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

# FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

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 number: 1-07908

# ADAMS RESOURCES & ENERGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| **Delaware** | **74-1753147** |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

**17 South Briar Hollow Lane, Suite 100**
**Houston, Texas 77027**
(Address of Principal Executive Offices, including Zip Code)

**(713) 881-3600**
(Registrant's Telephone Number, including Area Code)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.10 Par Value | AE | NYSE American LLC |

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 an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

A total of 2,534,685 shares of Common Stock were outstanding at August 1, 2023.

**ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES**
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# PART I. FINANCIAL INFORMATION

**Item 1.** ***Financial Statements***

## ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
**(In thousands, except share data)**

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 8,974 | $ 20,532 |
| Restricted cash | 8,784 | 10,535 |
| Accounts receivable, net of allowance for doubtful accounts of $78 and $88, respectively | 158,433 | 189,039 |
| Inventory | 26,523 | 26,919 |
| Income tax receivable | 469 | — |
| Prepayments and other current assets | 2,608 | 3,118 |
| Total current assets | 205,791 | 250,143 |
| Property and equipment, net | 111,834 | 106,425 |
| Operating lease right-of-use assets, net | 6,783 | 7,720 |
| Intangible assets, net | 8,837 | 9,745 |
| Goodwill | 6,673 | 6,428 |
| Other assets | 3,564 | 3,698 |
| Total assets | $ 343,482 | $ 384,159 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 162,787 | $ 204,391 |
| Accounts payable – related party | — | 31 |
| Derivative liabilities | 30 | 330 |
| Current portion of finance lease obligations | 6,444 | 4,382 |
| Current portion of operating lease liabilities | 2,802 | 2,712 |
| Current portion of long-term debt | 2,500 | — |
| Other current liabilities | 14,011 | 19,214 |
| Total current liabilities | 188,574 | 231,060 |
| Other long-term liabilities: | | |
| Long-term debt | 20,625 | 24,375 |
| Asset retirement obligations | 2,650 | 2,459 |
| Finance lease obligations | 20,693 | 12,085 |
| Operating lease liabilities | 3,986 | 5,007 |
| Deferred taxes and other liabilities | 15,233 | 15,996 |
| Total liabilities | 251,761 | 290,982 |
| Commitments and contingencies (Note 16) | | |
| Shareholders' equity: | | |
| Preferred stock – $1.00 par value, 960,000 shares authorized, none outstanding | — | — |
| Common stock – $0.10 par value, 7,500,000 shares authorized, 2,534,685 and 2,495,484 shares outstanding, respectively | 252 | 248 |
| Contributed capital | 20,943 | 19,965 |
| Retained earnings | 70,526 | 72,964 |
| Total shareholders' equity | 91,721 | 93,177 |
| Total liabilities and shareholders' equity | $ 343,482 | $ 384,159 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share data)**

