EPS by dividing net income available to common stockholders by the diluted weighted average number of common shares outstanding. Diluted EPS includes the potential dilution that could occur if securities or other contracts to issue shares of common stock were converted to common stock that then shared in the entity's earnings. The number of shares related to restricted stock included in diluted EPS is based on the "Treasury Stock Method." We do not currently have issued options, warrants, or similar instruments. Convertible shares, if granted, are not included in the computation of earnings per share if anti-dilutive. See "Note (15)" to our consolidated financial statements for additional information related to EPS.

New Pronouncements Adopted. The FASB issues ASUs to communicate changes to the FASB ASC, including modifications to non-authoritative SEC content. During the twelve months ended December 31, 2021, we did not adopt any ASUs.

Codification Improvements. In October 2020, FASB issued ASU 2020-10, Codification Improvements. The amendments in this guidance affected a wide variety of topics in the ASC by either clarifying the codification or correcting unintended application of guidance. The changes did not have a significant effect on current accounting practice or create a significant administrative cost to most entities. For all reporting entities, the amendments in ASU 2020-10 were effective for fiscal years ending after December 15, 2020. Early adoption was permitted. Adoption of this guidance did not have a significant impact on our consolidated financial statements.

New Pronouncements Issued, Not Yet Effective.

No new pronouncements issued but not yet effective are not expected to have a material impact on our financial position, results of operations, or liquidity.

Notes to Consolidated Financial Statements

(3) Related-Party Transactions

Affiliate Operational Agreements Summary

Blue Dolphin and certain of its subsidiaries are parties to several operational agreements with Affiliates. Management believes that these related-party agreements are arm's-length transactions.

Agreement/Transaction	Parties	Effective Date	Key Terms
Jet Fuel Sales Agreement	LEH LE	04/01/2022	1-year term expiring earliest to occur of 03/31/2023 plus 30-day carryover or delivery of maximum jet fuel quantity; LEH bids on jet fuel contracts under preferential pricing terms due to a HUBZone certification
Office Sub-Lease Agreement	LEH BDSC	01/01/2018	68-month term expiring 08/31/2023; office lease Houston, Texas; includes 6-month rent abatement period; rent approximately \$0.01 million per month
Amended and Restated Operating Agreement	LEH Blue Dolphin LE LRM NPS BDPL BDPC BDSC	04/01/2020	3-year term; expires 04/01/2023 or notice by either party at any time of material breach or 90 days Board notice; LEH receives management fee of 5% of all consolidated operating costs, excluding crude costs, depreciation, amortization, and interest, of Blue Dolphin, LE, LRM, NPS, BDPL, BDPC and BDSC

Working Capital

We have historically relied on Affiliates for funding when revenue from operations and availability under bank facilities were insufficient to meet our liquidity and working capital needs. We reflect such borrowings in our consolidated balance sheets in accounts payable, related party, or long-term debt, related party.

Related-Party Long-Term Debt

Loan Description	Parties	Maturity Date	Interest Rate	Loan Purpose
March Carroll Note (in default)	Jonathan Carroll Blue Dolphin	Jan 2019	8.00%	Blue Dolphin working capital; reflects amounts owed to Jonathan Carroll under the guaranty fee agreements
March Ingleside Note (in default)	Ingleside Blue Dolphin	Jan 2019	8.00%	Blue Dolphin working capital
June LEH Note (in default)	LEH Blue Dolphin	Jan 2019	8.00%	Blue Dolphin working capital; reflects amounts owed to LEH under the Amended and Restated Operating Agreement
BDPL-LEH Loan Agreement (in default) ⁽¹⁾	LEH BDPL	Aug 2018	16.00%	Blue Dolphin working capital
Amended and Restated Guaranty Fee Agreement	Jonathan Carroll ⁽²⁾ LE	--	2.00%	Tied to payoff of LE \$25 million Veritex loan
Amended and Restated Guaranty Fee Agreement	Jonathan Carroll ⁽²⁾ LRM	--	2.00%	Tied to payoff of LRM \$10 million Veritex loan

- (1) The original principal amount of the BDPL-LEH Loan Agreement was \$4.0 million.
- (2) Jonathan Carroll was required to personally guarantee repayment of borrowed funds and accrued interest.
- (3) Mr. Carroll receives guaranty fees under the guaranty fee agreements. Fees are payable 50% in cash and 50% in Common Stock. We accrue payment of the Common Stock portion quarterly. For the foreseeable future, management does not intend to pay Mr. Carroll the cash portion due to Blue Dolphin's working capital deficits. The cash portion will continue to accrue and increase the outstanding principal balance owed to Mr. Carroll under the March Carroll Note.

Guarantees, Security, and Defaults

Loan Description	Guarantees	Security	Event(s) of Default
March Carroll Note (in default)	---	---	Failure to pay past due obligations at maturity (loan matured January 2019)
March Ingleside Note (in default)	---	---	Failure to pay past due obligations at maturity (loan matured January 2019)
June LEH Note (in default)	---	---	Failure to pay past due obligations at maturity (loan matured January 2019)
BDPL-LEH Loan Agreement	---	Certain BDPL property	Failure to pay past due obligations at maturity (loan matured August 2018)

Covenants

The BDPL-LEH Loan Agreement contains representations and warranties, affirmative and negative covenants, and events of default that we consider usual and customary for a credit facility of this type. There are no covenants associated with the March Carroll Note, March Ingleside Note, or June LEH Note.

Related-Party Financial Impact

Consolidated Balance Sheets.

Accounts payable, related party. Accounts payable, related party to LTRI related to the purchase of refinery equipment totaled \$0.2 million at both December 31, 2021 and 2020.

Notes to Consolidated Financial Statements

Long-term debt, related party, current portion (in default) and accrued interest payable, related party

	December 31,	
	2021	2020
	(in thousands)	
LEH		
June LEH Note (in default)	\$ 12,672	\$ 9,446
BDPL-LEH Loan Agreement	7,454	6,814
LEH Total	20,126	16,260
Ingleside		

March Ingleside Note (in default)	1,066	1,013
Jonathan Carroll		
March Carroll Note (in default)	2,304	1,551
	23,496	18,824
Less: Long-term debt, related party, current portion, in default	(20,042)	(16,010)
Less: Accrued interest payable, related party (in default)	(3,454)	(2,814)
	\$ -	\$ -

Consolidated Statements of Operations.

Total revenue from operations.

	Twelve Months Ended December 31,			
	2021		2020	
	(in thousands, except percent amounts)			
Refinery operations				
LEH	\$ 90,062	29.9%	\$ 49,786	28.5%
Third-Parties	207,041	68.8%	120,815	69.1%
Tolling and terminaling				
Third-Parties	3,717	1.2%	4,209	2.4%
	\$ 300,820	100.0%	\$ 174,810	100.0%

Interest expense.

	Twelve Months Ended December 31,			
	2021		2020	
	(in thousands)			
Jonathan Carroll				
Guaranty Fee Agreements				
LE Term Loan Due 2034	\$ 451		\$ 431	
LRM Term Loan Due 2034	178		178	
March Carroll Note (in default)	131		103	
LEH				
BDPL-LEH Loan Agreement (in default)	640		640	
June LEH Note (in default)	288		40	
Ingleside				
March Ingleside Note (in default)	56		63	
	\$ 1,744		\$ 1,455	

Other. BDSC received sublease income from LEH totaling \$0.03 million for both twelve-month periods ended December 31, 2021, and 2020. The LEH operating fee totaled approximately \$0.5 million and \$0.6 million for the twelve months ended December 31, 2021, and 2020, respectively. With respect to the decrease between the periods, although throughput volume was slightly higher, operating costs per bbl were lower due to reduced refinery maintenance and repair expenses.

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Notes to Consolidated Financial Statements

(4) Revenue and Segment Information

We have two reportable business segments: (i) refinery operations, focused on refining and marketing petroleum products at the Nixon facility, and (ii) tolling and terminaling, focused on tolling and storing petroleum products for third parties at the Nixon facility. Corporate and other includes BDSC, BDPL, and BDPC.

Revenue from Contracts with Customers

Disaggregation of Revenue. We present revenue in the table below under 'Segment Information' separated by business segment because management believes this presentation is beneficial to users of our financial information.

Receivables from Contracts with Customers. We present accounts receivable from contracts with customers as accounts receivable, net on our consolidated balance sheets.

Contract Liabilities. Our contract liabilities consist of unearned revenue from customers in the form of prepayments. We include unearned revenue in accrued expenses and other current liabilities on our consolidated balance sheets. See "Note (9)" to our consolidated financial statements for more information related to unearned revenue.

Remaining Performance Obligations. Most of our customer contracts are settled immediately and therefore have no remaining performance obligations.

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Notes to Consolidated Financial Statements

Segment Information. Business segment information for the periods indicated (and as of the dates indicated) was as follows:

Twelve Months Ended December 31,	
2021	2020
(in thousands)	

Net revenue (excluding intercompany fees and sales)		
Refinery operations	\$ 297,103	\$ 170,601
Tolling and terminaling	3,717	4,209
Total net revenue	300,820	174,810
Intercompany fees and sales		
Refinery operations	(2,457)	(2,384)
Tolling and terminaling	2,457	2,384
Total intercompany fees	-	-
Operation costs and expenses ⁽¹⁾		
Refinery operations	(298,082)	(175,201)
Tolling and terminaling	(1,825)	(1,661)
Corporate and other	(197)	(169)
Total operation costs and expenses	(300,104)	(177,031)
Segment contribution margin (deficit)		
Refinery operations	(3,436)	(6,984)
Tolling and terminaling	4,349	4,932
Corporate and other	(197)	(169)
Total segment contribution margin (deficit)	716	(2,221)
General and administrative expenses ⁽²⁾		
Refinery operations	(1,549)	(1,257)
Tolling and terminaling	(343)	(307)
Corporate and other	(2,742)	(1,381)
Total general and administrative expenses	(4,634)	(2,945)
Depreciation and amortization		
Refinery operations	(1,214)	(1,186)
Tolling and terminaling	(1,362)	(1,296)
Corporate and other	(204)	(204)
Total depreciation and amortization	(2,780)	(2,686)
Interest and other non-operating expenses, net		
Refinery operations	(2,779)	(2,929)
Tolling and terminaling	(1,649)	(2,546)
Corporate and other	(1,715)	(1,116)
Total interest and other non-operating expenses, net	(6,143)	(6,591)
Income (loss) before income taxes		
Refinery operations	(8,978)	(12,356)
Tolling and terminaling	995	783
Corporate and other	(4,858)	(2,870)
Total loss before income taxes	(12,841)	(14,443)
Income tax expense	-	15)
Net loss	\$ (12,841)	\$ (14,458)

- (1) Operation costs include cost of goods sold. Also, operation costs within: (a) tolling and terminaling includes terminal operating expenses and an allocation of other costs (e.g., insurance and maintenance) and (b) corporate and other includes expenses related to BDSC, BDPC and BDPL.
- (2) General and administrative expenses within refinery operations include the LEH operating fee.

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Notes to Consolidated Financial Statements

	Twelve Months Ended	
	December 31,	
	2021	2020
	(in thousands)	
Capital expenditures		
Refinery operations	\$ -	\$ 295
Tolling and terminaling	-	790
Corporate and other	-	-
Total capital expenditures	\$ -	\$ 1,085
Identifiable assets		
Refinery operations	\$ 47,047	\$ 48,521
Tolling and terminaling	17,594	18,722
Corporate and other	1,668	2,057
Total identifiable assets	\$ 66,309	\$ 69,300

(5) Concentration of Risk

Bank Accounts

Financial instruments that potentially subject us to concentrations of risk consist primarily of cash, trade receivables and payables. We maintain cash balances at financial institutions in Houston, Texas. The FDIC insures certain financial products up to a maximum of \$250,000 per depositor. At December 31, 2021 and 2020, we had cash balances (including restricted cash) that exceeded the FDIC insurance limit per depositor of approximately \$0 and \$0.6 million, respectively.

Key Supplier

Operation of the Nixon refinery depends on our ability to purchase adequate amounts of crude oil and condensate. We have a long-term crude supply agreement in place with Tartan. The volume-based Crude Supply Agreement expires when we receive 24.8 million net bbls of crude oil. After that, the Crude Supply Agreement automatically renews for successive one-year terms (each such term, a renewal term). Either party may provide the other with notice of non-renewal at least 60 days before the expiration of any renewal term. As of December 31, 2021, we received 9.0 million bbls, or 36%, of the contracted total volume under the crude supply agreement.

Pilot and Tartan store jet fuel and crude oil, respectively, at the Nixon facility under two terminal services agreements: (i) a Terminal Services Agreement dated as of May 2019 (covering Tank Nos. 67, 71, 72, 73, 77, and 78) for jet fuel and (ii) a Terminal Services Agreement dated as of June 1, 2019 (covering Tank Nos. 1 and 56) for crude oil. Under both terminal services agreements, Pilot and Tartan store product at the Nixon facility at a specified rate per bbl of the storage tank's shell capacity. The terminal services agreements renew on a one-year evergreen basis. Either party may terminate the terminal services agreements by providing the other party 60 days prior written notice. The terminal services agreements will automatically terminate upon expiration or termination of the Crude Supply Agreement.

Our financial health has been materially and adversely affected by defaults in our secured loan agreements, substantial current debt, margin volatility, historical net losses and working capital deficits. If Pilot or Tartan terminate the Crude Supply Agreement or terminal services agreements, our ability to acquire crude oil and condensate could be adversely affected. If producers experience crude supply constraints and increased transportation costs, our crude acquisition costs may rise, or we may not receive sufficient amounts to meet our needs. During the twelve-month periods ended December 31, 2021 and 2020, the refinery experienced 23 days and 42 days of downtime, respectively. During the same time periods, 13 days and 20 days, respectively, related to lack of crude associated with cash constraints.

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Notes to Consolidated Financial Statements

Significant Customers

We routinely assess the financial strength of our customers. To date, we have not experienced significant write-downs in accounts receivable balances. We believe that our accounts receivable credit risk exposure is limited.

Twelve Months Ended	Number Significant Customers	% Total Revenue from Operations	Portion of Accounts Receivable at December 31,
December 31, 2021	3	71.9%	\$ 0
December 31, 2020	3	70.8%	\$ 0

One of our significant customers is LEH, an Affiliate. Due to a HUBZone certification, the Affiliate purchases our jet fuel under a Jet Fuel Sales Agreement and bids on jet fuel contracts under preferential pricing terms. The Affiliate accounted for 29.9% and 28.7% of total revenue from operations for the twelve months ended December 31, 2021, and 2020, respectively. The Affiliate represented \$0 in accounts receivable at both December 31, 2021, and 2020, respectively.

Concentration of Customers. Our customer base is concentrated on refined petroleum product wholesalers. This customer concentration may impact our overall exposure to credit risk, either positively or negatively, as our customers are likely similarly affected by economic changes. This includes the uncertainties related to the COVID-19 pandemic and the associated volatility in the global oil markets. Historically, we have had no significant problems collecting our accounts receivable.

Refined Product Sales. We sell our products primarily in the U.S. within PADD 3. Occasionally we sell refined products to customers that export to Mexico. Total refined product sales by distillation (from light to heavy) for the periods indicated consisted of the following:

	Twelve Months Ended December 31,			
	2021		2020	
	(in thousands, except percent amounts)			
LPG mix	\$ 21	0.0%	\$ 2	0.0%
Naphtha	74,683	25.2%	34,413	20.2%
Jet fuel	90,062	30.3%	49,786	29.2%
HOBM	65,386	22.0%	42,777	25.1%
AGO	66,951	22.5%	43,623	25.5%
	\$ 297,103	100.0%	\$ 170,601	100.0%

An Affiliate, LEH, purchases all of our jet fuel. See "Notes (3) and (16)" to our consolidated financial statements for additional disclosures related to Affiliate transactions.

(6) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of the dates indicated consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
Prepaid crude oil and condensate	\$ 1,368	\$ 2,249
Prepaid insurance	953	1,182
Prepaid easement renewal fees	76	99
Other prepaids	36	34
	\$ 2,433	\$ 3,564

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(7) Inventory

Inventory as of the dates indicated consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
HOBM	\$ 1,749	\$ 54
Crude oil and condensate	660	463
AGO	338	133
Naphtha	189	120
Chemicals	121	271
Propane	27	15
LPG mix	14	6
	\$ 3,098	\$ 1,062

(8) Property, Plant and Equipment, Net

Property, plant and equipment, net, as of the dates indicated consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
Refinery and facilities	\$ 72,583	\$ 72,184
Land	566	566
Other property and equipment	903	903
	74,052	73,653
Less: Accumulated depletion, depreciation, and amortization	(17,795)	(15,220)
	56,257	58,433
CIP	3,666	4,064
	\$ 59,923	\$ 62,497

Capital expenditures for expansion at the Nixon facility were funded by long-term debt from Veritex, revenue from operations, and working capital from Affiliates. Unused amounts for capital expenditures derived from Veritex loans totaled \$0 and \$0.5 million at December 31, 2021 and 2020, respectively, and were reflected in restricted cash, non-current on our consolidated balance sheets. See "Note (10)" to our consolidated financial statements for additional disclosures related to working capital deficits and borrowings for capital spending.

We recorded an impairment of \$1.1 million related to asset retirement costs that were capitalized for our pipeline/platform assets at December 31, 2021. See "Note (12)" to our consolidated financial statements for additional disclosures related to assets retirement costs.

(9) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of the dates indicated consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
Unearned revenue from contracts with customers	\$ 4,388	\$ 3,421
Accrued fines and penalties	407	-
Unearned contract renewal income	400	500
Insurance	273	541
Board of director fees payable	230	100
Other payable	218	252
Customer deposits	173	10
Taxes payable	136	58
	\$ 6,225	\$ 4,882

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Loan Description	Parties	Original Principal Amount (in millions)	Maturity Date	Monthly Principal and Interest Payment	Interest Rate	Loan Purpose
Veritex Loans						
LE Term Loan Due 2034 (in default) (1)(2)	LE Veritex	\$ 25.0	Jun 2034	\$0.2 million	WSJ Prime + 2.75%	Refinance loan; capital improvements
LRM Term Loan Due 2034 (in default) ⁽¹⁾	LRM Veritex	\$ 10.0	Dec 2034	\$0.1 million	WSJ Prime + 2.75%	Refinance bridge loan; capital improvements
Kissick Debt (in default) ⁽³⁾⁽⁴⁾	LE	\$ 11.7	Jan 2018		16.00%	Working capital; reduced LE's obligation to

	Kissick					GEL
GNCU Loan (in default)						
NPS Term Loan Due 2031 ⁽⁵⁾	NPS GNCU	\$ 10.0	Oct 2031	\$0.1 million	5.75%	Working capital
SBA EIDLs						
BDEC Term Loan Due 2051 (as modified) ⁽⁶⁾	Blue Dolphin SBA	\$ 2.0	Jun 2051	\$0.01 million	3.75%	Working capital
LE Term Loan Due 2050 ⁽⁷⁾	LE SBA	\$ 0.15	Aug 2050	\$0.0007 million	3.75%	Working capital
NPS Term Loan Due 2050 ⁽⁷⁾	NPS SBA	\$ 0.15	Aug 2050	\$0.0007 million	3.75%	Working capital
Equipment Loan Due 2025 ⁽⁸⁾						
	LE Texas First	\$ 0.07	Oct 2025	\$0.0013 million	4.50%	Equipment Lease Conversion

- (1) At December 31, 2021 and 2020, restricted cash, noncurrent was \$0 and \$0.5 million, respectively; restricted cash noncurrent represents amounts held by Veritex in a disbursement account for the payment of construction-related expenses.
- (2) At both December 31, 2021 and 2020, restricted cash (current portion) was \$0.05 million; restricted cash (current portion) represents amounts paid by LE into a \$1.0 million payment reserve account held by Veritex.
- (3) Original principal amount was \$8.0 million; the debt is currently held by John Kissick. Pursuant to a 2017 sixth amendment, the Kissick Debt was amended to increase the principal amount by \$3.7 million.
- (4) Under a 2015 subordination agreement, John Kissick agreed to subordinate his right to payments, as well as any security interest and liens on the Nixon facility's business assets, in favor of Veritex as holder of the LE Term Loan Due 2034.
- (5) The loan requires monthly interest-only payments for the first thirty-six (36) months. Afterwards, principal and interest payments due monthly through loan maturity. The first payment is due in November 2024.
- (6) Original principal amount was \$0.5 million; the BDEC Term Loan Due 2051 was modified to increase the principal amount by \$1.5 million. Payments were initially deferred for twenty-four (24); the deferral period was later extended to thirty (30) months; under the modification, the first payment is due in December 2023; interest accrues during the deferral period. The BDEC Term Loan Due 2051 is not forgivable. See "Note (17)" to our consolidated financial statements for more information regarding the loan modification.
- (7) For disaster loans made in 2020, the SBA initially deferred payments for the first twelve (12) months. The SBA later extended the payment deferral period from twelve (12) months to twenty-four (24) months and again to thirty (30) months; under the extension, the first payment is due in March 2023; interest accrues during the deferral period. The LE Term Loan Due 2050 and NPS Term Loan Due 2050 are not forgivable.
- (8) In May 2019, LE entered into a 12-month equipment rental agreement with the option to purchase the backhoe at maturity. The equipment rental agreement matured in May 2020. In October 2020, LE entered into the Equipment Loan Due 2025 to finance the backhoe purchase. We use the backhoe at the Nixon facility.

Outstanding Principal, Debt Issue Costs, and Accrued Interest

Third-party long-term debt (outstanding principal and accrued interest), as of the dates indicated was as follows:

	December 31,	
	2021	2020
	(in thousands)	
Veritex Loans		
LE Term Loan Due 2034 (in default)	\$ 23,789	\$ 22,840
LRM Term Loan Due 2034 (in default)	9,861	9,473
Kissick Debt (in default)	10,210	9,413
GNCU Loan		
NPS Term Loan Due 2031 (in default)	10,094	-
SBA EIDLs		
BDEC Term Loan Due 2051	512	-
LE Term Loan Due 2050	156	152
NPS Term Loan Due 2050	156	152
Equipment Loan Due 2025	53	71
	54,831	42,101
Less: Current portion of long-term debt, net	(42,953)	(33,692)
Less: Unamortized debt issue costs	(2,351)	(1,749)
Less: Accrued interest payable (in default)	(8,689)	(6,305)
	\$ 838	\$ 355

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Unamortized debt issue costs associated with the Veritex and GNCU loans as of the dates indicated consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
Veritex Loans		
LE Term Loan Due 2034 (in default)	\$ 1,674	\$ 1,674
LRM Term Loan Due 2034 (in default)	768	768
GNCU Loan		
NPS Term Loan Due 2031 (in default)	730	-
Less: Accumulated amortization	(821)	(693)
	\$ 2,351	\$ 1,749

Amortization expense was \$0.1 million for both twelve-month periods ended December 31, 2021 and 2020.

Accrued interest related to third-party long-term debt, reflected as accrued interest payable in our consolidated balance sheets, as of the dates indicated consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
Notre Dame Debt (in default)	\$ 5,232	\$ 4,435
Veritex Loans		
LE Term Loan Due 2034 (in default)	2,338	1,295
LRM Term Loan Due 2034 (in default)	959	571
GNCU Loan		
NPS Term Loan Due 2031 (in default)	136	-
SBA EIDLs		
BDEC Term Loan Due 2051	12	-
LE Term Loan Due 2050	6	2
NPS Term Loan Due 2050	6	2
	8,689	6,305
Less: Accrued interest payable (in default)	(8,689)	(6,305)
Long-term Interest Payable, Net of Current Portion	\$ -	\$ -

Payment Deferments

Veritex Loans. In 2020, LE and LRM were each granted a two-month payment deferment on their respective Veritex loans. The moratorium was from April 2020 to June 2020. LE and LRM were not required to make payments during the deferment period. However, interest continued to accrue at the stated rates of the loans. In July 2020, Veritex re-amortized the loans to recast principal and interest payments. Veritex also reinstated previous defaults. See 'Defaults' within this "Note (10) for additional disclosures related to defaults.

GNCU Loan. Payments under the NPS Term Loan Due 2031 are deferred for the first thirty-six (36) months. Interest accrues during the deferral period. Principal and interest payments begin in October 2024.

SBA EIDLs. SBA EIDLs include a payment deferral period. Interest accrues during the deferral period. The deferral period for the BDEC Term Loan Due 2051 (as modified) is the first thirty (30) months; principal and interest payments begin in December 2023. See "Note (17)" to our consolidated financial statements for more information regarding the loan modification. The deferral period for the LE Term Loan Due 2050 and the NPS Term Loan Due 2050 is the first thirty (30) months; principal and interest payments begin in March 2023.

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Notes to Consolidated Financial Statements

Guarantees and Security

Loan Description	Guarantees	Security
Veritex Loans		
LE Term Loan Due 2034 (<i>in default</i>)	<ul style="list-style-type: none"> · 100% USDA-guarantee · Jonathan Carroll⁽¹⁾ · Affiliate cross-guarantees 	<ul style="list-style-type: none"> · First priority lien on Nixon facility's business assets (excluding accounts receivable and inventory) · Assignment of all Nixon facility contracts, permits, and licenses · Absolute assignment of Nixon facility rents and leases, including tank rental income · \$5.0 million life insurance policy on Jonathan Carroll
LRM Term Loan Due 2034 (<i>in default</i>)	<ul style="list-style-type: none"> · 100% USDA-guarantee · Jonathan Carroll⁽¹⁾ · Affiliate cross-guarantees 	<ul style="list-style-type: none"> · Second priority lien on rights of LE in crude distillation tower and other collateral of LE · First priority lien on real property interests of LRM · First priority lien on all LRM fixtures, furniture, machinery, and equipment · First priority lien on all LRM contractual rights, general intangibles, and instruments, except with respect to LRM rights in its leases of certain specified tanks for which Veritex has second priority lien · All other collateral as described in the security documents
Kissick Debt (<i>in default</i>) ⁽²⁾	---	<ul style="list-style-type: none"> · Subordinated deed of trust that encumbers the crude distillation tower and general assets of LE
GNCU Loan		
NPS Term Loan Due 2031 (<i>in default</i>)	<ul style="list-style-type: none"> · 90% USDA-guarantee · Jonathan Carroll⁽¹⁾ · Affiliate cross-guarantees 	<ul style="list-style-type: none"> · Deed of trust lien on approximately 56 acres of land and improvements owned by LE · Leasehold deed of trust lien on certain property leased by NPS from LE · Assignment of leases and rents and certain personal property
SBA EIDLs		
LE Term Loan Due 2050	---	<ul style="list-style-type: none"> · Business assets (e.g., machinery and equipment, furniture, fixtures, etc.) as more fully described in the security agreement
NPS Term Loan Due 2050	---	<ul style="list-style-type: none"> · Business assets (e.g., machinery and equipment, furniture, fixtures, etc.) as more fully described in the security agreement
Equipment Loan Due 2025	---	<ul style="list-style-type: none"> · First priority security interest in the equipment (backhoe).