| | Three Months Ended June 30, 2023 | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Marketing | $ 585,272 | $ 962,516 | $ 1,193,748 | $ 1,710,071 |
| Transportation | 24,452 | 29,534 | 50,897 | 56,224 |
| Pipeline and storage | 249 | — | 249 | — |
| Logistics and repurposing | 14,793 | — | 30,034 | — |
| Total revenues | 624,766 | 992,050 | 1,274,928 | 1,766,295 |
| **Costs and expenses:** | | | | |
| Marketing | 579,753 | 955,511 | 1,184,247 | 1,691,158 |
| Transportation | 20,260 | 23,674 | 42,673 | 44,539 |
| Pipeline and storage | 753 | 606 | 1,691 | 1,160 |
| Logistics and repurposing | 13,202 | — | 26,327 | — |
| General and administrative | 1,715 | 4,211 | 6,487 | 8,229 |
| Depreciation and amortization | 7,303 | 5,088 | 14,353 | 10,101 |
| Total costs and expenses | 622,986 | 989,090 | 1,275,778 | 1,755,187 |
| **Operating earnings (losses)** | 1,780 | 2,960 | (850) | 11,108 |
| **Other income (expense):** | | | | |
| Interest and other income | 570 | 303 | 774 | 327 |
| Interest expense | (802) | (136) | (1,498) | (250) |
| Total other (expense) income, net | (232) | 167 | (724) | 77 |
| **Earnings (Losses) before income taxes** | 1,548 | 3,127 | (1,574) | 11,185 |
| Income tax (provision) benefit | (721) | (651) | 402 | (2,619) |
| **Net earnings (losses)** | $ 827 | $ 2,476 | $ (1,172) | $ 8,566 |
| **Earnings (Losses) per share:** | | | | |
| Basic net earnings (losses) per common share | $ 0.33 | $ 0.57 | $ (0.46) | $ 1.96 |
| Diluted net earnings (losses) per common share | $ 0.32 | $ 0.56 | $ (0.46) | $ 1.95 |
| **Dividends per common share** | $ 0.24 | $ 0.24 | $ 0.48 | $ 0.48 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| **Operating activities:** | | |
| Net (losses) earnings | $ (1,172) | $ 8,566 |
| Adjustments to reconcile net (losses) earnings to net cash used in operating activities: | | |
| Depreciation and amortization | 14,353 | 10,101 |
| Gains on sales of property | (766) | (938) |
| Provision for doubtful accounts | (10) | (8) |
| Stock-based compensation expense | 655 | 458 |
| Change in contingent consideration liability | (2,566) | — |
| Deferred income taxes | (770) | (332) |
| Net change in fair value contracts | (300) | (630) |
| **Changes in assets and liabilities:** | | |
| Accounts receivable | 30,616 | (129,837) |
| Accounts receivable/payable, affiliates | (31) | — |
| Inventories | 396 | (42,339) |
| Income tax receivable | (469) | 6,424 |
| Prepayments and other current assets | 510 | 382 |
| Accounts payable | (41,606) | 121,144 |
| Accrued liabilities | (2,564) | 2,614 |
| Other | 116 | 217 |
| Net cash used in operating activities | (3,608) | (24,178) |
| **Investing activities:** | | |
| Property and equipment additions | (5,908) | (4,783) |
| Proceeds from property sales | 1,444 | 1,374 |
| Net cash used in investing activities | (4,464) | (3,409) |
| **Financing activities:** | | |
| Borrowings under Credit Agreement | 38,000 | 30,000 |
| Repayments under Credit Agreement | (39,250) | (30,000) |
| Principal repayments of finance lease obligations | (3,247) | (2,306) |
| Net proceeds from sale of equity | 549 | 283 |
| Dividends paid on common stock | (1,289) | (2,126) |
| Net cash used in financing activities | (5,237) | (4,149) |
| **Decrease in cash and cash equivalents, including restricted cash** | (13,309) | (31,736) |
| **Cash and cash equivalents, including restricted cash, at beginning of period** | 31,067 | 107,317 |
| **Cash and cash equivalents, including restricted cash, at end of period** | $ 17,758 | $ 75,581 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**
**(In thousands, except per share data)**

| | Common Stock | Contributed Capital | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|
| **Balance, January 1, 2023** | $ 248 | $ 19,965 | $ 72,964 | $ 93,177 |
| Net loss | — | — | (1,999) | (1,999) |
| Stock-based compensation expense | — | 283 | — | 283 |
| Vesting of restricted awards | 3 | (3) | — | — |
| Cancellation of shares withheld to cover taxes upon vesting of restricted awards | — | (222) | — | (222) |
| Shares sold under at-the-market offering program | 1 | 548 | — | 549 |
| Dividends declared: | | | | |
| Common stock, $0.24/share | — | — | (608) | (608) |
| Awards under LTIP, $0.24/share | — | — | (25) | (25) |
| **Balance, March 31, 2023** | 252 | 20,571 | 70,332 | 91,155 |
| Net earnings | — | — | 827 | 827 |
| Stock-based compensation expense | — | 372 | — | 372 |
| Dividends declared: | | | | |
| Common stock, $0.24/share | — | — | (608) | (608) |
| Awards under LTIP, $0.24/share | — | — | (25) | (25) |
| **Balance, June 30, 2023** | $ 252 | $ 20,943 | $ 70,526 | $ 91,721 |

**ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**
**(In thousands, except per share data)**

| | Common Stock | Contributed Capital | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|
| **Balance, January 1, 2022** | $ 433 | $ 16,913 | $ 143,040 | $ 160,386 |
| Net earnings | — | — | 6,090 | 6,090 |
| Stock-based compensation expense | — | 195 | — | 195 |
| Vesting of restricted awards | 2 | (2) | — | — |
| Cancellation of shares withheld to cover taxes upon vesting of restricted awards | — | (86) | — | (86) |
| Dividends declared: | | | | |
| Common stock, $0.24/share | — | — | (1,048) | (1,048) |
| Awards under LTIP, $0.24/share | — | — | (16) | (16) |
| **Balance, March 31, 2022** | 435 | 17,020 | 148,066 | 165,521 |
| Net earnings | — | — | 2,476 | 2,476 |
| Stock-based compensation expense | — | 263 | — | 263 |
| Cancellation of shares withheld to cover taxes upon vesting of restricted awards | — | (24) | — | (24) |
| Shares sold under at-the-market offering program | 1 | 282 | — | 283 |
| Dividends declared: | | | | |
| Common stock, $0.24/share | — | — | (1,049) | (1,049) |
| Awards under LTIP, $0.24/share | — | — | (18) | (18) |
| **Balance, June 30, 2022** | $ 436 | $ 17,541 | $ 149,475 | $ 167,452 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Note 1. Organization and Basis of Presentation**

*Organization*

Adams Resources & Energy, Inc. is a publicly traded Delaware corporation organized in 1973, the common shares of which are listed on the NYSE American LLC under the ticker symbol "AE". Through our subsidiaries, we are primarily engaged in crude oil marketing, truck and pipeline transportation of crude oil, terminalling and storage in various crude oil and natural gas basins in the lower 48 states of the United States ("U.S."). In addition, we conduct tank truck transportation of liquid chemicals, pressurized gases, asphalt and dry bulk primarily in the lower 48 states of the U.S. with deliveries into Canada and Mexico, and with eighteen terminals across the U.S. We also recycle and repurpose off-specification fuels, lubricants, crude oil and other chemicals from producers in the U.S. Unless the context requires otherwise, references to "we," "us," "our," "Adams" or the "Company" are intended to mean the business and operations of Adams Resources & Energy, Inc. and its consolidated subsidiaries.

We operate and report in four business segments: (i) crude oil marketing, transportation and storage; (ii) tank truck transportation of liquid chemicals, pressurized gases, asphalt and dry bulk; (iii) pipeline transportation, terminalling and storage of crude oil; and (iv) interstate bulk transportation logistics of crude oil, condensate, fuels, oils and other petroleum products and recycling and repurposing of off-specification fuels, lubricants, crude oil and other chemicals. See Note 8 for further information regarding our business segments.

*Basis of Presentation*

Our results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of results expected for the full year of 2023. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting of normal recurring accruals necessary for fair presentation. The condensed consolidated financial statements and the accompanying notes are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial statements and the rules of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, these interim financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K") filed with the SEC on March 16, 2023. All significant intercompany transactions and balances have been eliminated in consolidation.

*Use of Estimates*

The preparation of our financial statements in conformity with GAAP requires management to use estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on historical experience and on various other assumptions and information we believe to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty and, accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. While we believe the estimates and assumptions used in the preparation of these condensed consolidated financial statements are appropriate, actual results could differ from those estimates.

**Note 2. Summary of Significant Accounting Policies**

*Cash, Cash Equivalents and Restricted Cash*

The following table provides a reconciliation of cash and cash equivalents and restricted cash as reported in the unaudited condensed consolidated balance sheets that totals to the amounts shown in the unaudited condensed consolidated statements of cash flows at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 8,974 | $ 20,532 |
| Restricted cash: | | |
| Collateral for outstanding letters of credit (1) | 356 | 892 |
| Captive insurance subsidiary (2) | 8,428 | 9,643 |
| Total cash, cash equivalents and restricted cash shown in the unaudited condensed consolidated statements of cash flows | $ 17,758 | $ 31,067 |

(1) Represents amounts that are held in a segregated bank account by Wells Fargo Bank as collateral for an outstanding letter of credit.
(2) $1.5 million of the restricted cash balance relates to the initial capitalization of our captive insurance company formed in late 2020, and the remainder represents amounts paid to our captive insurance company for insurance premiums.

*Common Shares Outstanding*

The following table reconciles our outstanding common stock for the periods indicated:

| | Common shares |
|---|---|
| **Balance, January 1, 2023** | 2,495,484 |
| Vesting of restricted stock unit awards (see Note 13) | 20,291 |
| Vesting of performance share unit awards (see Note 13) | 12,319 |
| Shares withheld to cover taxes upon vesting of equity awards | (8,089) |
| Shares sold under at-the-market offering program | 14,680 |
| **Balance, March 31, 2023** | 2,534,685 |
| No activity | — |
| **Balance, June 30, 2023** | 2,534,685 |

*Earnings Per Share*

Basic earnings (losses) per share is computed by dividing our net earnings (losses) by the weighted average number of common shares outstanding during the period. Diluted earnings (losses) per share is computed by giving effect to all potential common shares outstanding, including shares related to unvested restricted stock unit awards. Unvested restricted stock unit awards granted under the Adams Resources & Energy, Inc. 2018 Long-Term Incentive Plan, as amended and restated ("2018 LTIP"), or granted as employment inducement awards outside of the 2018 LTIP, are not considered to be participating securities as the holders of these shares do not have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares (see Note 13 for further discussion).

The calculation of basic and diluted earnings (losses) per share was as follows for the periods indicated (in thousands, except per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Earnings (Losses) per share — numerator:** | | | | |
| Net earnings (losses) | $ 827 | $ 2,476 | $ (1,172) | $ 8,566 |
| **Denominator:** | | | | |
| Basic weighted average number of shares outstanding | 2,535 | 4,371 | 2,526 | 4,365 |
| **Basic net earnings (losses) per share** | $ 0.33 | $ 0.57 | $ (0.46) | $ 1.96 |
| **Diluted earnings (losses) per share:** | | | | |
| Diluted weighted average number of shares outstanding: | | | | |
| Common shares | 2,535 | 4,371 | 2,526 | 4,365 |
| Restricted stock unit awards (1) | 14 | 21 | — | 22 |
| Performance share unit awards (1) (2) | 12 | 12 | — | 12 |
| Total diluted shares | 2,561 | 4,404 | 2,526 | 4,399 |
| **Diluted net earnings (losses) per share** | $ 0.32 | $ 0.56 | $ (0.46) | $ 1.95 |

(1) For the six months ended June 30, 2023, the effect of the restricted stock unit awards and the performance share unit awards on losses per share was anti-dilutive.
(2) The dilutive effect of performance share awards are included in the calculation of diluted earnings per share when the performance share award performance conditions have been achieved.

*Equity At-The-Market Offerings*

During the six months ended June 30, 2023, we received net proceeds of approximately $0.6 million (net of offering costs to B. Riley Securities, Inc. of $27 thousand) from the sale of 14,680 of our common shares at an average price per share of approximately $40.74 in at-the-market offerings under our At Market Issuance Sales Agreement with B. Riley Securities, Inc. dated December 23, 2020.