(1) Jonathan Carroll was required to personally guarantee repayment of borrowed funds and accrued interest.

(2) Pursuant to a 2015 subordination agreement, the holder of the Kissick Debt agreed to subordinate their right to payments, as well as any security interest and liens on the Nixon facility's business assets, in favor of Veritex as holder of the LE Term Loan Due 2034.

The USDA, acting through its agencies, administers a federal rural credit program that makes direct loans and guarantees portions of loans made and serviced by USDA-qualified lenders for various purposes. Each USDA guarantee is a full faith and credit obligation of the U.S. with the USDA guaranteeing up to 100% of the principal amount. Lenders of USDA-guaranteed loans are required by regulations to retain both the guaranteed and unguaranteed portions of the loan, to service the entire underlying loan, and to remain mortgage and/or secured party of record. Both the guaranteed and unguaranteed portions of the loan are to be secured by the same collateral with equal lien priority. The USDA-guaranteed portion of a loan cannot be paid later than, or in any way be subordinated to, the related unguaranteed portion. See "Notes (3) and (16)" to our consolidated financial statements for additional disclosures related to Affiliate agreements and transactions, including long-term debt guarantees.

Covenants

The Veritex loans, GNCU loan, and SBA EIDLs contain representations and warranties, affirmative and negative covenants, and events of default that we consider usual and customary for credit facilities of this type. There are no covenants associated with the Kissick Debt and the Equipment Loan Due 2025.

Defaults

Loan Description	Event(s) of Default	Covenant Violations
Veritex Loans		
LE Term Loan Due 2034 <i>(in default)</i>	Failing to make principal and interest payments; failing to replenish \$1.0 million payment reserve account; events of default under other secured loan agreements with Veritex	Financial covenants: debt service coverage ratio, current ratio, and debt to net worth ratio
LRM Term Loan Due 2034 <i>(in default)</i>	Failing to make principal and interest payments; events of default under other secured loan agreements with Veritex	Financial covenants: debt service coverage ratio, current ratio, and debt to net worth ratio
GNCU Loan		
NPS Term Loan Due 2031 <i>(in default)</i>	---	Financial covenants: debt service coverage ratio, current ratio, and debt to net worth ratio
Kissick Debt <i>(in default)</i>	Failure to pay past due obligations at maturity (loan matured January 2019)	---

As reflected in the table above and elsewhere in this report, we are in default under the LE Term Loan Due 2034, LRM Term Loan Due 2034, NPS Term Loan Due 2031, and the Kissick Debt. Defaults under the LE Term Loan Due 2034 and LRM Term Loan Due 2034 permit Veritex to declare the amounts owed under these loan agreements immediately due and payable, exercise its rights with respect to collateral securing obligors' obligations under these loan agreements, and/or exercise any other rights and remedies available. The debt associated with the LE Term Loan Due 2034, LRM Term Loan Due 2034, and the Kissick Debt was classified within the current portion of long-term debt on our consolidated balance sheets at December 31, 2021 and 2020.

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Any exercise by third parties of their rights and remedies under our secured loan agreements will have a material adverse effect on our business operations, including crude oil and condensate procurement and our customer relationships; financial condition; and results of operations. In such a case, the trading price of our Common Stock and the value of an investment in our Common Stock could significantly decrease, which could lead to holders of our Common Stock losing their investment in our Common Stock in its entirety.

We can provide no assurance that: (i) our assets or cash flow will be sufficient to fully repay borrowings under our secured loan agreements, either upon maturity or if accelerated, (ii) LE, LRM, and NPS will be able to refinance or restructure the debt, and/or (iii) third parties will provide future default waivers. Defaults under our secured loan agreements and any exercise by third parties of their rights and remedies related to such defaults may have a material adverse effect on the trading prices of our Common Stock and on the value of an investment in our Common Stock, and holders of our Common Stock could lose their investment in our Common Stock in its entirety. See "Notes (1) and (11)" to our consolidated financial statements for additional information regarding defaults under our secured loan agreements and their potential effects on our business, financial condition, and results of operations.

Future annual third-party long-term debt payments, which are reflected as current due to defaults under our secured loan agreements:

Years Ending December 31,	Principal	Debt Issue Costs	Total
		(in thousands)	
2022	\$ 45,304	\$ (2,351)	\$ 42,953
2023	16	-	16
2024	16	-	16
2025	12	-	12
2026	18	-	18
Subsequent to 2026	776	-	776
	\$ 46,142	\$ (2,351)	\$ 43,791

(11) Line of Credit Payable

Line of Credit Agreement Summary

Line of Credit Description	Original Principal Amount (in millions)	Maturity Date	Monthly Principal and Interest Payment	Interest Rate: Original / Default	Loan Purpose
Amended Pilot Line of Credit <i>(in default)</i>	\$13.0	May 2020	----	12.00% / 14.00%	Pay off LE's obligation to GEL; NPS purchase of crude oil from Pilot, and working capital

On October 4, 2021, NPS repaid all obligations owed to Pilot under the Amended Pilot Line of Credit. However, in a letter from NPS to Pilot dated October 28, 2021, NPS disputed approximately \$0.3 million in payments NPS believes Pilot misapplied as part of the Amended Pilot Line of Credit setoff. As of the filing date of this report, the amount remained in dispute between the parties.

NPS was in default as of December 31, 2020, for failure of the borrower or any guarantor to pay past due obligations at maturity.

Outstanding Principal, Debt Issue Costs, and Accrued Interest

Line of credit payable, which represents outstanding principal and accrued interest, as of the dates indicated was as follows:

	December 31,	
	2021	2020
	(in thousands)	
Amended Pilot Line of Credit (in default)	\$ -	\$ 8,145
Less: Unamortized debt issue costs	-	-
Less: Interest payable, short-term	-	(103)
	\$ -	\$ 8,042

Notes to Consolidated Financial Statements

Guarantees and Security

Loan Description	Guarantees	Security
Amended Pilot Line of Credit (<i>in default</i>)	<ul style="list-style-type: none"> · Blue Dolphin pledged its equity interests in NPS to Pilot to secure NPS' obligations; · Blue Dolphin, LE, LRM, and LEH have each guaranteed NPS' obligations. 	<ul style="list-style-type: none"> · NPS receivables; · NPS assets, including a tank lease (the "Tank Lease"); · LRM receivables.

In an Agreement Regarding Attornment of Tank Leases dated April 30, 2019 between Veritex, LE, NPS, and Pilot, Veritex in its capacity as a secured lender of LE and LRM, agreed to permit the continued performance of obligations under a certain tank lease agreement if it were to foreclose on LE property that NPS was leasing from LE so long as certain conditions were met. The effectiveness of the Agreement Regarding Attornment of Tank Leases was subject to certain conditions, including the agreement and concurrence of the USDA that the Agreement Regarding Attornment of Tank Leases did not impair or void the LE Term Loan Due 2034 and LRM Term Loan Due 2034 or any associated guarantees. Veritex used commercially reasonable efforts to obtain such USDA concurrence, however, the USDA did not provide its concurrence during the term of the agreement.

Covenants

The Amended Pilot Line of Credit contained customary affirmative and negative covenants and events of default.

Defaults

Loan Description	Event(s) of Default	Covenant Violations
Amended Pilot Line of Credit (<i>in default</i>)	Failure to pay past due obligations at maturity (loan matured May 2020)	---

As reflected in the table above and elsewhere in this report, we were in default under the Amended Pilot Line of Credit prior to pay off in October 2021. Upon maturity of the Amended Pilot Line of Credit in May 2020, Pilot sent NPS, as borrower, and LRM, LEH, LE and Blue Dolphin, each a guarantor and collectively guarantors, a notice demanding the immediate payment of the unpaid principal amount and all interest accrued and unpaid, and all other amounts owing or payable (the "Obligations"). Pursuant to the Amended Pilot Line of Credit, commencing on May 4, 2020, the Obligations began accruing interest at a default rate of fourteen percent (14%) per annum. Failure of the borrower or any guarantor of paying the past due Obligations constituted an event of default. Pilot expressly retained and reserved all its rights and remedies available to it at any time, including without limitation, the right to exercise all rights and remedies available to Pilot under the Amended Pilot Line of Credit or applicable law or equity.

Pursuant to a June 1, 2020 notice, Pilot applied payment obligations to NPS under each of (a) the Terminal Services Agreement (covering Tank Nos. 67, 71, 72, 73, 77, and 78), dated as of May 2019, between NPS and Pilot for the storage of jet fuel, and (b) the Terminal Services Agreement (covering Tank Nos. 1 and 56), dated as of June 1, 2019, between NPS and Tartan for the storage of crude oil, against NPS' payment obligations to Pilot under the Amended Pilot Line of Credit. Such tank lease setoff amounts only partially satisfied NPS' obligations under the Amended Pilot Line of Credit, and Pilot expressly retained and reserved all its rights and remedies available to it at any time, including, without limitation, the right to exercise all rights and remedies available to Pilot under the Amended Pilot Line of Credit or applicable law or equity. For the twelve-month periods ended December 31, 2021 and 2020, the tank lease payment setoff totaled \$1.9 million and \$1.3 million, respectively. The amount of interest NPS incurred under the Amended Pilot Line of Credit totaled \$0.7 million and \$1.4 million, respectively, for the twelve months ended December 31, 2021 and 2020.

On November 23, 2020, NPS and guarantors received notice from Pilot that the entry into the SBA EIDLs was a breach of the Amended Pilot Line of Credit and Pilot demanded full repayment of the Obligations, including through use of the proceeds of the SBA EIDLs. Pilot also notified the SBA that the liens securing the SBA EIDLs were junior to those securing the Obligations. While the SBA acknowledged this point and indicated a willingness to subordinate the SBA EIDLs, no further action was taken by Pilot.

(12) AROs

Refinery and Facilities

Management has concluded that there is no legal or contractual obligation to dismantle or remove refinery and facilities assets. Management believes that refinery and facilities assets have indeterminate lives under FASB ASC guidance for estimating AROs because dates or ranges of dates upon which we would retire these assets cannot reasonably be estimated at this time. When a legal or contractual obligation to dismantle or remove refinery and facilities assets arises and a date or range of dates can reasonably be estimated for the retirement of these assets, we will estimate the cost of performing the retirement activities and record a liability for the fair value of that cost using present value techniques.

Notes to Consolidated Financial Statements

Pipelines and Facilities and Oil and Gas Properties

We have AROs associated with the decommissioning of our pipelines and facilities assets, as well as the plugging and abandonment of our oil and gas properties. We recorded a discounted liability for the fair value of an ARO with a corresponding increase to the carrying value of the related long-lived asset at the time the asset was installed or placed in service, and we depreciated the amount added to property and equipment and recognized accretion expense relating to the discounted liability over the remaining life of the asset. During the twelve months ended December 31, 2021, we determined that the estimated future cost and timing of decommissioning our pipelines and facilities assets has changed. As a result, we recorded an increase in liability at December 31, 2021.

ARO liability as of the dates indicated was as follows:

	December 31,	
	2021	2020
	(in thousands)	
AROs, at the beginning of the period	\$ 2,370	\$ 2,565
Changes in estimates of existing obligations	1,091	-
Liabilities settled	-	(195)
	3,461	2,370
Less: AROs, current portion	-	(2,370)
Long-term AROs, at the end of the period	\$ 3,461	\$ -

Liabilities settled reflects preparatory costs in the period associated with decommissioning our offshore pipelines and platform assets.

(13) Lease Obligations

Lease Obligations

Office Lease. BDSC has an office lease related to our headquarters office in Houston, Texas. The 68-month operating lease expires in August 2023. Under the lease, BDSC has an option to extend the lease term for an additional five (5) year period. To exercise the option, BDSC must provide lessor notice at least twelve (12) months before the end of the current term.

In March 2021, BDSC defaulted on the office lease due to non-payment of rent. In May 2021, BDSC and TR 801 Travis LLC (“Building Lessor”) reached an agreement to cure BDSC’s office lease default. Under the terms of a fourth amendment to the office lease, Building Lessor agreed to defer BDSC’s past due obligations, including rent installments and other charges totaling approximately \$0.1 million (the “Past Due Obligations”), in equal monthly installments beginning in June 2021, and continuing through lease expiration. The Past Due Obligations are subject to an annual percentage rate of 4.50%. BDSC’s monthly base rent including the prorated portion of the Past Due Obligations is \$0.02 million.

Building Lessor notified BDSC in an October 11, 2021 letter of a new default under the office lease due to non-payment of rent. As of the filing date of this report, BDSC was in default related to required monthly base rent including Past Due Obligations from April 2021 to March 2022. Default under the office lease permits Building Lessor to declare the amounts owed under the office lease immediately due and payable, exercise its rights concerning collateral securing obligors’ obligations under the office lease, including property placed in or upon the leased premises, and exercise any other rights and remedies available. Although BDSC intends to cure the lease default, we can provide no assurance that our efforts will be successful.

An Affiliate, LEH, subleases a portion of the Houston office space. BDSC received sublease income from LEH totaling \$0.03 million for both twelve-month periods ended December 31, 2021, and 2020. See “Note (3)” to our consolidated financial statements for additional disclosures related to the Affiliate sub-lease.

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Notes to Consolidated Financial Statements

The following table presents the lease-related assets and liabilities recorded on the consolidated balance sheet:

	Balance Sheet Location	December 31,	
		2021	2020
(in thousands)			
Assets			
Operating lease ROU assets	Operating lease ROU assets	\$ 787	\$ 787
Less: Accumulated amortization on operating lease assets	Operating lease ROU assets	(455)	(289)
Total lease assets		332	498
Liabilities			
Current			
Operating lease	Current portion of lease liabilities	215	194
Noncurrent			
Operating lease	Long-term lease liabilities, net of current	156	370
Total lease liabilities		\$ 371	\$ 564

Weighted average remaining lease term in years	
Operating lease	1.67
Weighted average discount rate	
Operating lease	8.25%
Finance leases	8.25%

The following table presents information related to lease costs for operating and finance leases:

	Twelve Months Ended	
	December 31,	
	2021	2020
(in thousands)		
Operating lease costs	\$ 206	\$ 206
Finance lease costs:		
Depreciation of leased assets	-	13
Interest on lease liabilities	-	3
Total lease cost	\$ 206	\$ 222

The table below presents supplemental cash flow information related to leases as follows:

	December 31,	
	2021	2020
(in thousands)		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating lease	\$ 233	\$ 230
Operating cash flows for finance leases	-	4
Financing cash flows for finance leases	-	17

As of December 31, 2021, maturities of lease liabilities for the periods indicated were as follows:

December 31,	Operating Lease	Total
--------------	-----------------	-------

2022	\$	214	\$	214
2023		157		157
	\$	371	\$	371

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Future minimum annual lease commitments that are non-cancelable:

December 31,		Operating Lease
		(in thousands)
2022	\$	237
2023		161
	\$	398

(14) Income Taxes**Tax Provision**

The provision for income tax benefit (expense) for the periods indicated was as follows:

	Twelve Months Ended	
	December 31,	
	2021	2020
	(in thousands)	
Current		
Federal	\$ -	\$ (15)
State	-	-
Deferred		
Federal	2,335	3,033
State	-	-
Change in valuation allowance	(2,335)	(3,033)
Total provision for income taxes	\$ -	\$ (15)

GAAP treats TMT like an income tax for financial reporting purposes.

Effective Tax Rate

Our effective tax rate was as follows:

	December 31,	
	2021	2020
Expected tax rate	21.00%	21.00%
Permanent differences	0.00%	0.00%
State tax	0.00%	0.00%
Federal tax	0.00%	0.00%
Change in valuation allowance	(21.00)%	(21.00)%
	0.00%	0.00%

Our effective tax rate differed from the U.S. federal statutory rate primarily due to AMT credits made refundable by the Tax Cuts and Jobs Act. At the date of enactment of the Tax Cuts and Jobs Act, we re-measured our deferred tax assets and liabilities using a rate of 21%, which is the rate expected to be in place when such deferred assets and liabilities are expected to reverse in the future. The re-measurement was offset by a change in our valuation allowance, resulting in there being no impact on our net deferred tax assets.

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Deferred income taxes as of the dates indicated consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
Deferred tax assets:		
NOL and capital loss carryforwards	\$ 16,818	\$ 15,258
Business interest expense	4,680	3,343
Start-up costs (crude oil and condensate processing facility)	424	509
ARO liability/deferred revenue	727	498
AMT credit	-	-
Other	12	3
Total deferred tax assets	22,661	19,611

Deferred tax liabilities:		
Basis differences in property and equipment	(7,945)	(7,230)
Total deferred tax liabilities	(7,945)	(7,230)
	14,716	12,381
Valuation allowance	(14,716)	(12,381)
Deferred tax assets, net	\$ -	\$ -

Deferred Income Taxes

Balances for deferred income tax represent the effects of temporary differences between carrying amounts and the actual income tax basis of our assets and liabilities; the balances also reflect NOL carryforwards. We record the balances based on tax rates we expect to be in effect when paid. NOL carryforwards and deferred tax assets represent amounts available to reduce future taxable income.

NOL Carryforwards. Under IRC Section 382, a corporation that undergoes an “ownership change” is subject to limitations on its use of pre-change NOL carryforwards to offset future taxable income. Within the meaning of IRC Section 382, an “ownership change” occurs when the aggregate stock ownership of stockholders who own more than 5% (after applying certain look-through rules) increase by more than fifty percent (50% over such stockholders’ lowest percentage ownership during the testing period (generally three years). Based on the tax rule, ownership changes occurred in 2005 and 2012. The 2005 ownership change related to a series of private placements; the 2012 ownership change related to a reverse acquisition. These ownership changes limit the use of pre-change NOL carryforwards to offset future taxable income. The annual use limitation generally equals the value of the common stock, on an aggregate basis, when the ownership change occurred multiplied by a specified tax-exempt interest rate. The 2012 ownership change will subject approximately \$16.3 million in NOL carryforwards generated before the ownership change to an annual use limitation of roughly \$0.6 million per year. We may use any unused portions of the limitation in subsequent years. Because of the yearly restriction, approximately \$6.7 million in NOL carryforwards generated before the 2012 ownership change will expire unused. NOL carryforwards generated after the 2012 ownership change but before 2018 are not subject to an annual use limitation; we can use these NOL carryforwards for 20 years in addition to NOL carryforward amounts generated before the ownership change.

NOL Carryforwards. NOL carryforwards that remained available for future use for the periods indicated were as follow (amounts shown are net of NOLs that will expire unused because of the IRC Section 382 limitation):

	Net Operating Loss Carryforward		Total
	Pre-Ownership Change	Post- Ownership Change (in thousands)	
Balance at December 31, 2019	9,614	43,058	52,672
Net operating losses	-	13,305	13,305
Balance at December 31, 2020	\$ 9,614	\$ 56,363	\$ 65,977
Net operating losses	(1,717)	9,148	7,431
Balance at December 31, 2021	\$ 7,897	\$ 65,511	\$ 73,408

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Notes to Consolidated Financial Statements

Valuation Allowance. As of each reporting date, management considers new evidence, both positive and negative, to determine the realizability of deferred tax assets. This assessment (of whether there is more than a 50% probability that our deferred tax asset is realizable) depends on the generation of future taxable income before the expiration of any NOL carryforwards. At December 31, 2021 and 2020, management determined that realization of the deferred tax assets from NOLs is unlikely based on negative evidence of three-year cumulative net losses. Cumulative net losses represent significant negative objective evidence, limiting the ability to consider other subjective evidence, such as projections for future growth. Based on management’s evaluation, we recorded a valuation allowance against the deferred tax assets as of December 31, 2021 and 2020.

We have NOL carryforwards that remain available for future use. At December 31, 2021 and 2020, there were no uncertain tax positions for which a reserve or liability was necessary.

(15) Earnings Per Share

A reconciliation between basic and diluted income per share for the periods indicated was as follows:

	Twelve Months Ended December 31,	
	2021	2020
	(in thousands, except share and per share amounts)	
Net income (loss)	\$ (12,841)	\$ (14,458)
Basic and diluted income (loss) per share	\$ (1.01)	\$ (1.15)
Basic and Diluted Weighted average number of shares of common stock outstanding and potential dilutive shares of common stock	12,693,514	12,574,465

Diluted EPS is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding. Diluted EPS for the twelve months ended December 31, 2021 and 2020 was the same as basic EPS as there were no stock options or other dilutive instruments outstanding.

[Table of Contents](#)**Notes to Consolidated Financial Statements****(16) Commitments and Contingencies****Amended and Restated Operating Agreement**

See “Note (3)” to our consolidated financial statements for additional disclosures related to operation and management of all Blue Dolphin properties by an Affiliate under the Amended and Restated Operating Agreement.

BSEE Offshore Pipelines and Platform Decommissioning

BDPL has pipelines and platform assets that are subject to BSEE’s idle iron regulations. Idle iron regulations mandate lessees and rights-of-way holders to permanently abandon and/or remove platforms and other structures when they are no longer useful for operations. Until such structures are abandoned or removed, lessees and rights-of-way holders are required to inspect and maintain the assets in accordance with regulatory requirements.

In December 2018, BSEE issued an INC to BDPL for failure to flush and fill Pipeline Segment No. 13101. Management met with BSEE in August 2019 to address BDPL’s plans with respect to decommissioning its offshore pipelines and platform assets. BSEE proposed that BDPL re-submit pipeline and platform decommissioning permit applications, including a safe boarding plan, by February 2020. BDPL submitted permit applications to BSEE in February 2020 and the USACOE in March 2020. In April 2020, BSEE issued another INC to BDPL for failure to perform the required structural surveys for the GA-288C Platform. BDPL completed the required platform surveys in June 2020. Abandonment operations were delayed due to our cash constraints associated with historical net losses and the ongoing impact of COVID-19. We cannot currently estimate when decommissioning may occur.

Lack of permit approvals does not relieve BDPL of its obligations to remedy the BSEE INCs or of BSEE’s authority to impose financial penalties. If BDPL fails to complete decommissioning of the offshore pipelines and platform assets and/or remedy the INCs within a timeframe determined to be prudent by BSEE, BDPL could be subject to regulatory oversight and enforcement, including but not limited to failure to correct an INC, civil penalties, and revocation of BDPL’s operator designation, which could have a material adverse effect on our earnings, cash flows, and liquidity.

We are currently unable to predict the outcome of the BSEE INCs. Accordingly, we have not recorded a liability on our consolidated balance sheet as of December 31, 2020. At December 31, 2021 and 2020, BDPL maintained \$3.5 million and \$2.4 million, respectively, in AROs related to abandonment of these assets.

[Table of Contents](#)**Notes to Consolidated Financial Statements****Defaults Under Secured Loan Agreements with Third Parties and Related Parties**

See “Notes (1), (3), (10), and (11)” to our consolidated financial statements for additional disclosures related to defaults under our secured and unsecured debt agreements.

Financing Agreements and Guarantees

Indebtedness. See “Notes (1), (3), (10), and (11)” to our consolidated financial statements for disclosures related to Affiliate and third-party indebtedness and defaults thereto.

Guarantees. Affiliates provided guarantees on certain debt of Blue Dolphin and its subsidiaries. The maximum amount of any guarantee is equal to the principal amount and accrued interest, which amounts are reduced as payments are made. See “Notes (1), (3), (10), and (11)” to our consolidated financial statements for additional disclosures related to Affiliate and third-party guarantees associated with indebtedness and defaults thereto.

Health, Safety and Environmental Matters

The operations of certain Blue Dolphin subsidiaries are subject to extensive federal, state, and local environmental, health, and safety regulations governing, among other things, the generation, storage, handling, use and transportation of petroleum products and hazardous substances; the emission and discharge of materials into the environment; waste management; characteristics and composition of jet fuel and other products; and the monitoring, reporting and control of air emissions. These operations also require numerous permits and authorizations under various environmental, health, and safety laws and regulations. Failure to obtain and comply with these permits or environmental, health, or safety laws generally could result in fines, penalties or other sanctions, or a revocation of our permits.

Legal Matters

In the ordinary course of business, we are involved in legal matters incidental to the routine operation of our business, such as mechanic’s liens and contract-related disputes. We may also become party to lawsuits, administrative proceedings, and governmental investigations, including environmental, regulatory, and other matters. Large, and sometimes unspecified, damages or penalties may be sought from us in some matters and certain matters may require years to resolve. Although we cannot provide assurance, we believe that an adverse resolution of the matters described below would not have a material impact on our liquidity, consolidated financial position, or consolidated results of operations.

Unresolved Matters.

BOEM Additional Financial Assurance (Supplemental Pipeline Bonds). To cover the various obligations of lessees and rights-of-way holders operating in federal waters of the Gulf of Mexico, BOEM evaluates an operator’s financial ability to carry out present and future obligations to determine whether the operator must provide additional security beyond the statutory bonding requirements. Such obligations include the cost of plugging and abandoning wells and decommissioning pipelines and platforms at the end of production or service activities. Once plugging and abandonment work has been completed, the collateral backing the financial assurance is released by BOEM.