*Fair Value Measurements*

The carrying amounts reported in the unaudited condensed consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of the immediate or short-term maturity of these financial instruments. Marketable securities are recorded at fair value based on market quotations from actively traded liquid markets. The fair value of the term loan under our credit agreement (see Note 11 for further information) is representative of the carrying value based upon the variable terms and management's opinion that the current rates available to us with the same maturity and security structure are equivalent to that of the debt.

A three-tier hierarchy has been established that classifies fair value amounts recognized in the financial statements based on the observability of inputs used to estimate these fair values. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3). At each balance sheet reporting date, we categorize our financial assets and liabilities using this hierarchy.

Fair value contracts consist of derivative financial instruments and are recorded as either an asset or liability measured at its fair value. Changes in fair value are recognized immediately in earnings unless the derivatives qualify for, and we elect, cash flow hedge accounting. We had no contracts designated for hedge accounting during any current reporting periods (see Note 12 for further information).

*Income Taxes*

Income taxes are accounted for using the asset and liability method. Under this approach, deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of these items and their respective tax basis.

*Inventory*

Inventory consists of crude oil held in storage tanks and at third-party pipelines as part of our crude oil marketing and pipeline and storage operations. Crude oil inventory is carried at the lower of cost or net realizable value. At the end of each reporting period, we assess the carrying value of our inventory and make adjustments necessary to reduce the carrying value to the applicable net realizable value. Any resulting adjustments are a component of marketing costs and expenses or pipeline and storage expenses on our consolidated statements of operations.

*Property and Equipment*

Property and equipment is recorded at cost. Expenditures for additions, improvements and other enhancements to property and equipment are capitalized, and minor replacements, maintenance and repairs that do not extend asset life or add value are charged to expense as incurred. When property and equipment assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in results of operations in operating costs and expenses for the respective period. Property and equipment, except for land, is depreciated using the straight-line method over the estimated average useful lives ranging from two to thirty-nine years.

We review our long-lived assets for impairment whenever there is evidence that the carrying value of these assets may not be recoverable. Any impairment recognized is permanent and may not be restored. Property and equipment is reviewed at the lowest level of identifiable cash flows. For property and equipment requiring impairment, the fair value is estimated based on an internal discounted cash flow model of future cash flows.

See Note 5 for additional information regarding our property and equipment.

*Stock-Based Compensation*

We measure all share-based payment awards, including the issuance of restricted stock unit awards and performance share unit awards to employees and board members, using a fair-value based method. The cost of services received from employees and non-employee board members in exchange for awards of equity instruments is recognized in the consolidated statements of operations based on the estimated fair value of those awards on the grant date and is amortized on a straight-line basis over the requisite service period. The fair value of restricted stock unit awards and performance share unit awards is based on the closing price of our common stock on the grant date. We account for forfeitures as they occur. See Note 13 for additional information regarding our 2018 LTIP.

**Note 3. Revenue Recognition**

*Revenue Disaggregation*

The following table disaggregates our revenue by segment and by major source for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Crude Oil Marketing:** | | | | |
| Revenue from contracts with customers: | | | | |
| Goods transferred at a point in time | $ 580,636 | $ 952,325 | $ 1,168,725 | $ 1,688,359 |
| Services transferred over time | 292 | — | 336 | — |
| Total revenues from contracts with customers | 580,928 | 952,325 | 1,169,061 | 1,688,359 |
| Other [(1)] | 4,344 | 10,191 | 24,687 | 21,712 |
| Total crude oil marketing revenue | $ 585,272 | $ 962,516 | $ 1,193,748 | $ 1,710,071 |
| **Transportation:** | | | | |
| Revenue from contracts with customers: | | | | |
| Goods transferred at a point in time | $ — | $ — | $ — | $ — |
| Services transferred over time | 24,452 | 29,534 | 50,897 | 56,224 |
| Total revenues from contracts with customers | 24,452 | 29,534 | 50,897 | 56,224 |
| Other | — | — | — | — |
| Total transportation revenue | $ 24,452 | $ 29,534 | $ 50,897 | $ 56,224 |
| **Pipeline and storage:** [(2)] | | | | |
| Revenue from contracts with customers: | | | | |
| Goods transferred at a point in time | $ — | $ — | $ — | $ — |
| Services transferred over time | 249 | — | 249 | — |
| Total revenues from contracts with customers | 249 | — | 249 | — |
| Other | — | — | — | — |
| Total pipeline and storage revenue | $ 249 | $ — | $ 249 | $ — |
| **Logistics and repurposing:** | | | | |
| Revenue from contracts with customers: | | | | |
| Goods transferred at a point in time | $ 9,009 | $ — | $ 17,163 | $ — |
| Services transferred over time | 5,784 | — | 12,871 | — |
| Total revenues from contracts with customers | 14,793 | — | 30,034 | — |
| Other | — | — | — | — |
| Total logistics and repurposing revenue | $ 14,793 | $ — | $ 30,034 | $ — |
| **Subtotal:** | | | | |
| Total revenues from contracts with customers | $ 620,422 | $ 981,859 | $ 1,250,241 | $ 1,744,583 |
| Total other [(1)] | 4,344 | 10,191 | 24,687 | 21,712 |
| Total consolidated revenues | $ 624,766 | $ 992,050 | $ 1,274,928 | $ 1,766,295 |

(1) Other crude oil marketing revenues are recognized under Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*, and ASC 845, *Nonmonetary Transactions – Purchases and Sales of Inventory with the Same Counterparty*.

(2) All pipeline and storage revenue during the three and six months ended June 30, 2022 and for the period from January 1, 2023 to May 31, 2023 was from an affiliated shipper, GulfMark Energy, Inc., our subsidiary, and was eliminated in consolidation. During June 2023, we began earning revenue from an unaffiliated shipper.

*Other Crude Oil Marketing Revenue*

Certain of the commodity purchase and sale contracts utilized by our crude oil marketing business qualify as derivative instruments with certain specifically identified contracts also designated as trading activity. From the time of contract origination, these contracts are marked-to-market and recorded on a net revenue basis in the accompanying unaudited condensed consolidated financial statements.

Certain of our crude oil contracts may be with a single counterparty to provide for similar quantities of crude oil to be bought and sold at different locations. These contracts are entered into for a variety of reasons, including effecting the transportation of the commodity, to minimize credit exposure, and/or to meet the competitive demands of the customer. These buy/sell arrangements are reflected on a net revenue basis in the accompanying unaudited condensed consolidated financial statements.

Reporting these crude oil contracts on a gross revenue basis would increase our reported revenues as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue gross-up | $ 240,969 | $ 419,081 | $ 527,671 | $ 726,467 |

**Note 4. Prepayments and Other Current Assets**

The components of prepayments and other current assets were as follows at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Insurance premiums | $ 766 | $ 1,220 |
| Rents, licenses and other | 1,842 | 1,898 |
| Total prepayments and other current assets | $ 2,608 | $ 3,118 |

**Note 5. Property and Equipment**

The historical costs of our property and equipment and related accumulated depreciation and amortization balances were as follows at the dates indicated (in thousands):

| | Estimated Useful Life in Years | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| Tractors and trailers | 5 – 6 | $ 126,419 | $ 128,223 |
| Field equipment | 2 – 5 | 24,964 | 24,676 |
| Finance lease ROU assets (1) | 3 – 6 | 37,890 | 25,106 |
| Pipeline and related facilities | 20 – 25 | 20,362 | 20,362 |
| Linefill and base gas (2) | N/A | 3,922 | 3,922 |
| Buildings | 5 – 39 | 16,189 | 16,163 |
| Office equipment | 2 – 5 | 2,964 | 2,937 |
| Land | N/A | 4,163 | 2,309 |
| Construction in progress | N/A | 4,823 | 3,629 |
| Total | | 241,696 | 227,327 |
| Less accumulated depreciation and amortization | | (129,862) | (120,902) |
| Property and equipment, net | | $ 111,834 | $ 106,425 |

(1) Our finance lease right-of-use ("ROU)" assets arise from leasing arrangements for the right to use various classes of underlying assets including tractors, trailers, a tank storage and throughput arrangement and office equipment (see Note 15 for further information). Accumulated amortization of the assets presented as "Finance lease ROU assets" was $12.2 million and $9.9 million at June 30, 2023 and December 31, 2022, respectively.