BDPL historically maintained \$0.9 million in financial assurance to BOEM for the decommissioning of its trunk pipeline offshore in federal waters. Following an agency restructuring of the financial assurance program, in March 2018 BOEM ordered BDPL to provide additional financial assurance totaling approximately \$4.8 million for five (5) existing pipeline rights-of-way. In June 2018, BOEM issued BDPL INCs for each right-of-way that failed to comply. BDPL appealed the INCs to the IBLA. Although the IBLA granted multiple extension requests, the Office of the Solicitor of the U.S. Department of the Interior indicated that BOEM would not consent to further extensions. The solicitor’s office signaled that BDPL’s adherence to milestones identified in an August 2019 meeting between management and BSEE may help in future discussions with BOEM related to the INCs. Decommissioning of these assets will significantly reduce or eliminate the amount of financial assurance required by BOEM, which may serve to partially or fully resolve the INCs. Decommissioning of these assets was delayed due to our cash constraints associated with historical net losses and the ongoing impact of COVID-19. We cannot currently estimate when decommissioning may occur.

BDPL’s pending appeal of the BOEM INCs does not relieve BDPL of its obligations to provide additional financial assurance or of BOEM’s authority to impose financial penalties. There can be no assurance that we will be able to meet additional financial assurance (supplemental pipeline bond) requirements. If BDPL is required by BOEM to provide

significant additional financial assurance (supplemental pipeline bonds) or is assessed significant penalties under the INCs, we will experience a significant and material adverse effect on our operations, liquidity, and financial condition.

We are currently unable to predict the outcome of the BOEM INCs. Accordingly, we did not record a liability on our consolidated balance sheets as of December 31, 2021 and 2020. At both December 31, 2021 and 2020, BDPL maintained approximately \$0.9 million in credit and cash-backed pipeline rights-of-way bonds issued to BOEM.

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Notes to Consolidated Financial Statements

TCEQ Proposed Agreed Order. In October 2021, LRM received a proposed agreed order from the TCEQ for alleged solid and hazardous waste violations discovered during an investigation from January 29, 2020 to March 2, 2020. The proposed agreed order assesses an administrative penalty of approximately \$0.4 million and identifies actions needed to correct the alleged violations. We are currently seeking to negotiate a reduced penalty amount. However, we recorded a liability for the maximum proposed amount of \$0.4 million on our consolidated balance sheet as of December 31, 2021.

Pilot Dispute Related to Set-Off Payments. On October 4, 2021, NPS repaid all obligations owed to Pilot under the Amended Pilot Line of Credit. However, in a letter from NPS to Pilot dated October 28, 2021, NPS disputed approximately \$0.3 million in payments Pilot made to Tartan Oil LLC, a Pilot affiliate, arising under a product sales agreement. NPS contends the disputed amount should have been applied to the balance owed by NPS under the Amended Pilot Line of Credit. Pilot has asserted that the redirected payment was offset by accrued interest owed by NPS under the Amended Pilot Line of Credit. As of the filing date of this report, the amount remained in dispute between the parties.

Defaults under Secured Loan Agreements. We are currently in default under certain of our secured loan agreements with third parties and related parties. See “Part II, Item 8. Financial Statements and Supplementary Data – Notes (1), (3), (10), and (11)” for additional disclosures related to third-party and related-party debt, defaults on such debt, and the potential effects of such defaults on our business, financial condition, and results of operations. If third parties exercise their rights and remedies due to defaults under our secured loan agreements, our business, financial condition, and results of operations will be materially adversely affected.

Counterparty Contract-Related Dispute. As of the filing date of this report, we were involved in a contract-related dispute with Tartan involving a revenue sharing-arrangement for the storage and sale of crude oil. Management is working to resolve the dispute amicably, however, the potential outcome is unknown. Management does not believe that the contract-related dispute will have a material adverse effect on our financial position, earnings, or cash flows. However, there can be no assurance that management’s efforts will result in a manageable outcome.

Resolved Matters.

None.

Share Issuances (Sales of Unregistered Securities)

We are obligated to issue shares of our Common Stock to: (i) non-employee directors for services rendered to the Board and (ii) to Jonathan Carroll pursuant to the Guaranty Fee Agreements. For the foreseeable future, management does not intend to pay Mr. Carroll the cash portion of guaranty fees due to Blue Dolphin’s working capital deficits. The cash portion will continue to accrue and be added to the principal balance of the March Carroll Note. See “Note (3)” to our consolidated financial statements for additional disclosures related to Affiliates and working capital deficits, as well as for information related to the guaranty fee agreements. Set forth below is information regarding the sale or issuance of Common Stock related to the above noted obligations during the twelve months ended December 31, 2021 and 2020:

- On April 30, 2020, we issued an aggregate of 231,065 restricted shares of Common Stock to Jonathan Carroll, which represented payment of the common stock component of guaranty fees for the period November 2019 through March 2020. Due to price differences between the shares’ cost basis and the trading price of Blue Dolphin’s common stock on the transaction settlement date, we recorded income of approximately \$0.03 million related to the share issuance.
- On April 30, 2020, we also issued an aggregate of 135,084 restricted shares of Common Stock to certain of our non-employee, independent directors, which represented payment for services rendered to the Board for the three-month periods ended September 30, 2018, March 31, 2019, September 30, 2019, and March 31, 2020. Due to price differences between the shares’ cost basis and the trading price of Blue Dolphin’s common stock on the transaction settlement date, we recorded income of approximately \$0.05 million related to the share issuance.

We recognized income on the issuance of shares of approximately \$0.08 million and \$0 for the twelve months ended December 31, 2021 and 2020, respectively. The sale and issuance of these securities were exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act.

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Notes to Consolidated Financial Statements

(17) Subsequent Events

BDEC Term Loan Due 2051 Modification

Effective February 18, 2022, BDEC executed a 1st Loan Modification of Note to secure additional monies under the BDEC Term Loan Due 2051. The original principal amount of the loan increased by \$1.5 million from \$0.5 million to \$2.0 million. Proceeds will be used for working capital purposes. With the exception of the monthly principal payment, all loan terms remained materially unchanged. Interest on the loan accrues at the rate of 3.75% per annum and will accrue from the date of loan. Installment payments, including principal and interest, total \$0.01 million per month and are due beginning thirty (30) months from the original loan date of May 4, 2021. The balance of principal and interest is payable over a 30-year term; the loan maturity date remains June 7, 2051.

SBA EIDLs are not forgivable. Jonathan Carroll, the company’s chief executive officer, and an Affiliate provided guarantees of the debt. The debt is subject to certain customary covenants and default provisions.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**Disclosure Controls and Procedures**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our Chief Executive Officer (principal executive officer, principal financial officer, and principal accounting officer) to allow timely decisions regarding required disclosure. Under the supervision of, and with the participation of our management, including our Chief Executive Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on our evaluation, our Chief Executive Officer (principal executive officer, principal financial officer, and principal accounting officer) concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report 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 the SEC's rules and forms.

Management's Report on Internal Control over Financial Reporting

Management's Responsibility. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the U.S.

There are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. Additionally, judgments in decision-making can be faulty and breakdowns can occur because of a simple error or mistake. An effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, management does not expect that the control system can prevent or detect all errors or fraud. Further, projections of any evaluation or assessment of effectiveness of a control system to future periods are subject to the risks that, over time, controls may become inadequate because of changes in an entity's operating environment or deterioration in the degree of compliance with policies or procedures.

Management's Assessment.

As previously reported, for the twelve months ended December 31, 2020 management's evaluation of our internal controls over financial reporting identified a material weakness and significant deficiency, as follow:

- Significant deficiency – There was not a process in place for formal review of manual journal entries.
- Material weakness – The company lacked resources to handle complex accounting transactions. This could result in errors related to the recording, disclosure, and presentation of consolidated financial information in quarterly, annual, and other filings. Prior year audit procedures resulted in significant adjustments related to the accounting for a certain stock issuance in payment of related party debt, as well as deferred revenue relating to consideration received from a supplier.

During the twelve months ended December 31, 2021, management took steps to remediate these deficiencies, including implementing a formal policy to review manual journal entries and documenting procedures to identify and address complex accounting transactions. Management, under the supervision and with the participation of our Chief Executive Officer (principal executive officer, principal financial officer, and principal accounting officer), assessed the effectiveness of our internal controls over financial reporting at December 31, 2021. In making this assessment, management used the criteria set forth by the 2013 Committee of Sponsoring Organizations of the Treadway Commission Framework and SOX Compliance. Management's evaluation of our internal controls over financial reporting for the twelve months ended December 31, 2021 determined that they were effective.

Changes in Internal Control over Financial Reporting. Except as noted above, there have been no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

[Table of Contents](#)**Internal Controls and Procedures**

Exemption from Management's Report on Internal Control over Financial Reporting. This report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC for smaller reporting companies that permit us to provide only management's attestation in this report.

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[Table of Contents](#)**Other Information****ITEM 9B. OTHER INFORMATION****Sales of Unregistered Securities**

Set forth below is information regarding the sale or issuance of shares of Common Stock by us for the years ended December 31, 2021 and 2020 that were not registered under the Securities Act:

- On April 30, 2020, we issued an aggregate of 231,065 restricted shares of Common Stock to Jonathan Carroll, which represented payment of the common stock component of guaranty fees for the period November 2019 through March 2020. Due to price differences between the shares' cost basis and the trading price of Blue Dolphin's common stock on the transaction settlement date, we recorded income of approximately \$0.03 million related to the share issuance. As a condition for our secured loan agreements with Veritex, Mr. Carroll was required to personally guarantee repayment of borrowed funds and accrued interest. Under the guaranty fee agreements, Mr. Carroll is entitled

to receive guaranty fees. The fees are payable 50% in cash and 50% in Common Stock. The Common Stock portion is paid periodically. For the foreseeable future, management does not intend to pay Mr. Carroll the cash portion due to Blue Dolphin's working capital deficits. The cash portion will continue to accrue and be added to the outstanding principal balance owed to Mr. Carroll under the March Carroll Note.

On April 30, 2020, we also issued an aggregate of 135,084 restricted shares of Common Stock to certain of our non-employee, independent directors, which represented payment for services rendered to the Board for the three-month periods ended September 30, 2018, March 31, 2019, September 30, 2019, and March 31, 2020. Due to price differences between the shares' cost basis and the trading price of Blue Dolphin's common stock on the transaction settlement date, we recorded income of approximately \$0.05 million related to the share issuance.

BDEC Term Loan Due 2051 Modification

Effective February 18, 2022, BDEC executed a 1st Loan Modification of Note to secure additional monies under the BDEC Term Loan Due 2051. The original principal amount of the loan increased by \$1.5 million from \$0.5 million to \$2.0 million. Proceeds will be used for working capital purposes. With the exception of the monthly principal payment, all loan terms remained materially unchanged. Interest on the loan accrues at the rate of 3.75% per annum and will accrue from the date of loan. Installment payments, including principal and interest, total \$0.01 million per month and are due beginning thirty (30) months from the original loan date of May 4, 2021. The balance of principal and interest is payable over a 30-year term; the loan maturity date remains June 7, 2051.

SBA EIDLs are not forgivable. Jonathan Carroll, the company's chief executive officer, and an Affiliate provided guarantees of the debt. The debt is subject to certain customary covenants and default provisions.

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Directors and Officers Compensation and Beneficial Stockholder Information

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required in response to this Item 10 is incorporated herein by reference to our definitive proxy statement relating to our 2022 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this Item 11 is incorporated herein by reference to our definitive proxy statement relating to our 2022 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required in response to this Item 12 is incorporated herein by reference to our definitive proxy statement relating to our 2022 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required in response to this Item 13 is incorporated herein by reference to our definitive proxy statement relating to our 2022 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required in response to this Item 14 is incorporated herein by reference to our definitive proxy statement relating to our 2022 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

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Exhibits

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits and Financial Statement Schedules

Following is a list of documents filed as part of this report:

- Consolidated balance sheets, consolidated statements of operations, consolidated statements of shareholders' equity (deficit), and consolidated statements of cash flows, which appear in "Part II, Item 8. Financial Statements and Supplementary Data".
- Exhibits as listed in the exhibit index of this report, which is incorporated herein by reference.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

[Exhibits Index](#)

No.	Description
3.1	Amended and Restated Certificate of Incorporation of Blue Dolphin (incorporated by reference to Exhibit 3.1 filed with Blue Dolphin's Form 8-K on June 2, 2009, Commission File No. 000-15905)
3.2	Amended and Restated By-Laws of Blue Dolphin (incorporated by reference to Exhibit 3.1 filed with Blue Dolphin's Form 8-K on December 26, 2007, Commission File No. 000-15905)
4.1	Specimen Stock Certificate (incorporated by reference to exhibits filed with Blue Dolphin's Form 10-K on March 30, 1990, Commission File No. 000-15905)
4.2	Form of Promissory Note issued pursuant to the Note and Warrant Purchase Agreement dated September 8, 2004 (incorporated by reference to Exhibit 4.1 filed with Blue Dolphin's Form 8-K on September 14, 2004, Commission File No. 000-15905)
4.3	Promissory Note of Lazarus Louisiana Refinery II, LLC, payable to Blue Dolphin dated July 31, 2009 (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 8-K on August 6, 2009, Commission File No. 000-15905)
4.4	Description of company securities.
10.1*	Blue Dolphin 2000 Stock Incentive Plan (incorporated by reference to Appendix 1 filed with Blue Dolphin's Proxy Statement on Form DEF 14A on April 20, 2000, Commission File No. 000-15905)
10.2*	First Amendment to the Blue Dolphin 2000 Stock Incentive Plan (incorporated by reference to Appendix B filed with Blue Dolphin's Proxy Statement on Form DEF 14A on April 16, 2003, Commission File No. 000-15905)
10.3*	Second Amendment to the Blue Dolphin 2000 Stock Incentive Plan (incorporated by reference to Appendix A filed with Blue Dolphin's Proxy Statement on Form DEF 14A on April 27, 2006, Commission File No. 000-15905)
10.4*	Fourth Amendment to the Blue Dolphin 2000 Stock Incentive Plan (incorporated by reference to Exhibit B filed with Blue Dolphin's Proxy Statement on Form DEFA on December 28, 2011, Commission File No. 000-15905)
10.5	Management Agreement by and between Lazarus Energy Holdings, LLC, Lazarus Energy, LLC and Blue Dolphin effective as of February 15, 2012 (incorporated by reference to Exhibit 10.2 filed with Amendment No. 1 to Blue Dolphin's Form 8-K on March 14, 2012, Commission File No. 000-15905)
10.6	Amendment No. 1 to Management Agreement dated May 12, 2014 by and among Lazarus Energy Holdings, LLC, Blue Dolphin and Lazarus Energy, LLC (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 8-K on May 16, 2014, Commission File No. 000-15905)

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10.7	Promissory Note between Lazarus Energy LLC as maker and Notre Dame Investors Inc. as Payee in the Principal Amount of \$8,000,000 dated June 1, 2006 (incorporated by reference to Exhibit 10.6 filed with Blue Dolphin's Form 10-Q on March 31, 2012, Commission File No. 000-15905)
10.8	Subordination Agreement effective August 21, 2008 by Notre Dame Investors, Inc. in favor of First International Bank (incorporated by reference to Exhibit 10.2 filed with Blue Dolphin's Form 10-Q on March 31, 2012, Commission File No. 000-15905)
10.9	Intercreditor and Subordination Agreement dated September 29, 2008 by and between Notre Dame Investors, Inc., Richard Oberlin, Lazarus Energy LLC and First International Bank (incorporated by reference to Exhibit 10.3 filed with Blue Dolphin's Form 10-Q on March 31, 2012, Commission File No. 000-15905)
10.10	Intercreditor and Subordination Agreement dated August 12, 2011 by and among John H. Kissick, Lazarus Energy LLC and Milam Services, Inc. (incorporated by reference to Exhibit 10.7 filed with Blue Dolphin's Form 10-Q on March 31, 2012, Commission File No. 000-15905)
10.11	First Amendment to Promissory Note by and between Lazarus Energy, LLC and John H. Kissick effective as of July 1, 2013 (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 10-Q on November 14, 2013, Commission File No. 000-15905)
10.12	Second Amendment to Promissory Note by and between Lazarus Energy, LLC and John H. Kissick effective as of October 1, 2014 (incorporated by reference to Exhibit 10.48 filed with Blue Dolphin's Form 10-K on March 31, 2015, Commission File No. 000-15905)
10.13	Second Amendment to Promissory Note by and between Lazarus Energy, LLC and John H. Kissick effective as of October 1, 2014 (incorporated by reference to Exhibit 10.48 filed with Blue Dolphin's Form 10-K on March 31, 2015, Commission File No. 000-15905)
10.14	Loan Agreement among Sovereign Bank, Lazarus Energy, LLC and Jonathan Pitts Carroll, Sr., Blue Dolphin Energy Company, Lazarus Refining & Marketing, LLC, and Lazarus Energy Holdings dated June 22, 2015 (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.15	Promissory Note between Lazarus Energy, LLC and Sovereign Bank for the principal sum of \$25,000,000 dated June 22, 2015 (incorporated by reference to Exhibit 10.2 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.16	Security Agreement of Lazarus Energy, LLC in favor of Sovereign Bank dated June 22, 2015 (incorporated by reference to Exhibit 10.3 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.17	Deed of Trust, Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing for Lazarus Energy, LLC dated June 22, 2015 (incorporated by reference to Exhibit 10.4 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.18	Security Agreement of Lazarus Energy, LLC for the benefit of Lazarus Refining & Marketing, LLC dated June 22, 2015 (incorporated by reference to Exhibit 10.5 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.19	Loan and Security Agreement between Sovereign Bank and Lazarus Refining & Marketing, LLC dated June 22, 2015 (incorporated by reference to Exhibit 10.6 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.20	Pledge Agreement by Lazarus Refining & Marketing, LLC in favor of Sovereign Bank dated June 22, 2015 (incorporated by reference to Exhibit 10.8 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)

10.21	Collateral Assignment executed by Blue Dolphin Pipe Line Company for the benefit of Sovereign Bank dated June 22, 2015 (incorporated by reference to Exhibit 10.9 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.22	Guaranty Agreement by Jonathan Pitts Carroll, Sr., Blue Dolphin Energy Company, Lazarus Energy, LLC and Sovereign Bank dated June 22, 2015 (incorporated by reference to Exhibit 10.10 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.23	Guaranty Fee Agreement between Jonathan P. Carroll and Lazarus Energy, LLC dated June 22, 2015 (incorporated by reference to Exhibit 10.11 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)
10.24	Guaranty Fee Agreement between Jonathan P. Carroll and Lazarus Refining & Marketing, LLC dated June 22, 2015 (incorporated by reference to Exhibit 10.12 filed with Blue Dolphin's Form 8-K on June 26, 2015, Commission File No. 000-15905)

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10.25	Amendment No. 2. to Operating Agreement by and between Lazarus Energy Holdings, LLC, Blue Dolphin, and Lazarus Energy, LLC effective as of June 1, 2015 (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 10-Q on August 14, 2015, Commission File No. 000-15905)
10.26	Loan Agreement among Sovereign Bank, Lazarus Refining & Marketing, LLC, Jonathan Pitts Carroll, Sr., Blue Dolphin Energy Company, Lazarus Energy, LLC, and Lazarus Energy Holdings dated December 4, 2015 (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.27	Promissory Note between Lazarus Refining & Marketing, LLC and Sovereign Bank for the principal sum of \$10,000,000 dated December 4, 2015 (incorporated by reference to Exhibit 10.2 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.28	Security Agreement of Lazarus Refining & Marketing, LLC in favor of Sovereign Bank dated December 4, 2015 (incorporated by reference to Exhibit 10.3 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.29	Deed of Trust, Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing for Lazarus Refining & Marketing, LLC dated December 4, 2015 (incorporated by reference to Exhibit 10.4 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.30	Construction Rider to Loan Agreement dated December 4, 2015 (incorporated by reference to Exhibit 10.5 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.31	Absolute Assignment of Leases and Rents dated December 4, 2015 (incorporated by reference to Exhibit 10.6 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.32	Indemnification Agreement dated December 4, 2015 (incorporated by reference to Exhibit 10.7 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.33	Pledge Agreement by Lazarus Energy Holdings, LLC in favor of Sovereign Bank dated December 4, 2015 (incorporated by reference to Exhibit 10.8 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.34	Collateral Assignment of Key Agreements dated December 4, 2015 (incorporated by reference to Exhibit 10.9 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.35	First Amendment to Lazarus Energy, LLC Loan Agreement and Loan Documents dated December 4, 2015 (incorporated by reference to Exhibit 10.10 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.36	First Amendment to Lazarus Energy, LLC Deed of Trust, Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing dated December 4, 2015 (incorporated by reference to Exhibit 10.11 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.37	Guaranty Fee Agreement between Jonathan P. Carroll and Lazarus Refining & Marketing, LLC dated December 4, 2015 (incorporated by reference to Exhibit 10.12 filed with Blue Dolphin's Form 8-K on December 10, 2015, Commission File No. 000-15905)
10.38	Loan and Security Agreement by and between Lazarus Energy Holdings, LLC and Blue Dolphin Pipe Line Company dated August 15, 2016 (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 8-K on August 19, 2016, Commission File No. 000-15905)
10.39	Promissory Note by and between Lazarus Energy Holdings, LLC and Blue Dolphin Pipe Line Company dated August 15, 2016 (incorporated by reference to Exhibit 10.2 filed with Blue Dolphin's Form 8-K on August 19, 2016, Commission File No. 000-15905)
10.40	Deed of Trust, Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing for Blue Dolphin Pipe Line Company dated August 15, 2016 (incorporated by reference to Exhibit 10.3 filed with Blue Dolphin's Form 8-K on August 19, 2016, Commission File No. 000-15905)

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10.41	Promissory Note dated March 31, 2017, of Blue Dolphin Energy Company in favor of Lazarus Energy Holdings, LLC (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 10-Q on May 15, 2017, Commission File No. 000-15905)
10.42	Amended and Restated Promissory Note dated March 31, 2017, of Blue Dolphin Energy Company in favor of Ingleside Crude, LLC (incorporated by reference to Exhibit 10.2 filed with Blue Dolphin's Form 10-Q on May 15, 2017, Commission File No. 000-15905)
10.43	Amended and Restated Promissory Note dated March 31, 2017, of Blue Dolphin Energy Company in favor of Lazarus Capital, LLC (Jonathan Carroll) (incorporated by reference to Exhibit 10.3 filed with Blue Dolphin's Form 10-Q on May 15, 2017, Commission File No. 000-15905)

10.44	Amended and Restated Operating Agreement effective as of April 1, 2017, between Lazarus Energy Holdings, LLC, Lazarus Energy, LLC, and Blue Dolphin Energy Company, (incorporated by reference to Exhibit 10.4 filed with Blue Dolphin's Form 10-Q on May 15, 2017, Commission File No. 000-15905)
10.45	Amended and Restated Promissory Note dated June 30, 2017, of Blue Dolphin Energy Company in favor of Lazarus Energy Holdings, LLC (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 10-Q on October 12, 2017, Commission File No. 000-15905)
10.46	Amended and Restated Guaranty Fee Agreement between Jonathan Carroll and Lazarus Refining & Marketing, LLC (incorporated by reference to Exhibit 10.2 filed with Blue Dolphin's Form 10-Q on October 12, 2017, Commission File No. 000-15905)
10.47	Amended and Restated Guaranty Fee Agreement between Jonathan Carroll and Lazarus Refining & Marketing, LLC (incorporated by reference to Exhibit 10.3 filed with Blue Dolphin's Form 10-Q on October 12, 2017, Commission File No. 000-15905)
10.48	Amended and Restated Guaranty Fee Agreement between Jonathan Carroll and Lazarus Energy, LLC (incorporated by reference to Exhibit 10.4 filed with Blue Dolphin's Form 10-Q on October 12, 2017, Commission File No. 000-15905)
10.49	Notice from Veritex Community Bank to Lazarus Energy, LLC, Blue Dolphin Energy Company, Lazarus Refining & Marketing, LLC, Lazarus Energy Holdings, LLC, Lazarus Marine Terminal I, LLC and Jonathan Pitts Carroll, Sr. dated April 30, 2019 (incorporated by reference to Exhibit 10.7 filed with Blue Dolphin's Form 10-Q on August 14, 2019, Commission File No. 000-15905)
10.50	Loan Authorization and Agreement between Blue Dolphin Energy Company and the Small Business Administration effective May 4, 2021 (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 10-Q on August 17, 2021, Commission File No. 000-15905)
10.51	Loan Authorization and Agreement between Blue Dolphin Energy Company and the Small Business Administration dated May 11, 2021 (incorporated by reference to Exhibit 10.1 filed with Blue Dolphin's Form 8-K on May 17, 2021, Commission File No. 000-15905)
10.52**	Loan Agreement between Greater Nevada Credit Union, Nixon Product Storage, LLC, and Guarantors (as defined therein) dated September 20, 2021.
10.53**	Guaranteed Note between Nixon Product Storage, LLC and Greater Nevada Credit Union dated September 20, 2021.
10.54**	Non-Guaranteed Note between Nixon Product Storage, LLC and Greater Nevada Credit Union dated September 20, 2021.
10.55**	1st Loan Modification of Note between Blue Dolphin Energy Company and the Small Business Administration dated February 18, 2022.
14.1	Code of Ethics applicable to the Chairman, Chief Executive Officer and Senior Financial Officer (incorporated by reference to Exhibit 14.1 filed with Blue Dolphin's Form 10-KSB on March 25, 2005, Commission File No. 000-15905)
21.1**	List of Subsidiaries of Blue Dolphin
23.1**	Consent of UHY LLP
31.1**	Jonathan P. Carroll Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Jonathan P. Carroll Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

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Exhibits

99.1	Amended and Restated Audit Committee Charter as reviewed by the Board of Directors of Blue Dolphin on November 15, 2018 (incorporated by reference to Appendix A filed with Blue Dolphin's Proxy Statement on Form DEF 14A on November 15, 2018, Commission File No. 000-15905)
99.2	Compensation Committee Charter as reviewed by the Board of Directors of Blue Dolphin on November 15, 2018 (incorporated by reference to Appendix B filed with Blue Dolphin's Proxy Statement on Form DEF 14A on November 15, 2018, Commission File No. 000-15905)
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Schema Document
101.CAL**	XBRL Calculation Linkbase Document
101.LAB**	XBRL Label Linkbase Document
101.PRE**	XBRL Presentation Linkbase Document
101.DEF**	XBRL Definition Linkbase Document

* Management Compensation Plan

** Filed herewith

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Signature Page

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

**BLUE DOLPHIN ENERGY COMPANY
(Registrant)**

April 1, 2022

By: /s/ JONATHAN P. CARROLL
Jonathan P. Carroll
Chief Executive Officer, President,
Assistant Treasurer and Secretary
(Principal Executive Officer, Principal Financial Officer, and
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JONATHAN P. CARROLL</u> Jonathan P. Carroll	Chairman of the Board, Chief Executive Officer, President, Assistant Treasurer and Secretary (Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)	April 1, 2022
<u>/s/ RYAN A. BAILEY</u> Ryan A. Bailey	Director	April 1, 2022
<u>/s/ AMITAV MISRA</u> Amitav Misra	Director	April 1, 2022
<u>/s/ CHRISTOPHER T. MORRIS</u> Christopher T. Morris	Director	April 1, 2022
<u>/s/ HERBERT N. WHITNEY</u> Herbert N. Whitney	Director	April 1, 2022

List of subsidiaries of Blue Dolphin Energy Company (“Blue Dolphin”):

- Lazarus Energy, LLC, a Delaware limited liability company;
- Lazarus Refining & Marketing, LLC, a Delaware limited liability company
- Nixon Product Storage, LLC, a Delaware limited liability company
- Blue Dolphin Pipe Line Company, a Delaware corporation;
- Blue Dolphin Petroleum Company, a Delaware corporation;
- Blue Dolphin Services Co., a Texas corporation;
- Blue Dolphin Exploration Company, a Delaware corporation; and
- Petroport, Inc., a Delaware corporation.