(2) Linefill and base gas represents crude oil in the VEX pipeline and storage tanks we own, and the crude oil is recorded at historical cost.

Components of depreciation and amortization expense were as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Depreciation and amortization, excluding amounts under finance leases | $ 4,913 | $ 3,639 | $ 9,737 | $ 7,252 |
| Amortization of property and equipment under finance leases | 1,933 | 1,261 | 3,708 | 2,469 |
| Amortization of intangible assets | 457 | 188 | 908 | 380 |
| Total depreciation and amortization | $ 7,303 | $ 5,088 | $ 14,353 | $ 10,101 |

**Note 6. Acquisition**

On August 12, 2022, we entered into a purchase agreement with each of Scott Bosard, Trey Bosard and Tyler Bosard (collectively, the "Sellers") to acquire all of the equity interests of Firebird Bulk Carriers, Inc. ("Firebird") and Phoenix Oil, Inc. ("Phoenix") for approximately $39.3 million, consisting of a cash payment of $35.4 million, 45,777 of our common shares valued at $1.4 million, of which 15,259 shares were issued immediately and 30,518 shares will be issued over a three year period, and contingent consideration valued at approximately $2.6 million. We funded the cash consideration using cash on hand at the time of acquisition. Pursuant to the purchase agreement, the purchase price is subject to customary post-closing adjustment provisions, including an earn-out payable to the Sellers to the extent the earnings before interest, taxes, depreciation and amortization (EBITDA) of Phoenix exceeds a specified threshold during the twelve full calendar months after the closing date of the acquisition.

Firebird is an interstate bulk motor carrier of crude oil, condensate, fuels, oils and other petroleum products. Firebird is headquartered in Humble, Texas, with six terminal locations throughout Texas, and operates 130 tractors and 209 trailers largely in the Eagle Ford basin. Phoenix is also headquartered in Humble, Texas, and recycles and repurposes off-specification fuels, lubricants, crude oil and other chemicals from producers in the U.S. Firebird and Phoenix have formed our new logistics and repurposing segment. We expect that this acquisition will offer us the opportunity to expand our value chain and market impact, with numerous synergies benefiting the combined companies.

We accounted for the acquisition of Firebird and Phoenix under the acquisition method in accordance with ASC 805, *Business Combinations.* The allocation of purchase consideration was based upon the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition.

The purchase price allocation was subject to revision as acquisition-date fair value analyses were completed and if additional information about facts and circumstances that existed at the acquisition date became available. During the period ended June 30, 2023, we revised the fair value of certain tractors and trailers, resulting in a decrease in the amount allocated to property and equipment of $0.2 million and with a corresponding increase in goodwill. No other changes to the purchase price allocation occurred during the first half of 2023. The purchase price consideration, as well as the estimated fair values of the assets acquired and liabilities assumed, was finalized during the second quarter of 2023.

The following table presents the final purchase price allocation of the indentifiable assets acquired and liabilities assumed at the acquisition date of August 12, 2022 (in thousands):

| | | |
|---|---|---|
| ssets acquired: | | |
| Cash and cash equivalents | $ | 2,203 |
| Accounts receivable | | 4,653 |
| Inventory | | 643 |
| Other current assets | | 137 |
| Property and equipment | | 24,809 |
| Intangible assets | | 7,607 |
| Goodwill | | 6,673 |
| Other assets | | 458 |
| otal assets acquired | $ | 47,183 |
| abilities assumed: | | |
| Accounts payable and other accrued liabilities | $ | (1,696) |
| Deferred tax liabilities | | (6,207) |
| Total liabilities assumed | $ | (7,903) |
| Net assets acquired | $ | 39,280 |

During the second quarter of 2023, based upon a review of the contingent consideration calculation terms, we determined that no payment would be made to the Sellers, and as such, we adjusted our accrual of $2.6 million that had been recorded as part of the purchase price allocation. The reversal of the accrual for the contingent consideration is included in general and administrative expense on our unaudited condensed consolidated statements of operations.