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-134156, 333-38606 and 333-124908) of Blue Dolphin Energy Company of our report dated March 31, 2022, relating to our audit of the consolidated financial statements, which appear in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ UHY LLP

Sterling Heights, Michigan
April 1, 2022

I, Jonathan P. Carroll, certify that:

1. I have reviewed this annual report on Form 10-K of Blue Dolphin Energy Company (the "Registrant").
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and I have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this annual report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - d) Disclosed in this annual report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the Registrant's Board of Directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 1, 2022

/s/ JONATHAN P. CARROLL

Jonathan P. Carroll

Chief Executive Officer, President, Assistant Treasurer and Secretary

(Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Blue Dolphin Energy Company (the "Blue Dolphin") on Form 10-K for the period ended December 31, 2021 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Jonathan P. Carroll, Chief Executive Officer, President, Assistant Treasurer and Secretary (Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer) of Blue Dolphin, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Blue Dolphin.

/s/ JONATHAN P. CARROLL

Jonathan P. Carroll

Chief Executive Officer, President, Assistant Treasurer and Secretary

(Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)

April 1, 2022

GREATER NEVADA CREDIT UNION

LOAN AGREEMENT

THIS LOAN AGREEMENT (the Loan Agreement) is made and entered into on September 20, 2021, by and between **Greater Nevada Credit Union**, a domestic non-profit cooperative corporation organized under the laws of the State of Nevada (Lender), **Nixon Product Storage, LLC**, a Delaware limited liability company (the Borrower), and the **Guarantors** (as defined herein) (collectively, the Parties and singularly, a Party).

WHEREAS, Borrower desires to obtain a \$10,000,000 Loan (as defined herein) from Lender for working capital purposes and to pay loan closing costs and loan processing fees; and

WHEREAS, subject to the terms and conditions of this Loan Agreement and the other Loan Documents, Lender is willing to make the Loan to Borrower; and

WHEREAS, Lender has applied for and obtained a commitment for a loan note guarantee from the United States Department of Agriculture under its Business & Industry CARES ACT loan program, for the issuance of a loan note guarantee for 90% of the principal amount of the Loan.

NOW, THEREFORE, in consideration of the premises hereinabove recited, Lender and Borrower enter into this Loan Agreement and agree as follows:

1.1 Definitions. For the purposes hereof:

1.2 **Affiliate** means with respect to a named Person, (a) any Person directly or indirectly owning five percent (5%) or more of the membership interest or voting stock or rights in such named Person or of which the named Person owns five percent (5%) or more of such membership interest or voting stock or rights; (b) any Person controlling or controlled by or under common control with such named Person; (c) any officer, director or managing employee or agent of such named Person or any Affiliate of the named Person; and (d) any immediate family member of the named Person or any Affiliate of such named Person.

1.3 [Reserved].

1.4 **Business** means the owning and operating of a facility in Wilson County, Texas for the buying and selling of feedstock crude oil for an affiliated refinery and for the owning, managing and rental of storage tanks and facilities for petroleum products, with an address of 11372 US Hwy 87, Nixon, Texas 78140.

1.5 **Business Day** means any day on which Lender is open for business to the general public.

1.6 Closing or Closing Date means the date upon which all conditions to closing have occurred to the satisfaction of Lender in its sole discretion, which is anticipated to be the date of this Agreement.

1.7 Code means the Uniform Commercial Code as in effect under the laws of the State of Nevada from time to time, as the same may be amended.

1.8 Collateral means the Real Property Collateral and the Personal Property Collateral securing the Loan as more particularly set forth in the Deed of Trust and Section 5.

1.9 Corporate and Personal Guaranties means those certain Unconditional Continuing Guaranty(s) on Lender s form, and the Unconditional Guarantee on USDA s form (Form RD 5001-5), each executed by the Guarantors and dated as of the effective date of this Agreement, together with any amendments, modifications or replacements thereof.

1.10 Deeds of Trust means together and Deed of Trust means each of, (i) that certain Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing executed by Lazarus Energy, LLC for the benefit of Lender of even date herewith pursuant to Section 5.1, granting a mortgage lien on the fee interest on the facility and real estate with an address of 11372 US Hwy 87, Nixon, Texas 78140 located in Wilson County, together with any amendments and supplements thereto and (ii) that Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing executed by Lazarus Marketing & Finance, LLC for the benefit of Lender of even date herewith pursuant to Section 5.1, granting a mortgage lien on its leasehold estate on the facility and real estate with the same address as above, together with any amendments and supplements thereto.

1.11 Environmental Indemnity Agreement means the Environmental Indemnity Agreement dated the date hereof from Borrower to and for the benefit of Lender, together with all amendments and modifications thereto.

1.12 Environmental Laws shall mean state, territory, federal or local environmental laws or regulations, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. § 9601 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 1101 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Hazardous Materials Transportation Act of 1974, 49 U.S.C. § 1801 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 4701 et seq.; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 3001 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq.; any laws regulating the use of biological agents or substances including animal, medical or infectious wastes, each as amended or supplemented, and any analogous future or present local, state, territory, and federal statutes, regulations, and ordinances promulgated pursuant thereto which may be applicable.

1.13 Equipment shall have the meaning assigned thereto in the Code (which includes all equipment and machinery of Borrower).

1.14 Event of Default shall have the meaning set forth in Section 6.

1.15 **Fixtures** shall have the meaning assigned thereto in the Code.

1.16 **GAAP** means generally accepted accounting principles and practices as in effect from time to time and recognized as such by the American Institute of Certified Public Accountants, consistently applied.

1.17 **Guarantors** means **Lazarus Energy LLC**, a Delaware limited liability company (**Lazarus Energy** ; **Lazarus Energy Holdings LLC**, a Delaware limited liability company; **Lazarus Refining & Marketing, LLC**, a Delaware limited liability company; **Blue Dolphin Energy Company**, a Delaware corporation; and **Jonathan Pitts Carroll, Sr.**, an individual with an address of 801 Travis Street, Suite 200, Houston, Texas 77002.

1.18 **Indebtedness** means, collectively, all liabilities (including, without limitation, capital lease obligations) of the subject Person, whether owing by such Person alone or with one or more others in a joint, several, or joint and several capacity, whether now owing or hereafter arising, whether owing absolutely or contingently, whether created by loan, overdraft, guaranty of payment, or other contract or by quasi-contract or tort, statute or other operation of law or otherwise.

1.19 **Loan** means the \$10,000,000 loan from Lender to Borrower, as further described in Section 2.1 hereof, together with any amendments, extensions and modifications thereto.

1.20 **Loan Documents** means this Loan Agreement, the Notes, the Corporate and Personal Guaranties, the Security Agreement, the Environmental Indemnity Agreement, the Deed of Trust and such consents and all other documents, instruments, certificates and agreements executed and/or delivered by Borrower or any third party in favor of Lender in connection with the Loan or any of the Collateral.

1.21 **Maturity Date** means as defined in the Notes.

1.22 **Note** means each promissory note, and **Notes** means both promissory notes, of Borrower in favor of Lender, consisting of (i) Promissory Note #1 in the principal amount of \$9,000,000 representing the principal amount of the Loan that is guaranteed by the USDA Loan Note Guarantee in the form attached hereto as Exhibit #1 and (ii) Promissory Note #2 in the principal amount of \$1,000,000 representing the principal amount of the Loan that is not guaranteed under the USDA Loan Note Guarantee in the form attached hereto as Exhibit #2, (for an aggregate principal amount of \$10,000,000), each dated the date hereof and each executed and delivered by Borrower in connection with the Closing of the Loan, as well as any promissory note or notes issued by Borrower in substitution, replacement, extension, amendment or renewal of any such promissory notes.

1.23 **Obligations** means (a) all principal and/or interest which may be due under the Notes, and all other present and future Indebtedness, obligations and liabilities of Borrower to Lender arising pursuant to this Loan Agreement, the Notes, the Deed of Trust, and/or any other Loan Documents, regardless of whether such Indebtedness, obligations or liabilities are direct, indirect, fixed, contingent, joint or joint and several (including any interest, fees and other charges under this Loan Agreement or any other Loan Document, which would accrue but for the filing of a bankruptcy or insolvency action, whether or not such claim is allowed in such bankruptcy or

insolvency action); (b) all costs incurred by Lender to obtain, preserve, perfect and enforce the security interest securing payment of such Indebtedness and to maintain, preserve and collect the Collateral, including, but not limited to, taxes, assessments, insurance premiums, repairs, attorney's fees and legal expenses, rent, storage charges, advertising costs, brokerage fees and expenses of sale; (c) all other obligations or liabilities of Borrower owing to Lender, from time to time, whether now existing or hereafter arising, regardless of how incurred; and (d) all renewals, extensions and modifications of any of the foregoing, or any part thereof.

1.24 **Permits** means any and all environmental and operating permits, business licenses, waste management permits and plans, and other documents, licenses and agreements, whether issued by a governmental instrumentality or private Persons, which are necessary and proper for the operation of the Business in accordance with the business plan presented to Lender by Borrower in connection with its application for the Loan.

1.25 **Permitted Liens** means (i) mortgages and deeds of trust liens on the Real Property Collateral junior only to a first and second mortgage or deed of trust pledged to Veritex Community Bank with collective balances of not more than \$30,447,483 at any time; and (ii) liens in favor of Lender.

1.26 **Person** means an individual person, corporation, limited liability company, trust, joint venture, limited or general partnership, any government or agency or political subdivision of any government, or any other entity or organization.

1.27 **Personal Property Collateral** means all equipment, fixtures, and furnishings owned by Borrower and related to the Business.

1.28 **Real Property Collateral** means the real estate, as more particularly described in the Deed of Trust, together with all improvements thereon or to be built and all easements and rights of way associated with said real estate, subject only to Permitted Liens.

1.29 **Security Agreement** means the Security Agreement from Borrower to and for the benefit of Lender dated the date hereof and granting Lender a security interest in and to the Personal Property Collateral, together with all amendments and modifications thereto.

1.30 **Subsidiary** means any corporation, partnership or other entity in which any Person, directly or indirectly, owns more than fifty percent (50%) or more of the stock, capital or other interests (legal or beneficial) which is effectively controlled, directly or indirectly, by such Person.

1.31 **Substances** shall have the meaning as defined in Section 3.9 hereof.

1.32 **USDA** means the United States Department of Agriculture, Rural Development.

1.33 **USDA Conditional Commitment** means the Conditional Commitment for Guarantee, Form RD 4279-3, issued to Lender on June 7, 2021, and all exhibits and amendments thereto, for the issuance of a Loan Note Guarantee for ninety (90%) of the principal amount of the Loan plus up to 90-days interest thereon.

1.34 **USDA Loan Note Guarantee** means the Loan Note Guarantee issued by the USDA to Lender in pursuant to the USDA Conditional Commitment, USDA Form 4279-5, and is assigned to Note #1.

1.35 **Working Capital Account** means the deposit account with that name maintained with Lender as provided in Section 2.5 hereof.

2.1 The Loan. Lender has made or hereby agrees to make, on terms and conditions set forth herein, to Borrower a term loan in the principal amount of Ten Million and 00/100 Dollars (\$10,000,000.00) to be advanced for the purposes set forth in Section 2.2 and Section 2.5 below and otherwise pursuant to the closing settlement statement signed by Lender and Borrower at Closing (the **Settlement Statement**). The obligation to repay the Loan shall be evidenced by the Notes, secured by the Collateral, the Deeds of Trust and other Loan Documents, and shall have the repayment terms and interest rate(s) set forth in the Notes. All amounts outstanding under the Notes shall be due and payable on the Maturity Date.

2.2 Purpose. The proceeds of the Loan shall be used to provide up to \$9,350,000.00 for working capital purposes (the acquisition of crude oil inventory) and up \$650,000.00 to pay Loan closing costs.

2.3 Conditions Precedent. In no event shall Lender be obligated to advance any sum to Borrower until all matters, documents, papers and certificates required hereunder have been furnished to Lender s satisfaction or so long as any Event of Default has occurred and is continuing. In addition to other matters set forth herein, the following documents and matters shall be required to be executed or performed by Borrower and such other Persons as may be necessary and appropriate at or before Closing (unless as provided otherwise under Article 5 hereof, in connection with the pledge of Collateral):

- (a) This Loan Agreement, duly executed and delivered;
- (b) The Notes and all other Loan Documents, duly executed and delivered;
- (c) The Collateral documents required under Section 5.1 hereof, duly executed and delivered and recorded;
- (d) Resolutions, duly adopted and approved by the Board of Directors or Members of Borrower, in form and substance satisfactory to Lender, authorizing the execution, delivery and performance of all Loan Documents, on behalf of Borrower;
- (e) Certificates of good standing for Borrower from its state or territory of incorporation and satisfactory evidence of Borrower s qualification to do business in any applicable jurisdictions;
- (f) UCC Financing Statements in favor of Lender and describing the Personal Property Collateral shall have been filed with the UCC filing office for, as applicable, the State of Delaware, and UCC Fixture filing in favor of Lender and

describing the Collateral shall have been recorded in the appropriate land records office for the Real Property Collateral;

(g) Evidence of compliance by Borrower with all applicable permitting and licensing requirements for the operation of the Business;

(h) Issuance by the United States Department of Agriculture of the USDA Loan Note Guarantee, in favor of Lender and guaranteeing at least ninety percent (90%) of the principal amount of the Loan and up to ninety (90) days interest and otherwise in form and content acceptable to Lender in its sole and absolute discretion;

(i) Title insurance commitment(s) insuring the lien position of the fee estate Deed of Trust on the Real Property Collateral subject only to the Permitted Exceptions, from a title insurance company and with such endorsements and other exceptions as are acceptable to Lender in its sole discretion;

(j) An opinion of Borrower's counsel opining, among other things, as to the due authorization and execution of the Loan Documents, the enforceability of the Loan Documents in accordance with the respective terms thereof, and that the Deed of Trust and UCC Financing Statements, when recorded and filed, create an enforceable lien or security interest in the Collateral, except where otherwise specified in such opinion;

(k) Payment by Borrower of all fees and closing costs required hereunder and under the Loan Documents, including but not limited to all fees and costs for title insurance and all fees and costs of Lender's legal counsel;

(l) The insurance policies required under Section 4.2(d) hereof;

(m) Receipt and satisfactory review of a current real estate appraisal and personal property appraisal;

(n) Receipt of a final tenant list and lease agreements and, in addition to the Deed of Trust, an Assignment of Leases and Rents on storage tanks 56, 62, 63, 67, 71, 72, 73, 77, 78 and 79;

(o) Borrower to demonstrate a minimum 10% investment equity utilizing one of the methods set forth in the USDA Conditional Commitment and otherwise acceptable to Lender;

(p) A fully executed and delivered inter-creditor agreement with Veritex Community Bank and any other lienholder on any of the Collateral sufficient to ensure that Lender has at a minimum a third-lien mortgage lien on all Real Property Collateral (subject only to the first lien and second lien in favor of Veritex Community Bank) and a third priority lien on all furnishings, fixtures, machinery and equipment associated with the Business; and

(p) Such other items as Lender may reasonably require.

2.4 **Fees, Costs, and Expenses.** (a) Borrower shall pay, on or before the Closing Date, any and all costs and expenses incurred by Lender in making, or continuing to make, the Loan available to Borrower, including, without limitation, any recording costs, documentary stamp taxes, intangibles taxes, intangibles recording taxes, and Lender's legal expenses and fees, regardless of whether the transactions contemplated hereunder close, unless failure to close is the sole fault of Lender. In addition, Borrower shall pay Lender at Closing (i) a loan fee to Lender equal to 2.0% of the amount of the Loan plus a Lender Documentation Fee of \$5,500, as set forth on the Settlement Statement, (ii) a USDA guarantee fee equal to \$180,000 of the amount of the Loan guaranteed, and (iii) all other fees and costs listed on the Settlement Statement.

(b) In addition to the fees and costs to be paid at Closing, Borrower will pay all reasonable fees and costs of Lender to administer the Loan, in each case as and when invoiced by Lender.

2.5 **Disbursements: Working Capital Account.** (a) Certain proceeds of the Loan will be disbursed at Closing for payment of closing costs in accordance with the Settlement Statement. Proceeds remaining after the payment of closing costs will be disbursed and released by Lender periodically upon receipt and approval of draw requests by Borrower and deposited into the Working Capital Account for use by Borrower in accordance herewith. Draws will be made at closing and thereafter periodically no more than once per month. All requests shall be accompanied by supporting documentation as determined by Lender in its sole discretion (including, invoices and copies of cancelled checks, if applicable), certification that no Event of Default has occurred or is continuing, and payment of Lender's draw fee (\$50 per draw).

(b) In addition to the requirements set forth in (a) above, prior to each disbursement, Borrower shall furnish to Lender satisfactory evidence that there has been no unremedied adverse change in the financial or any other condition of the Borrower since the date of the application for the USDA Loan Note Guarantee or since any preceding disbursements which would warrant withholding or not making further disbursements, as determined by Lender in its sole and absolute discretion.

(c) Borrower hereby pledges to Lender, and grants a security interest to Lender, in and to the Working Capital Account and in and to any and all funds and other assets that may be deposited into such account from time to time, as additional security for the Loan (which is in addition to all other Collateral pledged for the Loan). Upon the occurrence of an Event of Default, Lender shall automatically (without notice to or consent of the Borrower) have the sole control over the account and the right to apply all funds and other assets on deposit therein against the outstanding balance of the Loan and for the payment of (or reimbursement for) any costs of Lender relating to the Event of Default (including but not limited to, the fees and costs of Lender legal counsel). The forgoing rights are in addition to all other rights and remedies Lender has upon the occurrence of an Event of Default.

3.1 **Representations and Warranties.** To induce Lender to make the Loan, Borrower makes the following representations and warranties, which shall survive the execution and delivery of the Notes and other Loan Documents:

3.2 Good Standing; Affiliates. Borrower is duly organized, validly existing, and in good standing under the laws of its state and/or territory of organization and has the power and authority to own its property and to carry on its business in each jurisdiction in which it does business. Borrower shall take all necessary steps to remain in good standing with all Borrower's applicable licensing authorities. Borrower will notify Lender of any adverse findings made by licensing authorities if such adverse findings cannot be corrected or cured within thirty (30) days. Attached hereto as Exhibit 3.2 is a matrix showing the relationship of Borrower to all Affiliates and the Guarantors, which includes the identification of all ownership interests and voting rights of each party in each named entity.

3.3 Authority and Compliance. Borrower has full power and authority to execute and deliver the Loan Documents and to incur and perform its obligations provided for therein, all of which have been duly authorized by all proper and necessary action of the appropriate governing body. No consent or approval of any public authority or other third party is required as a condition to the validity of any of the Loan Documents, and Borrower is in compliance with all laws and regulatory requirements to which it is subject.

3.4 Binding Agreement. This Loan Agreement and the other Loan Documents executed by Borrower constitute valid and legally binding obligations of Borrower, enforceable in accordance with their terms.

3.5 Litigation. There is no material proceeding involving Borrower pending or, to their best knowledge, threatened, before any court or governmental authority, agency or arbitration authority; provided however, such disclosure shall not be required with respect to any matters which, if determined adversely to such Person, would, based upon such Person's best information and belief, result in liability of less than \$50,000.00 in the aggregate among Borrower (exclusive of any amounts for which an insurance carrier accepts liability for payment).

3.6 No Conflicting Agreements. There is no article of incorporation, bylaws, or other document pertaining to the organization, power, or authority of Borrower, and no provision of any existing agreement, deed of trust, mortgage, indenture or contract binding on Borrower or affecting its properties, which would conflict with or in any way prevent the execution, delivery, or carrying out of the terms of this Loan Agreement and the other Loan Documents.

3.7 Ownership of Assets. Borrower has good title to its assets, and its assets are free and clear of all judgments, liens, and encumbrances except those granted to Lender and as disclosed to Lender in writing prior to the date of this Loan Agreement.

3.8 Taxes. All taxes and assessments due and payable by Borrower have been paid, or will be paid before delinquent or are being contested in good faith by appropriate proceedings and such Borrower has filed all tax returns which it is required to file.

3.9 Environmental Matters. To its best knowledge, after due inquiry, Borrower represents and warrants to Lender, except as may be otherwise disclosed in writing to Lender, that neither the Business nor the Real Property Collateral has never been and is not now being used in violation of Environmental Laws; that no proceedings have been commenced against it concerning any alleged violations of any Environmental Laws or remedial obligations thereunder on or related

to the Business or the Real Property Collateral, nor does it have any reason to know of any; that the Real Property Collateral is free of any hazardous or toxic substance or wastes, including but not limited to, asbestos, PCBs, petroleum products, fertilizers and pesticides (Substances) and is not being used for the storage, treatment, handling, generation or disposal of any Substances in violation of Environmental Laws, or if there are any Substances on or in relation to the Business or the Real Property Collateral, Borrower is maintaining them in accordance with all applicable laws; that if Borrower is transporting any Substances, such transportation is being conducted in compliance with all applicable laws; Borrower has all required permits for the storage, handling, use and discharge of any Substances on the Real Property Collateral and such activities are in compliance with such permits; that Borrower is in compliance with all applicable laws regulating the generation, storage, handling, processing and/or transportation of Substances; that, in the event that any of the foregoing representations and warranties is untrue or is qualified in any way, Borrower has made a complete disclosure to Lender of all facts which might indicate an environmental risk or the violation of any Environmental Laws on or related to the Business or the Real Property Collateral.

3.10 Compliance with Laws. To its best knowledge, after due inquiry, Borrower is in compliance with all federal, state, territory, and local laws, permitting requirements, regulations and governmental requirements applicable to it, the Business, the Real Property Collateral, or to any of its property (including, but not limited to, Environmental Laws), or, to the extent of any noncompliance, such matter would not have a material adverse effect on Borrower.

3.11 Accurate Financial Information. The financial information furnished to Lender by Borrower is complete and accurate and Borrower does not have any undisclosed direct or material contingent liabilities. The financial information provided by Borrower in connection with Borrower s application to Lender for the Loan remains substantially accurate and no material adverse change has occurred in the financial condition of any of the reporting entities since such information was furnished.

3.12 Solvency. (i) Borrower is solvent; (ii) the incursion of the Loan debt and the pledge of the Collateral as contemplated herein to Lender will not render Borrower insolvent; (iii) Borrower has made adequate provision for the payment of all of its creditors other than Lender; and (iv) Borrower has not entered into this transaction to provide preferential treatment to Lender or any other of its creditors in anticipation of seeking relief under federal, territory, or state bankruptcy or insolvency laws.

3.13 ERISA. No employee benefit plan established or maintained, or to which contributions have been made, by Borrower, which is subject to Part 3 of Subtitle 13 of Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), had an accumulated funding deficiency (as such term is defined in Section 302 of ERISA) as of the last day of the most recent fiscal year of such plan ended prior to the date hereof, or would have had such an accumulated funding deficiency on such day if such year were the first year of such plan to which such Part 3 applied; and no material liability to the Pension Benefit Guaranty Corporation has been incurred with respect to any such plan by such party.

To the best knowledge of Borrower, after due inquiry, each such employee benefit plan (if any exists) complies and will comply fully with all applicable requirements of ERISA and of the

Internal Revenue Code of 1986 as amended (IRC) and with all applicable rulings and regulations issued under the provisions of ERISA and the IRC. This Loan Agreement and the consummation of the transactions contemplated herein will not involve any prohibited transaction within the scope of ERISA or Section 4975 of the IRC.

3.14 Ownership of Collateral. Borrower represents and warrants that, except as otherwise referenced herein, it is the absolute owner of the Collateral as set forth in Section 5.1 hereof, and that the Collateral is and will be owned free and clear of all liens, encumbrances, and security interests of any kind except for Permitted Liens.

3.15 No Member or Shareholder Loans. There are no outstanding loans from members or shareholders of Borrower, or from any Affiliates of them, to Borrower.

3.16 Representation and Warranty of Lazarus Energy. Lazarus Energy does hereby represent and warrant to Lender that that certain Joint Marketing Agreement and that certain Crude Oil Supply and Throughput Services Agreement, both between it and GEL Tex Marketing, LLC, a Delaware limited liability company, have expired or have been terminated and are no longer in force or effect.

4.1 **Covenants of Borrower.**

4.2 Affirmative Covenants. During the term of this Loan Agreement, Borrower shall:

(a) Continuation of Preclosing Conditions, Representations and Warranties. Agree that all conditions precedent to the making of the Loan shall remain satisfied at all times during the term of this Loan Agreement, and that representations and warranties made by Borrower in the Loan Documents signed by it shall be deemed to be made at all times during the term of this Loan Agreement.

(b) Maintenance. Maintain all of Borrower s property in good condition and repair and make all necessary replacements thereof and repairs thereto, and preserve and maintain all licenses, trademarks, privileges, permits, franchises, certificates and the like necessary for the operation of its businesses, and to do or cause to be done all things necessary to preserve and keep in full force and effect its existence and its rights.

(c) Financial Statements and Tax Returns.

A. Furnish to Lender: (i) audited annual financial statements of Borrower, certified by an independent certified public accountant acceptable to Lender, together with an unqualified opinion of such accountant acceptable to Lender, within ninety (90) days of Borrower s fiscal year-end (and any management letters issued by the auditors must be provided to Lender within ninety (90) days of issuance); (ii) company-prepared accounts receivable schedule, accounts payable schedule, and business debt schedule within ninety (90) days following fiscal year-end; and (iii) such other information respecting the financial condition and operations of Borrower, as Lender may from time to time reasonably request. All

financial statements shall be prepared in accordance with GAAP, except as noted above, shall be in form and content satisfactory to Lender, and shall include, without limitation, an income statement, profit and loss statement, balance sheet, a cash flow statement and a list of contingent liabilities and claims. Financial statements submitted to Lender shall be accompanied by Borrower's chief financial officer's certificate that the financial statements submitted are: (a) in accordance with its books and records; (b) present fairly the financial position and the results as of and for the periods specified; (c) set forth all material claims and liabilities, contingent or otherwise; and (d) fully disclose the existence of any Event of Default, including the nature and period of existence thereof.

B. Borrower shall furnish to Lender complete copies of its certified public accountant prepared federal and territory tax returns within forty-five (45) days of filing.

(d) Insurance.

A. Maintain with financially sound and reputable insurance companies insurance of the kinds, covering the risks, and in the amounts usually carried by entities and individuals engaged in businesses similar to that of Borrower. Such insurance shall include, but not be limited to, comprehensive hazard/casualty insurance on buildings and contents including, but not limited to, such coverage on the Collateral and improvements in amounts satisfactory to Lender and including but not limited to coverage for fire, windstorm, lightning, hail, explosion, riot, civil commotion, aircraft, vehicle, marine, smoke, builder's risk during construction and property damage, and including, if required by law or Lender, flood insurance. Borrower will exhibit or deliver such policies of insurance to Lender and provide appropriate clauses in the insurance policies specifying Lender's status as co-insured and loss-payee, as to the Collateral, as its interest may appear. If Borrower is in default hereunder, Lender shall have the right to settle and compromise any and all claims under any policy under which Lender is listed as co-insured and Borrower hereby appoints Lender as its attorney-in-fact, with power to demand, receive, and receipt for all monies payable thereunder, to execute in the name of Borrower or Lender or both any proof of loss, notice, draft, or other instruments in connection with such policies or any loss thereunder and generally to do and perform any and all acts as Borrower, but for this appointment, might or could perform. Unless otherwise agreed, Lender shall be entitled to apply the proceeds of any such policies to satisfy the indebtedness arising under the Loan. Borrower shall pay on demand all of Lender's reasonable costs and expenses incurred in connection with the collection and disbursement of insurance proceeds, including, without limitation, inspection, engineering and legal fees. Lender shall have the right to apply any excess proceeds toward reduction of the Obligations.

B. All insurance policies provided hereunder shall be in an amount sufficient to avoid the application of any co-insurance provisions and must include provisions for a minimum thirty (30) day advance written notice of any intended policy cancellation or non-renewal.

C. In addition to the insurance described above, Borrower must obtain and keep in place worker s compensation insurance as required under applicable state or territory law.

(e) Access to Collateral and Financial Information. Upon reasonable notice, permit Lender, the USDA and any representative or agent of Lender and USDA, to examine and audit any or all of its books and records, wherever located, upon request by Lender and permit Lender, the USDA and agents of Lender and the USDA to have access to all Collateral for purposes of inspection and evaluation and shall have access to all Collateral and to all facilities on a scheduled and unscheduled basis to conduct inspections to determine the effectiveness of the program under which the Loan was made and guaranteed.

(f) Deposit Account(s). Maintain a deposit account with Lender, which is separate from, and in addition to, the Working Capital Account, and will maintain on deposit therein at least the minimum amount of funds as required by Lender for all commercial accounts.

(g) Environmental Indemnity. Indemnify and hold Lender harmless from and against all liability, including all foreseeable and unforeseeable consequential damages, directly or indirectly arising out of: (i) the use, generation, storage, release, or disposal of Substances, including, without limitation, the cost of any required or necessary inspection, audit, removal or remediation, clean-up, or detoxification and the preparation of any closure or other required plans, consent orders, license applications, or the like, whether such action is required or necessary prior to or following transfer of title of its real or personal property, to the full extent that such action is attributable, directly or indirectly, to the use, generation, storage, release or disposal of Substances on its real or personal property, and (ii) the violation by Borrower of any Environmental Law. Borrower agrees that the indemnity obligations in this paragraph shall include indemnifying Lender for all reasonable attorneys fees and expenses incurred by Lender to enforce the terms of this Loan Agreement. Borrower s indemnity obligations under this paragraph are exclusive of, and in addition to, any other insurance obligations which it has under this Loan Agreement or any of the Loan Documents, and shall survive termination of this Loan Agreement and payment in full of the Notes. The forgoing shall be in addition to (and not limitation of) the indemnifications and benefits set forth in the Environmental Indemnity Agreement.

(h) Purpose of Loan. Use the proceeds of the Loan only for the purpose or purposes represented to Lender in Section 2.2.

(i) Adverse Changes. Provide notice to Lender, as soon as possible, and in any event within five (5) Business Days after it becomes aware of the occurrence of a material adverse change in its business, properties, operations, or condition (financial or other), including notice of (i) any default occurring with respect to Borrower's material obligations owed to any other creditor; (ii) acceleration of any part of or demand for payment in full of any outstanding material obligation earlier than the scheduled date; or (iii) of the threat by any person, firm, corporation or other entity to whom it is indebted to declare any material debt due or determine that any provision of any agreement between such party and Borrower has been violated. Such notice shall contain a statement setting forth details of such material adverse change and the action that is proposed in response thereto. For the purposes of this Section, material shall mean the occurrence of an event or circumstances which, if unchanged would adversely affect the subject Person's ability to conduct its business as presently conducted, or to pay such Person's Indebtedness as and when the same becomes due.

(j) Notice of Litigation. Promptly notify Lender in the event that legal action is filed or threatened against Borrower; provided, however, that the foregoing shall not apply with respect to (i) litigation in which the claim for damages is less than \$100,000 or (ii) such litigation includes claims for which an insurer has admitted full coverage therefor (excluding applicable deductibles) or (iii) litigation in which claims for damages is less than \$500,000 and in the judgment of Borrower's outside counsel is without merit and/or has no substantial likelihood of being determined adversely to the subject Person.

(k) Notice of Default. Immediately notify Lender, by telephone followed by written notice, upon the occurrence of any Event of Default or circumstances which, if uncured with the lapse of time, would create an Event of Default.

(l) Governmental Obligations. Pay and discharge promptly or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon them or upon their income or property, real, personal, or mixed, or upon any part thereof, as well as all claims of any kind (including claims for labor, materials and supplies) which, if unpaid, might by law become a lien or charge against said property; provided, however, that Borrower shall not be required to pay any such tax, assessment, charge, levy, or claim if the amounts, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, and if it shall have set aside on its books reserves to the extent required by sound accounting practices as determined by Borrower's independent certified public accountant.

(m) Maintenance Records. Keep adequate records and books of accounts, in which complete entries will be made, reflecting all of the respective Person's financial transactions.

(n) Payment of Obligations. Pay or cause to be paid the principal of, and, if any, the interest and premium on all Indebtedness heretofore or hereafter incurred

or assumed by them when and as the same shall become due and payable, unless such Indebtedness be renewed or extended; and faithfully observe, perform and discharge all of the covenants, conditions and obligations that are imposed on them by any and all indentures and other agreements securing or evidencing such Indebtedness or pursuant to which such Indebtedness is issued, and not permit the continuance of any act or omission that is, or the provisions thereof which may be declared, a default in the payment of principal and interest, unless waived, pursuant to the terms thereof.

(o) Debt Service Coverage Ratio (DSCR). Maintain a Debt Service Coverage Ratio of at least 1.25 to 1.0, tested annually, beginning year-end 2021 and for the remaining term of the Loan; to be measured by EBITDA, as reported on the CPA-compiled financial statements. Debt Service Coverage Ratio shall mean the ratio of EBITDA to Debt Service. EBITDA shall mean net income plus the sum of interest expense, taxes, depreciation and amortization. Debt Service shall mean scheduled principal and interest payments on indebtedness.

(p) Working Capital. The portion of the proceeds of the Loan that are disbursed by Lender to be utilized by Borrower for working capital of the Business shall be maintained in the Working Capital Account and used by Borrower solely for Working Capital Business purposes as permitted in the USDA Conditional Commitment.

(q) Current Ratio. At all times maintain a Current Ratio of not less than 1.0 to 1.0; with Current Ratio being the ratio of current assets to current liabilities (as determined under GAAP), tested annually on the last day of each fiscal year beginning fiscal year-end 2022.

4.3 Negative Covenants. During the term of this Loan Agreement, without prior written consent of Lender:

(a) Merger, Etc. Borrower will not enter into any merger, reorganization or consolidation; or make any substantial change in the basic type of business or Business now conducted by it; or cause, suffer or permit the transfer of any material ownership interest or change of control without the prior written concurrence of Lender.

(b) Name Change, Etc. Borrower will not change its name or any name in which it does business; or move its principal place of business or chief executive office or change the location of its books and records; or change its state/territory of formation, without giving written notice thereof to Lender at least thirty (30) days prior thereto.

(c) Sale/Encumbrance of Assets, Etc. Without the prior written consent of Lender and, if necessary the consent of USDA, Borrower will not sell, transfer, lease, encumber, pledge, grant a security interest in or dispose of any of the Collateral (other than Permitted Liens) or take any action that would make it

impossible for it to carry out its business as now conducted, or would have a material adverse effect on its financial condition. The foregoing does not apply to the sale of inventory in the ordinary course of Borrower's business or to Permitted Liens.

(d) Judgments, etc. Borrower will not allow any number of judgments for the payment of money in excess of the sum of \$100,000.00 in the aggregate, excluding amounts with respect to which an insurance carrier admits full coverage (except for applicable deductibles), to remain unsatisfied against it for a period of thirty (30) consecutive days, unless execution thereof is stayed.

(e) Indebtedness. Borrower will not obtain from any party other than Lender any loans, advances or other financial accommodations or arrangement with an aggregate principal balance greater than \$500,000.00 at any one time unless approved in advance in writing by Lender.

(f) Existing Debt. Borrower will not increase its existing debt with Veritex Community Bank or grant it additional collateral for such debt, without Lender's prior written consent.

(g) Margin Stock. Borrower shall not directly or indirectly apply any part of the proceeds of the Loan for the immediate, incidental, or ultimate purpose of carrying any Margin Stocks within the meaning of Regulation U of the Board of Directors of the Federal Reserve System, or any regulation, interpretations or rulings thereunder.

(h) Advances or Loans. Borrower shall not make any loans, advances, investments or extensions of credit to any stockholder, member, owner, officer or any Affiliates, without the prior written consent of the Lender. Any loans or advances from any Affiliates are subject to the prior approval of Lender and must be subordinate to the Loan and no payments may be made on any such loan or advancement unless the Loan is current and no default or Event of Default has occurred.

(i) Guaranties. Borrower shall not guaranty, endorse, become a surety with respect to, or otherwise become directly or contingently liable for, or in connection with, the obligations of any other Person, firm, corporation, or other entity.

(j) Obligations of Other Persons. Borrower will not co-sign or otherwise become liable for or on obligations or liabilities of other Persons.

(k) Compensation and Distributions. Distributions to members, and compensation to officers and employees, will be limited to an amount that, when taken, will not adversely affect repayment ability of Borrower to make payments on the Loan and other loans when due.

(l) Dividends. No dividend payments or distributions to officers, members or other equity holders will be made by Borrower unless (1) an after-tax profit was

made in the preceding fiscal year, (2) the Borrower is and will remain in compliance with covenants of the Loan Agreement and Conditional Commitment for the USDA Guarantee, (3) all Borrower debts are paid to a current status, and (4) the prior written concurrence of the Lender is obtained. This is not intended to apply to dividend payments to cover personal tax liability resulting from the profitability of Borrower s business.

(m) Capital Expenditures. Borrower will not invest in additional fixed asset purchases in an annual aggregate of more than \$500,000 without the concurrence of the Lender. Borrower will not lease, sell, transfer, or otherwise encumber fixed assets without the prior written concurrence of the Lender. Any disposition of fixed assets servicing as Collateral for the Loan must also have the prior written approval of Lender and concurrence of the USDA.

(n) Debt to Net Worth. Borrower s debt to net worth, based upon year-end financial statements, shall not exceed 9.0 to 1.0.

(o) No Unlawful Activity. The Business shall not conduct any activity that is in violation of federal, territory, or state law nor shall any equipment or other assets funded by the Loan be used for activities that are in violation of federal, territory, or state law.

Unless otherwise agreed to by Lender, in writing or otherwise set forth herein, Borrower s compliance with the foregoing financial covenants shall be determined in accordance with GAAP after eliminations for any Intercompany Transactions, and all of Borrower s financial reporting shall be made in accordance with GAAP.

4.4 Substantial Benefit to Guarantors.

The Guarantors each represent and warrant that the making of the Loan to Borrower will result in a substantial benefit to the Guarantors and acknowledge that Guarantors liability for the Obligations, as such liability is variously described in the Loan Documents, is unconditional, unlimited, joint and several, and that Lender is making the Loan in reliance upon the Corporate and Personal Guaranties of Guarantors and that Lender would be unwilling to make or continue to make the Loan without the Corporate and Personal Guaranties.

5.1 Security for Loan. As security for the Loan and for all other Obligations, the following liens and security interests will be required and Borrower will execute and deliver to Lender appropriate mortgages, deeds of trust, security instruments, financing statements and other security documents in form satisfactory to Lender, covering the following Collateral in each case subject only to the Permitted Liens.

5.2 Real Property Collateral. The Deeds of Trust in the Deed of Trust, in and on the Real Property Collateral, subject only to Permitted Liens;

5.3 Personal Property Collateral. A security interest in the Personal Property Collateral as provided in the Security Agreement and the Deeds of Trust, subject only to Permitted Liens;

5.4 Accounts. A pledge or the Working Capital Account and any and all other accounts of Borrower maintained with Lender, together with all funds and assets held on deposit therein from time to time, together with one or more control agreements as may be needed in order to secure Lender's first-lien security interest in said accounts; and

5.5 Proceeds. A pledge and lien on all products, proceeds, and substitutions of the foregoing.

6.1 **Events of Default**. The occurrence of any of the following shall constitute an event of default (Event of Default):

(a) Payment. Any payment of principal, interest, or other sum owed to Lender under the Notes or under the other Loan Documents, or otherwise due from Borrower to Lender, is not made as and when due.

(b) Additional Defaults. Any provision or covenant of the Loan Documents (except as set forth in (a) above) is breached, and which breach is not cured within thirty (30) days receipt of notice from Lender, or any warranty, representation, or statement made or furnished to Lender by Borrower in connection with the Loan, and the Loan Documents (including any warranty, representation, or statement in Borrower's financial statements) or to induce Lender to make either of the Loan, is untrue or misleading in any material respect or an event of default under any other Loan Document occurs.

(c) Cross-Default. (i) Any default by Borrower occurs under the Loan or under any agreement or other loan with Lender, whether now existing or hereafter arising, which default is not corrected within the cure period provided in such applicable loan agreement, if any, or (ii) any default occurs under the loans with Veritex Community Bank which is not cured under any applicable cure period.

(d) Dissolution or Bankruptcy. The dissolution or termination of existence of Borrower or the liquidation, insolvency, business failure, appointment of receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under state, territory, or federal bankruptcy laws or other insolvency laws by or against Borrower, or the commencement of an involuntary proceeding against Borrower under state, territory, or federal bankruptcy laws which is not dismissed within ninety (90) days after such commencement, or a merger or consolidation or sale of Borrower's assets, other than a sale of assets in the ordinary course of business, which has not been consented to by Lender.

7.1 **Lender's Remedies**. In addition to any remedies available to Lender under the Notes and other Loan Documents, Lender shall have the following remedies:

(a) Acceleration. Upon the occurrence of an Event of Default, Lender shall have the option to declare the entire unpaid principal amount of the Loan to be immediately due and payable and all accrued interest and all other Obligations immediately due and payable, without presentment, demand, or notice of any kind, and, in such event, all such sums shall be immediately due and payable.

(b) Remedies. Upon the occurrence of an Event of Default, Lender shall be entitled to pursue all rights and remedies available under each of the Loan Documents, as well as all rights and remedies available at law, or in equity, and such rights and remedies shall be cumulative. Without in any way limiting the generality of the foregoing, Lender shall also have the following non-exclusive rights:

(i) Foreclosure and Sale. To commence and complete the foreclosure of the Real Property Collateral or any part thereof under the terms of each Deed of Trust;

(ii) Immediate Possession of Collateral. To take immediate possession of all Collateral, whether now owned or hereafter acquired, without notice, demand, presentment, or resort to legal process, and, for those purposes, to enter any premises where any of the Collateral is located and remove the Collateral therefrom or render it unusable;

(iii) Assembly of Collateral. To require Borrower to reasonably assemble and make the Collateral available to Lender at a place to be designated by Lender which is also reasonably convenient to Borrower;

(iv) Repair of Collateral. To make any repairs to the Collateral which Lender deems reasonably necessary or desirable for the purposes of sale;

(v) Set-off. To exercise any and all rights of set-off which Lender may have against any account, fund, or property of any kind, tangible or intangible, belonging to Borrower which shall be in Lender's possession or under its control, including, but not limited to, applying the funds in the Working Capital Account against the outstanding balance of the Loan;

(vi) Cure. To cure any Event of Default in such manner as deemed reasonably appropriate by Lender;

(vii) Sell Collateral. To sell all or any portion of the Collateral, in one or more sales, and at any time and place, as determined by Lender in its sole and absolute discretion and otherwise in accordance with the Uniform Commercial Code;

(viii) Receiver. In addition to any other remedy available to it, Lender shall have the absolute right, upon the occurrence of an Event of Default, to seek and obtain the appointment of a receiver to take possession of and operate and/or dispose of the business and assets of Borrower and any reasonable costs and expenses incurred by Lender in connection with such receivership shall bear interest at the interest rate under the Notes, at Lender's option, and shall be secured by all Collateral.

7.2 Proceeds. The proceeds from any disposition of the Collateral shall be used to satisfy the following items in the order they are listed:

(a) The expenses of taking, removing, storing, repairing, holding, maintaining and selling the Collateral and otherwise enforcing the rights of Lender under the

Lazarus Refining & Marketing, LLC
Blue Dolphin Energy Company
Jonathan Pitts Carroll, Sr.
801 Travis Street, Suite 2100
Houston, TX 77002

8.3 Waiver. No failure or delay on the part of Lender in exercising any power or right hereunder, and no failure of Lender to give Borrower notice of an Event of Default, shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of any Loan Document or consent to any departure by Borrower or from any Loan Document shall in any event be effective unless the same shall be in writing, signed by Lender and Borrower, and such waiver or consent shall be effective only in the specific instance and for the particular purpose for which it was given.

8.4 Benefit. The Loan Documents shall be binding upon and shall inure to the benefit of Borrower and Lender and their respective successors and assigns.

8.5 Governing Law and Jurisdiction. The Loan Documents and this Loan Agreement, unless otherwise specifically provided therein, and all matters relating thereto, shall be governed by and construed and interpreted in accordance with the laws of the State of Nevada.

8.6 Assignment. Lender may assign or participate the land and Loan Documents, in whole or in part, to any other person or entity provided that, in the event of such assignment, Lender shall thereafter be relieved of all liability hereunder (excluding causes of action for Lender's gross negligence or intentional acts prior to such transfer) provided, however, that Lender shall provide to Borrower thirty (30) days prior notice of its intent to assign. Borrower hereby authorizes Lender to disclose all information (including financial) provided to Lender by Borrower in connection with the Loan to any actual or prospective assignee or participant of all or part of the Loan. Borrower may not assign the Loan Documents or any interest therein without Lender's prior written consent.

8.7 Severability. Invalidity of any one or more of the terms, conditions or provisions of this Loan Agreement shall in no way affect the balance hereof, which shall remain in full force and effect.

8.8 Construction. Whenever the context and construction so require, all words used in the singular number herein shall be deemed to have been used in the plural, and vice versa, and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine. All references to Sections shall mean Sections of the Loan Document. The terms herein, hereinbelow, hereunder, and similar terms are references to the particular Loan Document in its entirety and not merely the particular Article, Section, or Exhibit in which any such term appears. Captions are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of the Loan Document nor the intent of any provision thereof. All references to any Loan Document shall include all amendments, extensions, renewals, restatements or replacements of the same. The terms include, including and similar terms shall be construed as if followed by the phrase without being limited to and Real Property

Collateral Personal Property Collateral and Collateral shall be construed as if followed by the phrase or any part thereof . No inference in favor of any party shall be drawn from the fact that such party has drafted any portion of the Loan Document. In the event of any inconsistency between the terms of the Loan Agreement and any other Loan Document (with the exception of the Notes, which shall control), the terms of the Loan Agreement shall control, provided that any provision of any Loan Document, other than the Loan Agreement, which imposes additional Obligations upon Borrower or provides additional rights or remedies to Lender shall be deemed to be supplemental to, and not inconsistent with, the Loan Agreement.

8.9 Execution in Counterparts. All Loan Documents may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument, and in making proof of the Loan Document, it shall not be necessary to produce or account for more than one such counterpart.

8.10 Examinations/Communications. Lender s examinations, inspections, or receipt of information pertaining to the matters set forth in the Loan Documents shall not in any way be deemed to reduce the full scope and protection of the Loan Documents or the Obligations of the Borrower related to the Loan Documents. Borrower agrees that Lender shall have no duty or obligation of any nature to (i) make any investigation, inspection or review regarding any Collateral at any time, with any such investigation that is undertaken being solely for the benefit of Lender; or (ii) communicate in any manner with Borrower irrespective of the fact that Lender s information, or lack thereof, could be material to such Party s actions with respect to the Obligations.

8.11 No Third Party Beneficiaries. The Loan Documents are entered into for the sole benefit of Borrower, its successors and assigns, and no third party shall be deemed to have any privity of contract nor any right to rely on any Loan Document to any extent or for any purpose whatsoever, nor shall any other person have any right of action of any kind hereof or be deemed to be a party beneficiary.

8.12 No Partnership. Nothing in the Loan Documents, and no action or inaction whatsoever on the part of Lender through the Closing Date, shall be deemed to make Lender a partner or joint venturer with Borrower, and Borrower indemnifies and holds Lender harmless from and against any and all claims, losses, causes of action, expenses (including attorneys fees) and damages arising from the relationship between Lender and Borrower being construed as or related to be anything other than that of creditor and debtor. This provision shall survive the termination of all Loan Documents.

8.13 Notice of Conduct. Borrower agrees to give Lender immediate written notice of any action or inaction by Lender or any agent or attorney of Lender in connection with the Loan Documents or the Obligations of any party under the Loan Documents that may be actionable against Lender or any agent or attorney of Lender or a defense to payment of any Obligations of Borrower, including commission of a tort or violation of any contractual duty implied by law, and a reasonable opportunity to cure or correct such action or inaction. Upon request of Lender from time to time, Borrower shall also confirm in writing the status of the Loan, and the Obligations, and provide other information reasonably requested by Lender.

8.14 Limitation of Damages. Borrower and Lender mutually agree that no Party shall be liable to the other for incidental, consequential or speculative damages arising from any breach of contract, tort or other wrongful conduct in connection with the negotiation, documentation, administration, or collection of the Loan, but only for the actual direct loss suffered by said Party.

8.15 Costs, Expenses and Attorneys Fees. Borrower shall pay to Lender immediately upon demand the full amount of all reasonable out-of-pocket costs and expenses, including reasonable attorneys fees, costs of experts and all other expenses, incurred by Lender (a) in connection with the negotiation, preparation, modification, renewal, restatement and replacement of this Loan Agreement and each of the other Loan Documents, (b) upon the occurrence of an Event of Default, or of circumstances which, if left uncured, would result in an Event of Default, the costs of additional appraisals, environmental studies, title insurance, survey updates and legal reviews, such costs to be incurred for reasonable cause, (c) the perfection, preservation, protection and continuation of the liens and security interest granted Lender in the Collateral and the custody, preservation, protection, repair and operation of any of the Collateral, (d) the pursuit by Lender of its rights and remedies under the Loan Documents and applicable law, (e) for payment of taxes (including, but not limited to, documentary stamp taxes, intangibles taxes, and any penalties or fines related to Borrower's failure to pay such amounts timely), expenses, costs or other amounts levied, incurred or related to the Loans and the recordation of any Loan Documents, and (f) defending any counterclaim, cross-claim or other action, or participating in any bankruptcy proceeding, mediation, arbitration, litigation or dispute resolution of any other nature involving Lender, Borrower or any Collateral, except to the extent Lender has been adjudicated to have engaged in wrongful conduct.

8.16 Further Assurances. At any time after the Closing Date, Borrower, at the request of Lender, shall execute and deliver such further documents and agreements and take such further actions as Lender reasonably deems necessary or appropriate to permit each transaction contemplated by the Loan Documents to be consummated in accordance with the provisions thereof and to perfect, preserve, protect and continue all liens, security interests and rights of Lender under the Loan Documents, financing statements, continuation statements, new or replacement promissory note or notes, and/or agreements supplementing, extending or otherwise modifying each Note, this Loan Agreement and certificates as to the amount of the indebtedness evidenced by the Notes. Borrower herein irrevocably with full power of substitution constitutes and appoints Lender as its attorney-in-fact, such appointment being coupled with an interest with the right to enforce Lender's rights with respect to the above further assurances.

8.17 Incorporation by Reference. This Loan Agreement is incorporated by reference into various Loan Documents, and shall govern each and every Loan Document. In executing any Loan Document, the signatories thereto other than Lender expressly agree to be bound by all provisions of this Loan Agreement pertaining to the Borrower.

8.18 Integration. This Loan Agreement and the Loan Documents supersede any and all prior expressions, written or oral (including, but not limiting to any Commitment Letter or term sheets), among the Parties related to, describing or governing the terms of, the Loan and any transaction related thereto.

8.19 Time of the Essence. Time is of the essence under all Loan Documents.

[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE TO LOAN AGREEMENT

IN WITNESS WHEREOF, the Parties hereto have executed this Loan Agreement under seal as of the date first above written.

BORROWER:

NIXON PRODUCT STORAGE, LLC,
a Delaware limited liability company

By: Blue Dolphin Energy Company, its
sole member

By:  _____
Jonathan Carroll (Oct 1, 2021 11:08 CDT)

Name: Jonathan Pitts Carroll, Sr.
Title: President

LENDER:

GREATER NEVADA CREDIT UNION

By: _____
Name: _____
Title: _____

SIGNATURE PAGE TO LOAN AGREEMENT

IN WITNESS WHEREOF, the Parties hereto have executed this Loan Agreement under seal as of the date first above written.

BORROWER:

NIXON PRODUCT STORAGE, LLC,
a Delaware limited liability company

By: Blue Dolphin Energy Company, its
sole member

By: _____
Name: Jonathan P. Carroll
Title: President

LENDER:

GREATER NEVADA CREDIT UNION

By: Maras Watz
Name: Maras Watz
Title: VP lending

SIGNATURE PAGE TO LOAN AGREEMENT (CONT.)

GUARANTORS:

LAZARUS ENERGY LLC,
a Delaware limited liability company

By: Blue Dolphin Energy Company, its
sole member

By: 

Name: Jonathan Pitts Carroll, Sr.
Title: President

LAZARUS ENERGY HOLDINGS LLC,
a Delaware limited liability company

By: 

Name: Jonathan Pitts Carroll, Sr.
Title: President

LAZARUS REFINING & MARKETING, LLC,
a Delaware limited liability company

By: Blue Dolphin Energy Company, its
sole member

By: 

Name: Jonathan Pitts Carroll, Sr.
Title: President

BLUE DOLPHIN ENERGY COMPANY,
a Delaware corporation

By: 

Name: Jonathan Pitts Carroll, Sr.
Title: President

JONATHAN PITTS CARROLL, SR.,
individually



Jonathan Carroll (Oct 1, 2021 11:08 CDT)

Exhibit 1

Form of Note #1

Exhibit 2

Form of Note #2

Exhibit 3.2

Matrix of Borrower and all Guarantors and other Affiliates

GUARANTEED NOTE

Loan #886400573
 Note #1
 \$9,000,000

September 20, 2021

FOR VALUE RECEIVED, **NIXON PRODUCT STORAGE, LLC**, a Delaware limited liability company ("**Borrower**"), hereby promises to pay to the order of **GREATER NEVADA CREDIT UNION**, a Nevada domestic non-profit cooperative corporation (the "**Lender**"), at its offices at 451 Eagle Station Lane, Carson City, Nevada 89701, or such other place as Lender shall designate in writing from time to time, the principal sum of **NINE MILLION and No/100 DOLLARS (\$9,000,000.00)** (the "**Loan**"), or so much thereof as shall be advanced, pursuant to the Loan Agreement of even date herewith between Borrower and Lender (the "**Loan Agreement**"), in United States Dollars, together with interest thereon as hereinafter provided. The Loan Agreement is hereby incorporated herein by reference. This is one of the "**Notes**" (hereinafter, the "**Guaranteed Note**") referred to in the Loan Agreement. All capitalized terms used herein but not otherwise defined shall have the meanings as defined in the Loan Agreement.

1. **INTEREST.**

1.1 **Rate.** Interest shall accrue at a fixed rate equal to five and three-quarter's percent (5.75%). The interest rate shall remain fixed through the Maturity Date (as defined below).

1.2 **Principal and Interest Payments.** Interest on the Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Interest only payments will be due and payable on the 20th day of each month, or the next succeeding Business Day if such day is not a Business Day (each a "Payment Date"), commencing on October 20, 2021, for the first thirty-six (36) months. Thereafter, commencing on October 20, 2024 and continuing to and including the Maturity Date, Borrower shall pay principal and interest on each Payment Date based on the fixed interest rate and level of amortization of the principal to the Maturity Date. Monthly Loan payments shall not be permitted in advance of any Payment Date.

1.3 **Maturity Date.** The entire unpaid principal amount hereof, together with accrued and unpaid interest thereon and all other amounts payable hereunder shall be due and payable on October 20, 2031 (the "Maturity Date").

2. **APPLICATION OF PAYMENTS.** Except as otherwise specified herein, each payment or prepayment, if any, made under this Guaranteed Note shall be applied to accrued interest, principal, late charges, unpaid collections costs, escrows (if any), and any other fees, costs and expenses which Borrower is obligated to pay under this Guaranteed Note, in such order as Lender may elect from time to time in its sole discretion.

3. **TENDER OF PAYMENT.** All payments on this Guaranteed Note shall be made in immediately available lawful money of the United States at Lender's address stated above or by direct charge to the demand deposit account with Lender designated in writing by Borrower. All

Initial

sums payable to Lender which are due on a day on which Lender is not open for business shall be paid on the next succeeding Business Day and such extended time shall be included in the computation of interest.

4. **LATE CHARGE.** In the event that any installment of principal or interest required to be made by Borrower under this Guaranteed Note shall not be received by Lender within fifteen (15) days after its due date, Borrower shall pay to Lender, on demand, a late charge of five percent (5%) of such delinquent payment. The foregoing right is in addition to, and not in limitation of, any other rights which Lender may have upon Borrower's failure to make timely payment of any amount due hereunder.


5. **PREPAYMENT.** The principal amount of this Guaranteed Note may be prepaid in whole or in part at any time, and from time to time. Any prepayment shall include accrued and unpaid interest to the date of prepayment on the principal amount prepaid and all other sums due and payable hereunder. In the event of prepayment, in whole or in part, a prepayment penalty shall be assessed as follows:

- a) If the prepayment occurs on or before the third anniversary date of the Loan, the prepayment penalty will equal three percent (3%) of the principal amount prepaid; and
- b) A prepayment penalty shall not apply if the prepayment occurs after the third anniversary date of the Loan.

6. **SECURITY FOR THE GUARANTEED NOTE.** This Guaranteed Note is executed and delivered in accordance with a commercial transaction described in the Loan Agreement, the Deed of Trust, and the Security Agreement. As security for the payment of the monies owing under this Guaranteed Note, Borrower has pledged to Lender and granted a security interest in all Collateral as described in the Loan Agreement.

7. **INDEMNIFICATION.**

7.1 Borrower hereby indemnifies and agrees to defend and hold harmless Lender, its officers, employees and agents, from and against any and all losses, damages, or liabilities and from any suits, claims or demands, including reasonable attorneys' fees incurred in investigating or defending such claim, suffered by any of them and caused by, arising out of, or in any way connected with the Loan Documents or the transactions contemplated therein (except to the extent determined by a final judgment of a court of competent jurisdiction to have been caused by the gross negligence or willful misconduct of any of the indemnified parties) including, without limitation: (i) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by Lender in connection with the Business or Real Property; (ii) losses, damages (including consequential damages), expenses or liabilities sustained by Lender in connection with any environmental inspection, monitoring, sampling or cleanup of the Real Property required or mandated by any applicable Environmental Law; (iii) claims by any tenant or any other party arising under or in connection with any lease of all or any portion of the Real Property; (iv) any untrue statement of a material fact contained in information submitted to Lender by Borrower or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete; (v) the failure of

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Borrower to perform any obligations herein required to be performed by Borrower; and (vi) the ownership, construction, occupancy, operation, use or maintenance of the Real Property.

7.2 In case any action shall be brought against Lender, its officers, employees or agents, in respect to which indemnity may be sought against Borrower, Lender or such other party shall promptly notify Borrower and Borrower shall assume the defense thereof, including the employment of counsel selected by Borrower and satisfactory to Lender, the payment of all costs and expenses and the right to negotiate and consent to settlement. Lender shall have the right, at its sole option, to employ separate counsel in any such action and to participate in the defense thereof. Borrower shall not be liable for any settlement of any such action effected without its consent (unless Borrower fails to defend such claim), but if settled with Borrower's consent, or if there be a final judgment for the claimant in any such action, Borrower agrees to indemnify and hold harmless Lender from and against any loss or liability by reason of such settlement or judgment.

8. **EVENTS OF DEFAULT.** Each of the following, shall constitute an event of default hereunder (an "Event of Default"): (a) the failure of Borrower to pay any amount of principal or interest hereunder after the lapse of any applicable grace period; or (b) the occurrence of any other default in any term, covenant or condition hereunder after the lapse of any applicable notice and cure period as provided in the Loan Agreement, or (c) any Event of Default under the Loan Agreement or under any other Loan Document, or (d) an event of default on any other loan facility from Lender for the benefit of Borrower.

9. **REMEDIES.** If an Event of Default exists, Lender may exercise any right, power or remedy permitted by law or as set forth herein or in the Loan Agreement or any other Loan Document including, without limitation, the right to declare the entire unpaid principal amount hereof and all interest accrued hereon, and all other sums secured by the Security Agreement or any other Loan Document, to be, and such principal, interest and other sums shall thereupon become, immediately due and payable.

10. **MISCELLANEOUS.**

10.1 **Disclosure of Financial Information.** Lender is hereby authorized to disclose any financial or other information about Borrower to any regulatory body or agency having jurisdiction over Lender and to any present, future or prospective participant or successor in interest in any loan or other financial accommodation made by Lender to Borrower. The information provided may include, without limitation, amounts, terms, balances, payment history, return item history and any financial or other information about Borrower.

10.2 **USDA Guarantee.** The United States Department of Agriculture has issued its Loan Note Guarantee Form RD 4279-5 (the "USDA Guarantee") which guarantees the outstanding principal of this Guaranteed Note subject to the terms and conditions of said USDA Guarantee. Reference is made to the USDA Guarantee for the terms and conditions applicable to the Lender and any holder of all or any portion of this Guaranteed Note, which is retained by the Lender.

Initial  _____

10.3 Attorneys' Fees and Expenses. If Lender retains the services of counsel by reason of a claim of a default or an Event of Default hereunder or under any of the other Loan Documents, or on account of any matter involving this Guaranteed Note, or for examination of matters subject to Lender's approval under the Loan Documents, all costs of suit and all reasonable attorneys' fees and such other reasonable expenses so incurred by Lender shall be paid by Borrower, on demand, and shall be deemed part of the obligations evidenced hereby. Notwithstanding the above, whenever the term "reasonable attorneys' fees" is used herein or in any other Loan Documents, it shall mean attorneys' fees and expenses actually incurred by Lender at its counsels' standard hourly rates, notwithstanding any statutory presumption to the contrary.

10.4 No Implied Waiver. Lender shall not be deemed to have modified or waived any of its rights or remedies hereunder unless such modification or waiver is in writing and signed by Lender, and then only to the extent specifically set forth therein. A waiver in one event shall not be construed as continuing or as a waiver of or bar to such right or remedy in a subsequent event. After any acceleration of, or the entry of any judgment on, this Guaranteed Note, the acceptance by Lender of any payments by or on behalf of Borrower on account of the indebtedness evidenced by this Guaranteed Note shall not cure or be deemed to cure any Event of Default or reinstate or be deemed to reinstate the terms of this Guaranteed Note absent an express written agreement duly executed by Lender and Borrower.

10.5 Waiver. To the fullest extent permitted by applicable law, Borrower, jointly and severally, waives demand, notice, presentment, protest, demand for payment, notice of dishonor, notice of protest and diligence of collection of this Guaranteed Note. Borrower consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Lender with respect to the payment or other provisions of this Guaranteed Note, and to the release of any collateral, with or without substitution. Borrower agrees that makers, endorsers, guarantors and sureties may be added or released without notice and without affecting Borrower's liability hereunder. The liability of Borrower shall not be affected by the failure of Lender to perfect or otherwise obtain or maintain the priority or validity of any security interest in any collateral. The liability of Borrower shall be absolute and unconditional and without regard to the liability of any other party hereto.

10.6 No Usurious Amounts. Anything herein contained to the contrary notwithstanding, Borrower does not agree and shall not be obligated to pay interest hereunder at a rate which is in excess of the maximum rate permitted by law. If by the terms of this Guaranteed Note, Borrower is at any time required to pay interest at a rate in excess of such maximum rate, the rate of interest under this Guaranteed Note shall be deemed to be immediately reduced to such maximum legal rate and the portion of all prior interest payments in excess of such maximum legal rate shall be applied to and shall be deemed to have been payments in reduction of the outstanding principal balance. Borrower agrees that in determining whether any interest payable under this Guaranteed Note exceeds the highest rate permitted by law, any non-principal payment, including without limitation, late charges, shall be deemed to the extent permitted by law to be an expense, fee or premium rather than interest.

Initial

A handwritten signature in blue ink, consisting of a stylized 'J' followed by a horizontal line.

10.7 Partial Invalidity. The invalidity or unenforceability of any one or more provisions of this Guaranteed Note shall not render any other provision invalid or unenforceable. In lieu of any invalid or unenforceable provision, there shall be added automatically a valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible.

10.8 Binding Effect. The covenants, conditions, waivers, releases and agreements contained in this Guaranteed Note shall bind, and the benefits thereof shall inure to, the parties hereto and their respective heirs, executors, administrators, successors and assigns; provided, however, that this Guaranteed Note cannot be assigned by Borrower without the prior written consent of Lender, and any such assignment or attempted assignment by Borrower shall be void and of no effect with respect to Lender.

10.9 Modifications. This Guaranteed Note may not be supplemented, extended, modified or terminated except by an agreement in writing signed by the party against whom enforcement of any such waiver, change, modification or discharge is sought.

10.10 Sales or Participations. Lender may from time to time sell or assign, in whole or in part, or grant participations in, the Loan, this Guaranteed Note and/or the obligations evidenced thereby. The holder of any such sale, assignment or participation, if the applicable agreement between Lender and such holder so provides, shall be: (a) entitled to all of the rights, obligations and benefits of Lender; and (b) deemed to hold and may exercise the rights of setoff or banker's lien with respect to any and all obligations of such holder to Borrower, in each case as fully as though Borrower were directly indebted to such holder. Lender may in its discretion give notice to Borrower of such sale, assignment or participation; however, the failure to give such notice shall not affect any of Lender's or such holder's rights hereunder.

10.11 Jurisdiction. Borrower agrees that the federal and state courts sitting in and for the State of Nevada shall have jurisdiction with respect to the subject matter hereof and the person of Borrower. Borrower agrees not to assert any defense to any action or proceeding initiated by Lender based upon improper venue or inconvenient forum.

10.12 Notices. All notices and communications under this Guaranteed Note shall be in writing and shall be given by either (a) hand-delivery, (b) first class mail (postage prepaid), or (c) reliable overnight commercial courier (charges prepaid), to the addresses listed in the Loan Agreement. Notice shall be deemed to have been given and received: (i) if by hand delivery, upon delivery; (ii) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (iii) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

10.13 Governing Law. This Guaranteed Note shall be governed by and construed in accordance with the substantive laws of the State of Nevada, without reference to conflict of laws principles.

10.14 Joint and Several Liability. For all purposes of this Guaranteed Note, the liability of each of the signatories hereto (if more than one) shall be joint and several.


Initial 

10.15 Continuing Enforcement. If, after receipt of any payment of all or any part of this Guaranteed Note, Lender is compelled or agrees, for settlement purposes, to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Guaranteed Note and the other Loan Documents shall continue in full force and effect or be reinstated, as the case may be, and Borrower shall be liable for, and shall indemnify, defend and hold harmless Lender with respect to, the full amount so surrendered. The provisions of this Section shall survive the cancellation or termination of this Guaranteed Note and shall remain effective notwithstanding the payment of the obligations evidenced hereby, the release of any security interest, lien or encumbrance securing this Guaranteed Note or any other action which Lender may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action shall be deemed to have been conditioned upon any payment of the obligations evidenced hereby having become final and irrevocable.

10.16 Waiver of Jury Trial. BORROWER AND LENDER AGREE THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT BY LENDER OR BORROWER, ON OR WITH RESPECT TO THIS GUARANTEED NOTE OR ANY OTHER LOAN DOCUMENT OR THE DEALINGS OF THE PARTIES WITH RESPECT HERETO OR THERETO, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. LENDER AND BORROWER EACH HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND INTELLIGENTLY, AND WITH THE ADVICE OF THEIR RESPECTIVE COUNSEL, WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. FURTHER, BORROWER WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY SPECIAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. BORROWER ACKNOWLEDGES AND AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS GUARANTEED NOTE AND THAT LENDER WOULD NOT EXTEND CREDIT TO BORROWER IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS GUARANTEED NOTE.

10.17 Execution in Counterparts. This Guaranteed Note may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument, and in making proof of the Guaranteed Note, it shall not be necessary to produce or account for more than one such counterpart.

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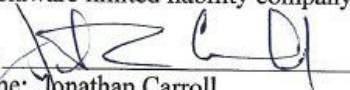
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SIGNATURE PAGE TO GUARANTEED NOTE

IN WITNESS WHEREOF, Borrower, intending to be legally bound, has duly executed and delivered this Guaranteed Note as of the day and year first above written.

BORROWER:

Nixon Product Storage, LLC,
a Delaware limited liability company

By: 
Name: Jonathan Carroll
Title: President

Initial 

NON-GUARANTEED NOTE

Loan #886400474
 Note #2
 \$1,000,000

September 20, 2021

FOR VALUE RECEIVED, **NIXON PRODUCT STORAGE, LLC**, a Delaware limited liability company ("**Borrower**"), hereby promises to pay to the order of **GREATER NEVADA CREDIT UNION**, a Nevada domestic non-profit cooperative corporation (the "**Lender**"), at its offices at 451 Eagle Station Lane, Carson City, Nevada 89701, or such other place as Lender shall designate in writing from time to time, the principal sum of **ONE MILLION and No/100 DOLLARS (\$1,000,000)** (the "**Loan**"), or so much thereof as shall be advanced, pursuant to the Loan Agreement of even date herewith between Borrower and Lender (the "**Loan Agreement**"), in United States Dollars, together with interest thereon as hereinafter provided. The Loan Agreement is hereby incorporated herein by reference. This is one of the "**Notes**" (hereinafter, the "**Non-Guaranteed Note**") referred to in the Loan Agreement. All capitalized terms used herein but not otherwise defined shall have the meanings as defined in the Loan Agreement.

1. **INTEREST.**

1.1 **Rate.** Interest shall accrue at a fixed rate equal to five and three-quarter's percent (5.75%). The interest rate shall remain fixed through the Maturity Date (as defined below).

1.2 **Principal and Interest Payments.** Interest on the Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Interest only payments will be due and payable on the 20th day of each month, or the next succeeding Business Day if such day is not a Business Day (each a "Payment Date"), commencing on October 20, 2021, for the first thirty-six (36) months. Thereafter, commencing on October 20, 2024 and continuing to and including the Maturity Date, Borrower shall pay principal and interest on each Payment Date based on the fixed interest rate and level of amortization of the principal to the Maturity Date. Monthly Loan payments shall not be permitted in advance of any Payment Date.

1.3 **Maturity Date.** The entire unpaid principal amount hereof, together with accrued and unpaid interest thereon and all other amounts payable hereunder shall be due and payable on October 20, 2031 (the "Maturity Date").

2. **APPLICATION OF PAYMENTS.** Except as otherwise specified herein, each payment or prepayment, if any, made under this Non-Guaranteed Note shall be applied to accrued interest, principal, late charges, unpaid collections costs, escrows (if any), and any other fees, costs and expenses which Borrower is obligated to pay under this Non-Guaranteed Note, in such order as Lender may elect from time to time in its sole discretion.

3. **TENDER OF PAYMENT.** All payments on this Non-Guaranteed Note shall be made in immediately available lawful money of the United States at Lender's address stated above or by direct charge to the demand deposit account with Lender designated in writing by Borrower. All sums payable to Lender which are due on a day on which Lender is not open for business

Initial

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shall be paid on the next succeeding Business Day and such extended time shall be included in the computation of interest.

4. **LATE CHARGE.** In the event that any installment of principal or interest required to be made by Borrower under this Non-Guaranteed Note shall not be received by Lender within fifteen (15) days after its due date, Borrower shall pay to Lender, on demand, a late charge of five percent (5%) of such delinquent payment. The foregoing right is in addition to, and not in limitation of, any other rights which Lender may have upon Borrower's failure to make timely payment of any amount due hereunder.

5. **PREPAYMENT.** The principal amount of this Non-Guaranteed Note may be prepaid in whole or in part at any time, and from time to time. Any prepayment shall include accrued and unpaid interest to the date of prepayment on the principal amount prepaid and all other sums due and payable hereunder. In the event of prepayment, in whole or in part, a prepayment penalty shall be assessed as follows:

- a) If the prepayment occurs on or before the third anniversary date of the Loan, the prepayment penalty will equal three percent (3%) of the principal amount prepaid; and
- b) A prepayment penalty shall not apply if the prepayment occurs after the third anniversary date of the Loan.

6. **SECURITY FOR THE NON-GUARANTEED NOTE.** This Non-Guaranteed Note is executed and delivered in accordance with a commercial transaction described in the Loan Agreement, the Deed of Trust, and the Security Agreement. As security for the payment of the monies owing under this Non-Guaranteed Note, Borrower has pledged to Lender and granted a security interest in all Collateral as described in the Loan Agreement.

7. **INDEMNIFICATION.**

7.1 Borrower hereby indemnifies and agrees to defend and hold harmless Lender, its officers, employees and agents, from and against any and all losses, damages, or liabilities and from any suits, claims or demands, including reasonable attorneys' fees incurred in investigating or defending such claim, suffered by any of them and caused by, arising out of, or in any way connected with the Loan Documents or the transactions contemplated therein (except to the extent determined by a final judgment of a court of competent jurisdiction to have been caused by the gross negligence or willful misconduct of any of the indemnified parties) including, without limitation: (i) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by Lender in connection with the Business or Real Property; (ii) losses, damages (including consequential damages), expenses or liabilities sustained by Lender in connection with any environmental inspection, monitoring, sampling or cleanup of the Real Property required or mandated by any applicable Environmental Law; (iii) claims by any tenant or any other party arising under or in connection with any lease of all or any portion of the Real Property; (iv) any untrue statement of a material fact contained in information submitted to Lender by Borrower or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete; (v) the failure of

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Borrower to perform any obligations herein required to be performed by Borrower; and (vi) the ownership, construction, occupancy, operation, use or maintenance of the Real Property.

7.2 In case any action shall be brought against Lender, its officers, employees or agents, in respect to which indemnity may be sought against Borrower, Lender or such other party shall promptly notify Borrower and Borrower shall assume the defense thereof, including the employment of counsel selected by Borrower and satisfactory to Lender, the payment of all costs and expenses and the right to negotiate and consent to settlement. Lender shall have the right, at its sole option, to employ separate counsel in any such action and to participate in the defense thereof. Borrower shall not be liable for any settlement of any such action effected without its consent (unless Borrower fails to defend such claim), but if settled with Borrower's consent, or if there be a final judgment for the claimant in any such action, Borrower agrees to indemnify and hold harmless Lender from and against any loss or liability by reason of such settlement or judgment.

8. **EVENTS OF DEFAULT.** Each of the following, shall constitute an event of default hereunder (an "Event of Default"): (a) the failure of Borrower to pay any amount of principal or interest hereunder after the lapse of any applicable grace period; or (b) the occurrence of any other default in any term, covenant or condition hereunder after the lapse of any applicable notice and cure period as provided in the Loan Agreement, or (c) any Event of Default under the Loan Agreement or under any other Loan Document or (d) an event of default on any other loan facility from Lender for the benefit of Borrower.

9. **REMEDIES.** If an Event of Default exists, Lender may exercise any right, power or remedy permitted by law or as set forth herein or in the Loan Agreement or any other Loan Document including, without limitation, the right to declare the entire unpaid principal amount hereof and all interest accrued hereon, and all other sums secured by the Security Agreement or any other Loan Document, to be, and such principal, interest and other sums shall thereupon become, immediately due and payable.

10. **MISCELLANEOUS.**

10.1 **Disclosure of Financial Information.** Lender is hereby authorized to disclose any financial or other information about Borrower to any regulatory body or agency having jurisdiction over Lender and to any present, future or prospective participant or successor in interest in any loan or other financial accommodation made by Lender to Borrower. The information provided may include, without limitation, amounts, terms, balances, payment history, return item history and any financial or other information about Borrower.

10.2 [Reserved].

10.3 **Attorneys' Fees and Expenses.** If Lender retains the services of counsel by reason of a claim of a default or an Event of Default hereunder or under any of the other Loan Documents, or on account of any matter involving this Non-Guaranteed Note, or for examination of matters subject to Lender's approval under the Loan Documents, all costs of suit and all reasonable attorneys' fees and such other reasonable expenses so incurred by Lender shall be

Initial 

paid by Borrower, on demand, and shall be deemed part of the obligations evidenced hereby. Notwithstanding the above, whenever the term "reasonable attorneys' fees" is used herein or in any other Loan Documents, it shall mean attorneys' fees and expenses actually incurred by Lender at its counsels' standard hourly rates, notwithstanding any statutory presumption to the contrary.

10.4 No Implied Waiver. Lender shall not be deemed to have modified or waived any of its rights or remedies hereunder unless such modification or waiver is in writing and signed by Lender, and then only to the extent specifically set forth therein. A waiver in one event shall not be construed as continuing or as a waiver of or bar to such right or remedy in a subsequent event. After any acceleration of, or the entry of any judgment on, this Non-Guaranteed Note, the acceptance by Lender of any payments by or on behalf of Borrower on account of the indebtedness evidenced by this Non-Guaranteed Note shall not cure or be deemed to cure any Event of Default or reinstate or be deemed to reinstate the terms of this Non-Guaranteed Note absent an express written agreement duly executed by Lender and Borrower.

10.5 Waiver. To the fullest extent permitted by applicable law, Borrower, jointly and severally, waives demand, notice, presentment, protest, demand for payment, notice of dishonor, notice of protest and diligence of collection of this Non-Guaranteed Note. Borrower consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Lender with respect to the payment or other provisions of this Non-Guaranteed Note, and to the release of any collateral, with or without substitution. Borrower agrees that makers, endorsers, guarantors and sureties may be added or released without notice and without affecting Borrower's liability hereunder. The liability of Borrower shall not be affected by the failure of Lender to perfect or otherwise obtain or maintain the priority or validity of any security interest in any collateral. The liability of Borrower shall be absolute and unconditional and without regard to the liability of any other party hereto.

10.6 No Usurious Amounts. Anything herein contained to the contrary notwithstanding, Borrower does not agree and shall not be obligated to pay interest hereunder at a rate which is in excess of the maximum rate permitted by law. If by the terms of this Non-Guaranteed Note, Borrower is at any time required to pay interest at a rate in excess of such maximum rate, the rate of interest under this Non-Guaranteed Note shall be deemed to be immediately reduced to such maximum legal rate and the portion of all prior interest payments in excess of such maximum legal rate shall be applied to and shall be deemed to have been payments in reduction of the outstanding principal balance. Borrower agrees that in determining whether any interest payable under this Non-Guaranteed Note exceeds the highest rate permitted by law, any non-principal payment, including without limitation, late charges, shall be deemed to the extent permitted by law to be an expense, fee or premium rather than interest.

10.7 Partial Invalidity. The invalidity or unenforceability of any one or more provisions of this Non-Guaranteed Note shall not render any other provision invalid or unenforceable. In lieu of any invalid or unenforceable provision, there shall be added automatically a valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible.

Initial  _____

10.8 Binding Effect. The covenants, conditions, waivers, releases and agreements contained in this Non-Guaranteed Note shall bind, and the benefits thereof shall inure to, the parties hereto and their respective heirs, executors, administrators, successors and assigns; provided, however, that this Non-Guaranteed Note cannot be assigned by Borrower without the prior written consent of Lender, and any such assignment or attempted assignment by Borrower shall be void and of no effect with respect to Lender.

10.9 Modifications. This Non-Guaranteed Note may not be supplemented, extended, modified or terminated except by an agreement in writing signed by the party against whom enforcement of any such waiver, change, modification or discharge is sought.

10.10 Sales or Participations. Lender may from time to time sell or assign, in whole or in part, or grant participations in, the Loan, this Non-Guaranteed Note and/or the obligations evidenced thereby. The holder of any such sale, assignment or participation, if the applicable agreement between Lender and such holder so provides, shall be: (a) entitled to all of the rights, obligations and benefits of Lender; and (b) deemed to hold and may exercise the rights of setoff or banker's lien with respect to any and all obligations of such holder to Borrower, in each case as fully as though Borrower were directly indebted to such holder. Lender may in its discretion give notice to Borrower of such sale, assignment or participation; however, the failure to give such notice shall not affect any of Lender's or such holder's rights hereunder.

10.11 Jurisdiction. Borrower agrees that the federal and state courts sitting in and for the State of Nevada shall have jurisdiction with respect to the subject matter hereof and the person of Borrower. Borrower agrees not to assert any defense to any action or proceeding initiated by Lender based upon improper venue or inconvenient forum.

10.12 Notices. All notices and communications under this Non-Guaranteed Note shall be in writing and shall be given by either (a) hand-delivery, (b) first class mail (postage prepaid), or (c) reliable overnight commercial courier (charges prepaid), to the addresses listed in the Loan Agreement. Notice shall be deemed to have been given and received: (i) if by hand delivery, upon delivery; (ii) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (iii) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

10.13 Governing Law. This Non-Guaranteed Note shall be governed by and construed in accordance with the substantive laws of the State of Nevada, without reference to conflict of laws principles.

10.14 Joint and Several Liability. For all purposes of this Non-Guaranteed Note, the liability of each of the signatories hereto (if more than one) shall be joint and several.

10.15 Continuing Enforcement. If, after receipt of any payment of all or any part of this Non-Guaranteed Note, Lender is compelled or agrees, for settlement purposes, to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Non-Guaranteed Note and the other

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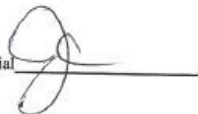
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Loan Documents shall continue in full force and effect or be reinstated, as the case may be, and Borrower shall be liable for, and shall indemnify, defend and hold harmless Lender with respect to, the full amount so surrendered. The provisions of this Section shall survive the cancellation or termination of this Non-Guaranteed Note and shall remain effective notwithstanding the payment of the obligations evidenced hereby, the release of any security interest, lien or encumbrance securing this Non-Guaranteed Note or any other action which Lender may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action shall be deemed to have been conditioned upon any payment of the obligations evidenced hereby having become final and irrevocable.

10.16 Waiver of Jury Trial. BORROWER AND LENDER AGREE THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT BY LENDER OR BORROWER, ON OR WITH RESPECT TO THIS NON-GUARANTEED NOTE OR ANY OTHER LOAN DOCUMENT OR THE DEALINGS OF THE PARTIES WITH RESPECT HERETO OR THERETO, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. LENDER AND BORROWER EACH HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND INTELLIGENTLY, AND WITH THE ADVICE OF THEIR RESPECTIVE COUNSEL, WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. FURTHER, BORROWER WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY SPECIAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. BORROWER ACKNOWLEDGES AND AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS NON-GUARANTEED NOTE AND THAT LENDER WOULD NOT EXTEND CREDIT TO BORROWER IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS NON-GUARANTEED NOTE.

10.17 Execution in Counterparts. This Non-Guaranteed Note may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument, and in making proof of the Non-Guaranteed Note, it shall not be necessary to produce or account for more than one such counterpart.

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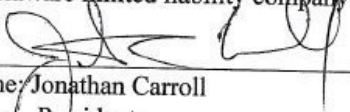
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SIGNATURE PAGE TO NON-GUARANTEED NOTE

IN WITNESS WHEREOF, Borrower, intending to be legally bound, has duly executed and delivered this Non-Guaranteed Note as of the day and year first above written.

BORROWER:

Nixon Product Storage, LLC,
a Delaware limited liability company

By: 
Name: Jonathan Carroll
Title: President

Initial 

AMENDED LOAN AUTHORIZATION AND AGREEMENT (LA&A)

***A PROPERLY SIGNED DOCUMENT IS
REQUIRED PRIOR TO ANY
DISBURSEMENT***

CAREFULLY READ THE LA&A:

This document describes the terms and conditions of your loan. It is your responsibility to comply with ALL the terms and conditions of your loan.

SIGNING THE LA&A:

All borrowers must sign the LA&A.

- Sign your name *exactly* as it appears on the LA&A. If typed incorrectly, you should sign with the correct spelling.
- If your middle initial appears on the signature line, sign with your middle initial.
- If a suffix appears on the signature line, such as Sr. or Jr., sign with your suffix.
- Corporate Signatories: Authorized representatives should sign the signature page.

*Your signature represents your agreement to comply
with the terms and conditions of the loan.*

SBA Loan #6870738902

Application #3316314582

U.S. Small Business Administration

Economic Injury Disaster Loan

AMENDED LOAN AUTHORIZATION AND AGREEMENT

Date: 05.04.2021, 02.18.2022 (Effective Date)

On the above date, this Administration (SBA) authorized (under Section 7(b) of the Small Business Act, as amended) a Loan or Loan Modification (SBA Loan #6870738902) to Blue Dolphin Energy Company (Borrower) of 801 TRAVIS ST STE 2100 HOUSTON Texas 77002 in the amount of two million and 00/100 Dollars (\$2,000,000.00), upon the following conditions:

PAYMENT

- Installment payments, including principal and interest, of \$9,927.00 Monthly, will begin Twenty-four (24) months from the date of the Original Note. The balance of principal and interest will be payable Thirty (30) years from the date of the Original Note.

INTEREST

- Interest will accrue at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance.

PAYMENT TERMS

- Each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal.
- Each payment will be made when due even if at that time the full amount of the Loan has not yet been advanced or the authorized amount of the Loan has been reduced.

COLLATERAL

- For loan amounts of greater than \$25,000, Borrower hereby grants to SBA, the secured party hereunder, a continuing security interest in and to any and all "Collateral" as described herein to secure payment and performance of all debts, liabilities and obligations of Borrower to SBA hereunder without limitation, including but not limited to all interest, other fees and expenses (all hereinafter called "Obligations"). The Collateral includes the following property that Borrower now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software and (k) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.
- For loan amounts greater than \$500,000, Borrower agrees to also provide a Deed of Trust/Mortgage on the business real property, if available, prior to any new or additional disbursement of loan funds. Borrower is not required to provide a Deed of Trust/Mortgage on any business real property that is Borrower's primary residence, but must provide other real property collateral if available. Real property collateral is in addition to the business assets collateral requirement stated above.
- For loan amounts of \$25,000 or less, SBA is not taking a security interest in any collateral.

GUARANTEE

Borrower will provide the following guarantee(s):

SBA Loan #6870738902

Application #3316314582

- Guarantee on SBA Form 2128 of: Jonathan Carroll (312 PEARL PKWY APT 5302, SAN ANTONIO, TX), Lazarus Energy Holdings, LLC (801 Travis, Suite 2100, Houston)

REQUIREMENTS RELATIVE TO COLLATERAL

- Borrower will not sell or transfer any collateral (except normal inventory turnover in the ordinary course of business) described in the "Collateral" paragraph hereof without the prior written consent of SBA.

USE OF LOAN PROCEEDS

- Borrower will use all the proceeds of this Loan solely as working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020 and continuing thereafter and for loans of more than \$25,000 to pay Uniform Commercial Code (UCC) lien filing fees and a third-party UCC handling charge of \$100 which will be deducted from the Loan amount stated above.

REQUIREMENTS FOR USE OF LOAN PROCEEDS AND RECEIPTS

- Borrower will obtain and itemize receipts (paid receipts, paid invoices or cancelled checks) and contracts for all Loan funds spent and retain these receipts for 3 years from the date of the final disbursement. Prior to each subsequent disbursement (if any) and whenever requested by SBA, Borrower will submit to SBA such itemization together with copies of the receipts.
- Borrower will not use, directly or indirectly, any portion of the proceeds of this Loan to relocate without the prior written permission of SBA. The law prohibits the use of any portion of the proceeds of this Loan for voluntary relocation from the business area in which the disaster occurred. To request SBA's prior written permission to relocate, Borrower will present to SBA the reasons therefore and a description or address of the relocation site. Determinations of (1) whether a relocation is voluntary or otherwise, and (2) whether any site other than the disaster-affected location is within the business area in which the disaster occurred, will be made solely by SBA.
- Borrower will, to the extent feasible, purchase only American-made equipment and products with the proceeds of this Loan.
- Borrower will make any request for a loan increase for additional disaster-related damages as soon as possible after the need for a loan increase is discovered. The SBA will not consider a request for a loan increase received more than two (2) years from the date of loan approval unless, in the sole discretion of the SBA, there are extraordinary and unforeseeable circumstances beyond the control of the borrower.

DEADLINE FOR RETURN OF LOAN CLOSING DOCUMENTS

- **Borrower will sign and return the loan closing documents to SBA within 2 months of the date of this Loan Authorization and Agreement.** By notifying the Borrower in writing, SBA may cancel this Loan if the Borrower fails to meet this requirement. The Borrower may submit and the SBA may, in its sole discretion, accept documents after 2 months of the date of this Loan Authorization and Agreement.

COMPENSATION FROM OTHER SOURCES

- Eligibility for this disaster Loan is limited to disaster losses that are not compensated by other sources. Other sources include but are not limited to: (1) proceeds of policies of insurance or other indemnifications, (2) grants or other reimbursement (including loans) from government agencies or private organizations, (3)

claims for civil liability against other individuals, organizations or governmental entities, and (4) salvage (including any sale or re-use) of items of damaged property.

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- Borrower will promptly notify SBA of the existence and status of any claim or application for such other compensation, and of the receipt of any such compensation, and Borrower will promptly submit the proceeds of same (not exceeding the outstanding balance of this Loan) to SBA.
- Borrower hereby assigns to SBA the proceeds of any such compensation from other sources and authorizes the payor of same to deliver said proceeds to SBA at such time and place as SBA shall designate.
- SBA will in its sole discretion determine whether any such compensation from other sources is a duplication of benefits. SBA will use the proceeds of any such duplication to reduce the outstanding balance of this Loan, and Borrower agrees that such proceeds will not be applied in lieu of scheduled payments.

DUTY TO MAINTAIN HAZARD INSURANCE

- For loan amounts of greater than \$25,000, within 12 months from the date of this Loan Authorization and Agreement the Borrower will provide proof of an active and in effect hazard insurance policy including fire, lightning, and extended coverage on all items used to secure this loan to at least 80% of the insurable value. Borrower will not cancel such coverage and will maintain such coverage throughout the entire term of this Loan. **BORROWER MAY NOT BE ELIGIBLE FOR EITHER ANY FUTURE DISASTER ASSISTANCE OR SBA FINANCIAL ASSISTANCE IF THIS INSURANCE IS NOT MAINTAINED AS STIPULATED HEREIN THROUGHOUT THE ENTIRE TERM OF THIS LOAN.** Please submit proof of insurance to: U.S. Small Business Administration, Office of Disaster Assistance, 14925 Kingsport Rd, Fort Worth, TX. 76155.
- For loan amounts greater than \$500,000 and when Real Estate property is taken as collateral to secure this loan, in addition to the coverage required above, Borrower will also provide proof of an active and in effect hazard insurance policy including fire, lightning, and extended coverage on any real estate used to secure this loan to at least 80% of the insurable value. Borrower will not cancel such coverage and will maintain such coverage throughout the entire term of this Loan. **BORROWER MAY NOT BE ELIGIBLE FOR EITHER ANY FUTURE DISASTER ASSISTANCE OR SBA FINANCIAL ASSISTANCE IF THIS INSURANCE IS NOT MAINTAINED AS STIPULATED HEREIN THROUGHOUT THE ENTIRE TERM OF THIS LOAN.** Please submit proof of insurance to: U.S. Small Business Administration, Office of Disaster Assistance, 14925 Kingsport Rd, Fort Worth, TX. 76155.

DUTY TO MAINTAIN FLOOD INSURANCE

- For loan amounts greater than \$500,000 and if the collateral real property being used to secure this loan is located within a Special Flood Hazard Area (SFHA), Borrower will purchase (make application and pay the initial premium for) National Flood Insurance, or equivalent coverage for all insurable real property (including any manufactured housing) and contents in an amount equal to the lesser of the amount of this Loan, the maximum coverage available, or the fair market value of the property. Borrower will provide proof of an active and in effect Flood Insurance policy to SBA prior to any new or additional disbursement of loan funds.

Borrower will not cancel such coverage and will maintain such coverage throughout the entire term of this Loan. For any of the properties that are also specified as collateral for this Loan, the SBA will be named as mortgagee or loss payee. **BORROWER MAY NOT BE ELIGIBLE FOR EITHER ANY FUTURE DISASTER ASSISTANCE OR SBA FINANCIAL ASSISTANCE IF THIS FLOOD INSURANCE IS NOT MAINTAINED AS STIPULATED HEREIN THROUGHOUT THE ENTIRE TERM OF THIS LOAN.**

BOOKS AND RECORDS

- Borrower will maintain current and proper books of account in a manner satisfactory to SBA for the most recent 5 years until 3 years after the date of maturity, including extensions, or the date this Loan is paid in full, whichever occurs first. Such books will include Borrower's financial and operating statements, insurance policies, tax returns and related filings, records of earnings distributed and dividends paid and records of compensation to officers, directors, holders of 10% or more of Borrower's capital stock, members, partners and proprietors.
- Borrower authorizes SBA to make or cause to be made, at Borrower's expense and in such a manner and at such times as SBA may require: (1) inspections and audits of any books, records and paper in the custody or control

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of Borrower or others relating to Borrower's financial or business conditions, including the making of copies thereof and extracts therefrom, and (2) inspections and appraisals of any of Borrower's assets.

- Borrower will furnish to SBA, not later than 3 months following the expiration of Borrower's fiscal year and in such form as SBA may require, Borrower's financial statements.
- Upon written request of SBA, Borrower will accompany such statements with an 'Accountant's Review Report' prepared by an independent public accountant at Borrower's expense.
- Borrower authorizes all Federal, State and municipal authorities to furnish reports of examination, records and other information relating to the conditions and affairs of Borrower and any desired information from such reports, returns, files, and records of such authorities upon request of SBA.

LIMITS ON DISTRIBUTION OF ASSETS

- Borrower will not, without the prior written consent of SBA, make any distribution of Borrower's assets, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise, to any owner or partner or any of its employees, or to any company directly or indirectly controlling or affiliated with or controlled by Borrower, or any other company.

LIMIT TO FUND RAISING THROUGH SECURITY OFFERINGS

- Borrower agrees that in the event any funds are raised through a securities offering (either a public offering or private placement of common or preferred stock, or long term debt with an equity feature), SBA will have the immediate right to require full payment of the Loan balance or require that a portion of proceeds be applied to reduce the outstanding balance of this Loan, and Borrower agrees that such proceeds will not be applied in lieu of scheduled payments.

EQUAL OPPORTUNITY REQUIREMENT

- If Borrower has or intends to have employees, Borrower will post SBA Form 722, Equal Opportunity Poster (copy attached), in Borrower's place of business where it will be clearly visible to employees, applicants for employment, and the general public.

DISCLOSURE OF LOBBYING ACTIVITIES

- Borrower agrees to the attached Certification Regarding Lobbying Activities

BORROWER'S CERTIFICATIONS

Borrower certifies that:

- For loan amounts greater than \$500,000 and when collateral real estate property is being used to secure this loan, Borrower certifies that they are the owner(s) of and hold legal title to any real estate being secured by this loan. Said premises are in their possession, and the title thereto has never been disputed or questioned as to any part thereof. Said premises are free of all mortgages, taxes, assessments, liens, encumbrances, and claims, or interest of any other party, except as disclosed. There are no actions pending affecting said real property.
- There has been no substantial adverse change in Borrower's financial condition (and organization, in case of a business borrower) since the date of the application for this Loan. (Adverse changes include, but are not limited to: judgment liens, tax liens, mechanic's liens, bankruptcy, financial reverses, arrest or conviction of felony, etc.)
- No fees have been paid, directly or indirectly, to any representative (attorney, accountant, etc.) for services provided or to be provided in connection with applying for or closing this Loan, other than those reported on SBA Form 5 Business Disaster Loan Application; SBA Form 3501 COVID-19 Economic Injury Disaster Loan Application; or SBA Form 159, 'Compensation Agreement'. All fees not approved by SBA are prohibited.
- All representations in the Borrower's Loan application (including all supplementary submissions) are true,

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correct and complete and are offered to induce SBA to make this Loan.

- No claim or application for any other compensation for disaster losses has been submitted to or requested of any source, and no such other compensation has been received, other than that which Borrower has fully disclosed to SBA.
- Neither the Borrower nor, if the Borrower is a business, any principal who owns at least 50% of the Borrower, is delinquent more than 60 days under the terms of any: (a) administrative order; (b) court order; or (c) repayment agreement that requires payment of child support.
- Borrower certifies that no fees have been paid, directly or indirectly, to any representative (attorney, accountant, etc.) for services provided or to be provided in connection with applying for or closing this Loan, other than those reported on the Loan Application.

All fees not approved by SBA are prohibited. If an Applicant chooses to employ an Agent, the compensation an Agent charges to and that is paid by the Applicant must bear a necessary and reasonable relationship to the services actually performed and must be comparable to those charged by other Agents in the geographical area. Compensation cannot be contingent on loan approval. In addition, compensation must not include any expenses which are deemed by SBA to be unreasonable for services actually performed or expenses actually incurred. Compensation must not include charges prohibited in 13 CFR 103 or SOP 50-30, Appendix 1. **If the compensation exceeds \$500 for a disaster home loan or \$2,500 for a disaster business loan, Borrower must fill out the Compensation Agreement Form 159D which will be provided for Borrower upon request or can be found on the SBA website.**

- Borrower certifies, to the best of its, his or her knowledge and belief, that the certifications and representations in the attached Certification Regarding Lobbying are true, correct and complete and are offered to induce SBA to make this Loan.

CIVIL AND CRIMINAL PENALTIES

- Whoever wrongfully misapplies the proceeds of an SBA disaster loan shall be civilly liable to the Administrator in an amount equal to one-and-one half times the original principal amount of the loan under 15 U.S.C. 636(b). In addition, any false statement or misrepresentation to SBA may result in criminal, civil or administrative sanctions including, but not limited to: 1) fines, imprisonment or both, under 15 U.S.C. 645, 18 U.S.C. 1001, 18 U.S.C. 1014, 18 U.S.C. 1040, 18 U.S.C. 3571, and any other applicable laws; 2) treble damages and civil penalties under the False Claims Act, 31 U.S.C. 3729; 3) double damages and civil penalties under the Program Fraud Civil Remedies Act, 31 U.S.C. 3802; and 4) suspension and/or debarment from all Federal procurement and non-procurement transactions. Statutory fines may increase if amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

RESULT OF VIOLATION OF THIS LOAN AUTHORIZATION AND AGREEMENT

- If Borrower violates any of the terms or conditions of this Loan Authorization and Agreement, the Loan will be in default and SBA may declare all or any part of the indebtedness immediately due and payable. SBA's failure to exercise its rights under this paragraph will not constitute a waiver.
- A default (or any violation of any of the terms and conditions) of any SBA Loan(s) to Borrower and/or its affiliates will be considered a default of all such Loan(s).

DISBURSEMENT OF THE LOAN

- Disbursements will be made by and at the discretion of SBA Counsel, in accordance with this Loan Authorization and Agreement and the general requirements of SBA.
- Disbursements may be made in increments as needed.
- Other conditions may be imposed by SBA pursuant to general requirements of SBA.

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- Disbursement may be withheld if, in SBA's sole discretion, there has been an adverse change in Borrower's financial condition or in any other material fact represented in the Loan application, or if Borrower fails to meet any of the terms or conditions of this Loan Authorization and Agreement.
- **NO DISBURSEMENT WILL BE MADE LATER THAN 6 MONTHS FROM THE DATE OF THIS LOAN AUTHORIZATION AND AGREEMENT UNLESS SBA, IN ITS SOLE DISCRETION, EXTENDS THIS DISBURSEMENT PERIOD.**

PARTIES AFFECTED

- This Loan Authorization and Agreement will be binding upon Borrower and Borrower's successors and assigns and will inure to the benefit of SBA and its successors and assigns.

RESOLUTION OF BOARD OF DIRECTORS

- Borrower and any business entity guarantor shall, within 180 days of receiving any disbursement of this Loan, submit the appropriate SBA Certificate and/or Resolution to the U.S. Small Business Administration, Office of Disaster Assistance, 14925 Kingsport Rd, Fort Worth, TX. 76155.

ENFORCEABILITY

- This Loan Authorization and Agreement is legally binding, enforceable and approved upon Borrower's signature, the SBA's approval and the Loan Proceeds being issued to Borrower by a government issued check or by electronic debit of the Loan Proceeds to Borrower's banking account provided by Borrower in application for this Loan.

James E. Rivera

James E. Rivera
Associate Administrator
U.S. Small Business Administration

The undersigned agree(s) to be bound by the terms and conditions herein during the term of this Loan, and further agree(s) that no provision stated herein will be waived without prior written consent of SBA. **Under penalty of perjury of the United States of America, I hereby certify that I am authorized to apply for and obtain a disaster loan on behalf of Borrower, in connection with the effects of the COVID-19 emergency.**

Blue Dolphin Energy Company

DocuSigned by:
Jonathan Carroll
964A19512A09488...

Date: 02.18.2022

Jonathan Carroll, Owner/Officer

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Lazarus Energy Holdings, LLC

DocuSigned by:
Jonathan Carroll
964A19512A09488...

Date: 02.18.2022

Jonathan Carroll, Owner/Officer

Note: Corporate Borrowers must execute Loan Authorization and Agreement in corporate name, by a duly authorized officer. Partnership Borrowers must execute in firm name, together with signature of a general partner. Limited Liability entities must execute in the entity name by the signature of the authorized managing person.

CERTIFICATION REGARDING LOBBYING

For loans over \$150,000, Congress requires recipients to agree to the following:

1. Appropriated funds may NOT be used for lobbying.
2. Payment of non-federal funds for lobbying must be reported on Form SF-LLL.
3. Language of this certification must be incorporated into all contracts and subcontracts exceeding \$100,000.
4. All contractors and subcontractors with contracts exceeding \$100,000 are required to certify and disclose accordingly.

**CERTIFICATION REGARDING
LOBBYING**

*Certification for Contracts, Grants, Loans, and Cooperative
Agreements*

Borrower and all Guarantors certify, to the best of its, his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal loan, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and co-operative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000.00 and not more than \$100,000.00 for each such failure.



This Statement of Policy is Posted
In Accordance with Regulations of the
Small Business Administration

This Organization Practices

Equal Employment Opportunity

We do not discriminate on the ground of race, color, religion, sex, age, disability or national origin in the hiring, retention, or promotion of employees; nor in determining their rank, or the compensation or fringe benefits paid them.

This Organization Practices

Equal Treatment of Clients

We do not discriminate on the basis of race, color, religion, sex, marital status, disability, age or national origin in services or accommodations offered or provided to our employees, clients or guests.

These policies and this notice comply with regulations of the United States Government.

Please report violations of this policy to:

**Administrator
Small Business Administration
Washington, D.C. 20416**

In order for the public and your employees to know their rights under 13 C.F.R Parts 112, 113, and 117, Small Business Administration Regulations, and to conform with the directions of the Administrator of SBA, this poster must be displayed where it is clearly visible to employees, applicants for employment, and the public.

Failure to display the poster as required in accordance with SBA Regulations may be considered evidence of noncompliance and subject you to the penalties contained in those Regulations.



**Esta Declaración De Principios Se Publica
De Acuerdo Con Los Reglamentos De La
Agencia Federal Para el Desarrollo de la Pequeña Empresa**

Esta Organización Practica

Igual Oportunidad De Empleo

No discriminamos por razón de raza, color, religión, sexo, edad, discapacidad o nacionalidad en el empleo, retención o ascenso de personal ni en la determinación de sus posiciones, salarios o beneficios marginales.

Esta Organización Practica

Igualdad En El Trato A Su Clientela

No discriminamos por razón de raza, color, religión, sexo, estado civil, edad, discapacidad o nacionalidad en los servicios o facilidades provistos para nuestros empleados, clientes o visitantes.

Estos principios y este aviso cumplen con los reglamentos del Gobierno de los Estados Unidos de América.

Favor de informar violaciones a lo aquí indicado a:

**Administrador
Agencia Federal Para el Desarrollo de la
Pequeña Empresa
Washington, D.C. 20416**

A fin de que el público y sus empleados conozcan sus derechos según lo expresado en las Secciones 112, 113 y 117 del Código de Regulaciones Federales No. 13, de los Reglamentos de la Agencia Federal Para el Desarrollo de la Pequeña Empresa y de acuerdo con las instrucciones del Administrador de dicha agencia, esta notificación debe fijarse en un lugar claramente visible para los empleados, solicitantes de empleo y público en general. No fijar esta notificación según lo requerido por los reglamentos de la Agencia Federal Para el Desarrollo de la Pequeña Empresa, puede ser interpretado como evidencia de falta de cumplimiento de los mismos y conllevará la ejecución de los castigos impuestos en estos reglamentos.

MODIFICATION OF NOTE

Read this document carefully. This is your written promise to repay the loan. This Modification of Note reflects the changes to your loan.


Loan payments will be due as stated in the second paragraph.

This document is pre-dated. **DO NOT CHANGE THE DATE OF THIS DOCUMENT.**

Sign your name(s) EXACTLY as it appears. If there is an error in the spelling of your name, please notify this office. Sign on the back or bottom only, as indicated by the signature line.

Return the signed original document to SBA.

Make no corrections to this document. Call the SBA office if you find an error.

	U.S. Small Business Administration	Date: February 18, 2022
	1st Modification of Note	Loan Amount: \$2,000,000.00
	(SECURED DISASTER LOANS)	Annual Interest Rate: 3.750%

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1. **NOTE:** The "Note" is the SBA note signed by Borrower, dated May 4, 2021 in the amount of five hundred thousand and 00/100 Dollars, payable to SBA. This 1st Modification of Note modifies certain terms of the Note. The current modifications and any prior modifications to the Note, are disclosed below in Paragraphs 2 and 4.
2. **CURRENT PAYMENT TERMS:** Including terms modified by this agreement, the current payment terms of the 1st Modified Note are: The loan amount is two million and 00/100 Dollars. The interest rate is 3.750% per year. Payments of \$9,927.00 are due every MONTH beginning Twenty-four (24) months from the date of the Original Note. All remaining principal and accrued interest is due and payable Thirty (30) years from the date of Original Note.
3. **ADDITIONAL BORROWER:** N/A
4. **PREVIOUS NOTE AND MODIFICATIONS, IF ANY, AND CURRENT MODIFICATION TERMS SUMMARY:** The chart attached hereto and incorporated by reference as Addendum A is a summary of your original Note terms, any previous modifications thereto and this current modification:
5. **EFFECT OF THIS MODIFICATION:** All terms of the Note remain unchanged by this agreement except terms that are expressly modified. This Modification of Note becomes a part of the original Note and has the same effect as if its terms were in the original Note when it was signed.
6. **DEFINITIONS:** A) "Collateral" means any property taken as security for payment of the Note or any guarantee of the Note. B) "Guarantor" means each person or entity that signs a guarantee of payment of the Note. C) "Loan Documents" means the documents related to this loan signed by Borrower, any Guarantor, or anyone who pledges collateral.
7. **DEFAULT:** Borrower is in default under the Note or any modification to the Note, if Borrower does not make a payment when due under the Note, or if Borrower: A) Fails to comply with any provision of the Note, the Loan Authorization and Agreement, or other Loan Documents; B) Defaults on any other SBA loan; C) Sells or otherwise transfers, or does not preserve or account to SBA's satisfaction for, any of the Collateral or its proceeds; D) Does not disclose, or anyone acting on their behalf does not disclose, any material fact to SBA; E) Makes, or anyone acting on their behalf makes, a materially false or misleading representation to SBA; F) Defaults on any loan or agreement with another creditor, if SBA believes the default may materially affect Borrower's ability to pay the Note; G) Fails to pay any taxes when due; H) Becomes the subject of a proceeding under any bankruptcy or insolvency law; I) Has a receiver or liquidator appointed for any part of their business or property; J) Makes an assignment for the benefit of creditors; K) Has any adverse change in financial condition or business operation that SBA believes may materially affect Borrower's ability to pay the Note; L) Dies; M) Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without SBA's prior written consent; or, N) Becomes the subject of a civil or criminal action that SBA believes may materially affect Borrower's ability to pay the Note.

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8. **SBA'S RIGHTS IF THERE IS A DEFAULT:** Without notice or demand and without giving up any of its rights, SBA may: A) Require immediate payment of all amounts owing under the Note; B) Collect all amounts owing from any Borrower or Guarantor; C) File suit and obtain judgment; D) Take possession of any Collateral; or, E) Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.

9. **SBA'S GENERAL POWERS:** Without notice and without Borrower's consent, SBA may: A) Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses; B) Incur expenses to collect amounts due under the Note, enforce the terms of the Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney's fees and costs. If SBA incurs such expenses, it may demand immediate reimbursement from Borrower or add the expenses to the principal balance; C) Release anyone obligated to pay the Note; D) Compromise, release, renew, extend or substitute any of the Collateral; and E) Take any action necessary to protect the Collateral or collect amounts owing on the Note.

10. **WHEN FEDERAL LAW APPLIES:** When SBA is the holder, the Note will be interpreted and enforced under federal law, including SBA regulations. SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to the Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

11. **GENERAL PROVISIONS:** A) All individuals and entities signing the Note, including this Modification, are jointly and severally liable. B) Borrower waives all suretyship defenses. C) Borrower must sign all documents required at any time to comply with the Loan Documents and to enable SBA to acquire, perfect, or maintain SBA's liens on Collateral. D) SBA may exercise any of its rights separately or together, as many times and in any order it chooses. SBA may delay or forgo enforcing any of its rights without giving up any of them. E) Borrower may not use an oral statement of SBA to contradict or alter the written terms of the Note. F) If any part of the Note is unenforceable, all other parts remain in effect. G) To the extent allowed by law, Borrower waives all demands and notices in connection with the Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that SBA did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale. H) SBA may sell or otherwise transfer the Note.

12. **MISUSE OF LOAN FUNDS:** Anyone who wrongfully misapplies any proceeds of the loan will be civilly liable to SBA for one and one half times the proceeds disbursed, in addition to other remedies allowed by law.

13. **BORROWER'S NAME(S) AND SIGNATURE(S):** By signing below, each individual or entity acknowledges and accepts personal obligation and full liability under the Note as Borrower.

Blue Dolphin Energy Company

DocuSigned by:
Jonathan Carroll
964A19512A09488...

Jonathan Carroll, Owner/Officer

Lazarus Energy Holdings, LLC

DocuSigned by:
Jonathan Carroll
964A19512A09488...

Jonathan Carroll, Owner/Officer

Addendum A

	Date	Note Amount	Interest Rate	Periodic Payment Amounts	Maturity Date
Original Note	May 4, 2021	\$500,000.00	3.750%	\$2,505.00	May 7, 2051
1st Modification	February 18, 2022	\$2,000,000.00	3.750%	\$9,927.00	May 7, 2051

AMENDED SECURITY AGREEMENT

Read this document carefully. It grants the SBA a security interest (lien) in all the property described in paragraph 4.

This document is predated. DO NOT CHANGE THE DATE ON THIS DOCUMENT.



U.S. Small Business Administration
**AMENDED SECURITY
 AGREEMENT**

SBA Loan #:	6870738902
Borrower:	Blue Dolphin Energy Company
Secured Party:	The Small Business Administration, an Agency of the U.S. Government
Date:	02.18.2022
Note Amount:	\$2,000,000.00

1. DEFINITIONS.

Unless otherwise specified, all terms used in this Agreement will have the meanings ascribed to them under the Official Text of the Uniform Commercial Code, as it may be amended from time to time, ("UCC"). "SBA" means the Small Business Administration, an Agency of the U.S. Government.

2. GRANT OF SECURITY INTEREST.

For value received, the Borrower grants to the Secured Party a security interest in the property described below in paragraph 4 (the "Collateral").

3. OBLIGATIONS SECURED.

This Agreement secures the payment and performance of: (a) all obligations under a Note dated 05.04.2021 and all amendments and modifications thereto, made by Blue Dolphin Energy Company, made payable to Secured Lender, in the total principal amount of \$2,000,000.00 ("Note"), including all costs and expenses (including reasonable attorney's fees), incurred by Secured Party in the disbursement, administration and collection of the loan evidenced by the Note; (b) all costs and expenses (including reasonable attorney's fees), incurred by Secured Party in the protection, maintenance and enforcement of the security interest hereby granted; (c) all obligations of the Borrower in any other agreement relating to the Note; and (d) any modifications, renewals, refinancings, or extensions of the foregoing obligations.

4. COLLATERAL DESCRIPTION.

The Collateral in which this security interest is granted includes the following property that Borrower now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible

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and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software and (k) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.

5. RESTRICTIONS ON COLLATERAL TRANSFER.

Borrower will not sell, lease, license or otherwise transfer (including by granting security interests, liens, or other encumbrances in) all or any part of the Collateral or Borrower's interest in the Collateral without Secured Party's written or electronically communicated approval, except that Borrower may sell inventory in the ordinary course of business on customary terms. Borrower may collect and use amounts due on accounts and other rights to payment arising or created in the ordinary course of business, until notified otherwise by Secured Party in writing or by electronic communication.

6. MAINTENANCE AND LOCATION OF COLLATERAL; INSPECTION; INSURANCE.

Borrower must promptly notify Secured Party by written or electronic communication of any change in location of the Collateral, specifying the new location. Borrower hereby grants to Secured Party the right to inspect the Collateral at all reasonable times and upon reasonable notice. Borrower must: (a) maintain the Collateral in good condition; (b) pay promptly all taxes, judgments, or charges of any kind levied or assessed thereon; (c) keep current all rent or mortgage payments due, if any, on premises where the Collateral is located; and (d) maintain hazard insurance on the Collateral, with an insurance company and in an amount approved by Secured Party (but in no event less than the replacement cost of that Collateral), and including such terms as Secured Party may require including a Lender's Loss Payable Clause in favor of Secured Party. Borrower hereby assigns to Secured Party any proceeds of such policies and all unearned premiums thereon and authorizes and empowers Secured Party to collect such sums and to execute and endorse in Borrower's name all proofs of loss, drafts, checks and any other documents necessary for Secured Party to obtain such payments.

7. CHANGES TO BORROWER'S LEGAL STRUCTURE, PLACE OF BUSINESS, JURISDICTION OF ORGANIZATION, OR NAME.

Borrower must notify Secured Party by written or electronic communication not less than 30 days before taking any of the following actions: (a) changing or reorganizing the type of organization or form under which it does business; (b) moving, changing its place of business or adding a place of business; (c) changing its jurisdiction of organization; or (d) changing its name. Borrower will pay for the preparation and filing of all documents Secured Party deems necessary to maintain, perfect and continue the perfection of Secured Party's security interest in the event of any such change.

8. PERFECTION OF SECURITY INTEREST.

Borrower consents, without further notice, to Secured Party's filing or recording of any documents necessary to perfect, continue, amend or terminate its security interest. Upon request of Secured Party, Borrower must sign or otherwise authenticate all documents that Secured Party deems necessary at any time to allow Secured Party to acquire, perfect, continue or amend its security interest in the Collateral. Borrower will pay the filing and recording costs of any documents relating to Secured Party's security interest. Borrower ratifies all previous filings and recordings, including financing statements and

notations on certificates of title. Borrower will cooperate with Secured Party in obtaining a Control Agreement satisfactory to Secured Party with respect to any Deposit Accounts or Investment Property, or in otherwise obtaining control or possession of that or any other Collateral.

9. DEFAULT.

Borrower is in default under this Agreement if: (a) Borrower fails to pay, perform or otherwise comply with any provision of this Agreement; (b) Borrower makes any materially false representation, warranty or certification in, or in connection with, this Agreement, the Note, or any other agreement related to the Note or this Agreement; (c) another secured party or judgment creditor exercises its rights against the Collateral; or (d) an event defined as a "default" under the Obligations occurs. In the event of default and if Secured Party requests, Borrower must assemble and make available all Collateral at a place and time designated by Secured Party. Upon default and at any time thereafter, Secured Party may declare all Obligations secured hereby immediately due and payable, and, in its sole discretion, may proceed to enforce payment of same and exercise any of the rights and remedies available to a secured party by law including those available to it under Article 9 of the UCC that is in effect in the jurisdiction where Borrower or the Collateral is located. Unless otherwise required under applicable law, Secured Party has no obligation to clean or otherwise prepare the Collateral for sale or other disposition and Borrower waives any right it may have to require Secured Party to enforce the security interest or payment or performance of the Obligations against any other person.

10. FEDERAL RIGHTS.

When SBA is the holder of the Note, this Agreement will be construed and enforced under federal law, including SBA regulations. Secured Party or SBA may use state or local procedures for filing papers, recording documents, giving notice, enforcing security interests or liens, and for any other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax or liability. As to this Agreement, Borrower may not claim or assert any local or state law against SBA to deny any obligation, defeat any claim of SBA, or preempt federal law.

11. GOVERNING LAW.

Unless SBA is the holder of the Note, in which case federal law will govern, Borrower and Secured Party agree that this Agreement will be governed by the laws of the jurisdiction where the Borrower is located, including the UCC as in effect in such jurisdiction and without reference to its conflicts of laws principles.

12. SECURED PARTY RIGHTS.

All rights conferred in this Agreement on Secured Party are in addition to those granted to it by law, and all rights are cumulative and may be exercised simultaneously. Failure of Secured Party to enforce any rights or remedies will not constitute an estoppel or waiver of Secured Party's ability to exercise such rights or remedies. Unless otherwise required under applicable law, Secured Party is not liable for any loss or damage to Collateral in its possession or under its control, nor will such loss or damage reduce or discharge the Obligations that are due, even if Secured Party's actions or inactions caused or in any way contributed to such loss or damage.

13. SEVERABILITY.

If any provision of this Agreement is unenforceable, all other provisions remain in effect.

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14. **BORROWER CERTIFICATIONS.**

Borrower certifies that: (a) its Name (or Names) as stated above is correct; (b) all Collateral is owned or titled in the Borrower's name and not in the name of any other organization or individual; (c) Borrower has the legal authority to grant the security interest in the Collateral; (d) Borrower's ownership in or title to the Collateral is free of all adverse claims, liens, or security interests (unless expressly permitted by Secured Party); (e) none of the Obligations are or will be primarily for personal, family or household purposes; (f) none of the Collateral is or will be used, or has been or will be bought primarily for personal, family or household purposes; (g) Borrower has read and understands the meaning and effect of all terms of this Agreement.

15. **BORROWER NAME(S) AND SIGNATURE(S).**

By signing or otherwise authenticating below, each individual and each organization becomes jointly and severally obligated as a Borrower under this Agreement.

Blue Dolphin Energy Company

DocuSigned by:
Jonathan Carroll
964A19512A09488

Date: 02.18.2022

Jonathan Carroll, Owner/Officer

Lazarus Energy Holdings, LLC

DocuSigned by:
Jonathan Carroll
964A19512A09488

Date: 02.18.2022

Jonathan Carroll, Owner/Officer

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AMENDED GUARANTEE

The Guarantee is to be signed by the person(s) who is to guarantee your loan.

This document is pre-dated. DO NOT CHANGE THE DATE ON THIS DOCUMENT.



U.S. Small Business Administration
**AMENDED UNCONDITIONAL GUARANTEE
(DISASTER LOANS)**

SBA Loan #	6870738902
Application #	3316314582
Guarantor(s)	Jonathan Carroll, Lazarus Energy Holdings, LLC
Borrower	Blue Dolphin Energy Company
Date	02.18.2022
Note Amount	\$2,000,000.00

1. GUARANTEE.

Guarantor(s) unconditionally guarantee(s) payment to SBA of all amounts owing under the Note and any modifications of the Note. This Guarantee remains in effect until the Note and any modifications of the Note is paid in full. Guarantor(s) must pay all amounts due under the Note and any modifications of the Note when SBA makes written demand upon Guarantor(s). SBA is not required to seek payment from any other source before demanding payment from Guarantor(s).

2. NOTE.

The "Note" is the promissory note dated 05.04.2021 and any modifications thereto in the total principal amount of **two million and 00/100 Dollars (\$2,000,000.00)** from Borrower to SBA. It includes any assumption, renewal, substitution, modifications or replacement of the Note.

3. DEFINITIONS.

"Collateral" means property, if any, taken as security for payment of the Note and any modifications of the Note or any guarantee of the Note.

"Loan" means the loan evidenced by the Note and any modifications of the Note.

"Loan Documents" means the documents related to the Loan signed by Borrower, Guarantor(s) or any other guarantor, or anyone who pledges Collateral.

"SBA" means the Small Business Administration, an Agency of the United States of America.

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4. SBA'S GENERAL POWERS.

SBA may take any of the following actions at any time, without notice, without Guarantor(s)' consent, and without making demand upon Guarantor(s):

- A. Modify the terms of the Note or any other Loan Document except to increase the amounts due under the Note and any modifications of the Note;
- B. Refrain from taking any action on the Note and any modifications of the Note, the Collateral, or any guarantee;
- C. Release any Borrower or any guarantor of the Note and any modifications of the Note;
- D. Compromise or settle with the Borrower or any guarantor of the Note and any modifications of the Note;
- E. Substitute or release any of the Collateral, whether or not SBA receives anything in return;
- F. Foreclose upon or otherwise obtain, and dispose of, any Collateral at public or private sale, with or without advertisement;
- G. Bid or buy at any sale of Collateral by SBA or any other lienholder, at any price SBA chooses; and
- H. Exercise any rights it has, including those in the Note and any modifications of the Note and other Loan Documents.

These actions will not release or reduce the obligations of Guarantor(s) or create any rights or claims against SBA.

5. FEDERAL LAW.

When SBA is the holder, the Note and any modifications of the Note and this Guarantee will be construed and enforced under federal law, including SBA regulations. SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Guarantee, Guarantor(s) may not claim or assert any local or state law against SBA to deny any obligation, defeat any claim of SBA, or preempt federal law.

6. RIGHTS, NOTICES, AND DEFENSES THAT GUARANTOR(S) WAIVE(S).

To the extent permitted by law,

- I. Guarantor(s) waive(s) all rights to:
 - 1) Require presentment, protest, or demand upon Borrower;
 - 2) Redeem any Collateral before or after SBA disposes of it;
 - 3) Have any disposition of Collateral advertised; and
 - 4) Require a valuation of Collateral before or after SBA disposes of it.
- J. Guarantor(s) waive(s) any notice of:
 - 1) Any default under the Note and/or any modifications of the Note;
 - 2) Presentment, dishonor, protest, or demand;
 - 3) Execution of the Note and/or any modifications of the Note;
 - 4) Any action or inaction on the Note and/or any modifications of the Note or Collateral, such as disbursements, payment, nonpayment, acceleration, intent to accelerate, assignment, collection activity, and incurring enforcement expenses;
 - 5) Any change in the financial condition or business operations of Borrower or any guarantor(s);
 - 6) Any changes in the terms of the Note and/or any modifications of the Note or other Loan Documents, except increases in the amounts due under the Note and/or any modifications of the Note; and
 - 7) The time or place of any sale or other disposition of Collateral.
- K. Guarantor(s) waive(s) defenses based upon any claim that
 - 1) SBA failed to obtain any guarantee;
 - 2) SBA failed to obtain, perfect, or maintain a security interest in any property offered or taken as Collateral;
 - 3) SBA or others improperly valued or inspected the Collateral;
 - 4) The Collateral changed in value, or was neglected, lost, destroyed, or underinsured;

- 5) SBA impaired the Collateral;
- 6) SBA did not dispose of any of the Collateral;
- 7) SBA did not conduct a commercially reasonable sale;
- 8) SBA did not obtain the fair market value of the Collateral;
- 9) SBA did not make or perfect a claim upon the death or disability of Borrower or any guarantor of the Note;
- 10) The financial condition of Borrower or any guarantor was overstated or has adversely changed;
- 11) SBA made errors or omissions in Loan Documents or administration of the Loan;
- 12) SBA did not seek payment from the Borrower, any other guarantor(s), or any Collateral before demanding payment from Guarantor(s);
- 13) SBA impaired Guarantor(s)' suretyship rights;
- 14) SBA modified the Note terms, other than to increase amounts due under the Note and/or any modifications of the Note. If SBA modifies the Note to increase the amounts due under the Note without Guarantor(s)' consent, Guarantor(s) will not be liable for the increased amounts and related interest and expenses, but remains liable for all other amounts;
- 15) Borrower has avoided liability on the Note and/or any modifications of the Note; or
- 16) SBA has taken an action allowed under the Note and/or any modifications of the Note, this Guarantee, or other Loan Documents.

7. DUTIES AS TO COLLATERAL.

Guarantor(s) will preserve the Collateral, if any, pledged by Guarantor(s) to secure this Guarantee. SBA has no duty to preserve or dispose of any Collateral.

8. SUCCESSORS AND ASSIGNS.

Under this Guarantee, Guarantor(s) include(s) successors, and SBA includes successors and assigns.

9. GENERAL PROVISIONS.

- L. ENFORCEMENT EXPENSES. Guarantor(s) promise(s) to pay all expenses SBA incurs to enforce this Guarantee, including, but not limited to, attorney's fees and costs.
- M. SUBROGRATION RIGHT. Guarantor(s) has/have no subrogation rights as to the Note or the Collateral until the Note or any modifications of the Note is/are paid in full.
- N. JOINT AND SEVERAL LIABILITY. All individuals and entities signing as Guarantor(s) is/are jointly and severally liable.
- O. DOCUMENT SIGNING. Guarantor(s) must sign all documents necessary at any time to comply with the Loan Documents and to enable SBA to acquire, perfect, or maintain SBA's liens on Collateral.
- P. FINANCIAL STATEMENTS. Guarantor(s) must give SBA financial statements as SBA requires.
- Q. SBA'S RIGHTS CUMULATIVE, NOT WAIVED. SBA may exercise any of its rights separately or together, as many times as it chooses. SBA may delay or forgo enforcing any of its rights without losing or impairing any of them.
- R. ORAL STATEMENTS NOT BINDING. Guarantor(s) may not use an oral statement to contradict or alter the written terms of the Note and/or any modifications of the Note or this Guarantee, or to raise a defense to this Guarantee.
- S. SEVERABILITY. If any part of this Guarantee is found to be unenforceable, all other parts will remain in effect.

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T. CONSIDERATION. The consideration for this Guarantee is the Loan or any accommodation by SBA as to the Loan.

10. GUARANTOR(S) ACKNOWLEDGMENT OF TERMS.

Guarantor(s) acknowledge(s) that Guarantor(s) has/have read and understands the significance of all terms of the Loan Authorization Agreement, Note and/or any modifications of the Note, this Guarantee, including all waivers, and certifies, to the best of its, his or her knowledge and belief, that the certifications and representations in the attached Certification Regarding Lobbying are true, correct and complete and are offered to induce SBA to make this Loan.

11. GUARANTOR(S) NAME(S) AND SIGNATURE(S).

By signing below, each individual or entity becomes obligated as Guarantor under this Guarantee.

GUARANTOR:

DocuSigned by:
Jonathan Carroll
964A19512A09488...

Jonathan Carroll, individually

GUARANTOR:

DocuSigned by:
Jonathan Carroll
964A19512A09488...

Lazarus Energy Holdings, LLC
By: Jonathan Carroll, Owner/Officer