*Unaudited Pro Forma Financial Information*

The unaudited pro forma condensed consolidated results of operations in the table below are provided for illustrative purposes only and summarize the combined results of our operations and those of Firebird and Phoenix. For purposes of this pro forma presentation, the acquisition of Firebird and Phoenix is assumed to have occurred on January 1, 2022. The pro forma financial information for all periods presented also includes the estimated business combination accounting effects resulting from this acquisition, notably amortization expense from the acquired intangible assets and certain other integration related impacts. This unaudited pro forma financial information should not be relied upon as being indicative of the historical results that would have been obtained if the acquisition had actually occurred on January 1, 2022, nor of the results of operations that may be obtained in the future (in thousands).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | | 2022 | |
| Revenues | $ | 1,009,694 | $ | 1,802,675 |
| Net earnings | | 5,257 | | 14,982 |
| Basic net earnings per common share | $ | 1.20 | $ | 3.42 |
| Diluted net earnings per common share | $ | 1.19 | $ | 3.39 |

**Note 7. Other Assets**

Components of other assets were as follows at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Insurance collateral deposits | $ 503 | $ 463 |
| State collateral deposits | 23 | 23 |
| Materials and supplies | 1,281 | 1,257 |
| Debt issuance costs | 1,427 | 1,595 |
| Other | 330 | 360 |
| Total other assets | $ 3,564 | $ 3,698 |

We have established certain deposits to support participation in our liability insurance program and remittance of state crude oil severance taxes and other state collateral deposits. Insurance collateral deposits are held by the insurance company to cover past or potential open claims based upon a percentage of the expected losses under the insurance programs. Insurance collateral deposits are invested at the discretion of our insurance carrier.

**Note 8. Segment Reporting**

We operate and report in four business segments: (i) crude oil marketing, transportation and storage; (ii) tank truck transportation of liquid chemicals, pressurized gases, asphalt and dry bulk; (iii) pipeline transportation, terminalling and storage of crude oil; and (iv) interstate bulk transportation logistics of crude oil, condensate, fuels, oils and other petroleum products and recycling and repurposing of off-specification fuels, lubricants, crude oil and other chemicals.

Financial information by reporting segment was as follows for the periods indicated (in thousands):

| | Reporting Segments | | | | | |
|---|---|---|---|---|---|---|
| | Crude oil marketing | Trans-portation | Pipeline and storage | Logistics and repurposing (1) | Other | Total |
| **Three Months Ended June 30, 2023** | | | | | | |
| Segment revenues (2) | $ 585,272 | $ 24,576 | $ 894 | $ 15,780 | $ — | $ 626,522 |
| Less: Intersegment revenues (2) | — | (124) | (645) | (987) | — | (1,756) |
| Revenues | $ 585,272 | $ 24,452 | $ 249 | $ 14,793 | $ — | $ 624,766 |
| Segment operating earnings (losses) (3) | 3,351 | 1,056 | (779) | (133) | — | 3,495 |
| Depreciation and amortization | 2,168 | 3,136 | 275 | 1,724 | — | 7,303 |
| Property and equipment additions (4) (5) | 394 | 1,171 | 270 | 2,088 | 85 | 4,008 |
| **Three Months Ended June 30, 2022** | | | | | | |
| Segment revenues (2) | $ 962,516 | $ 29,593 | $ 1,163 | $ — | $ — | $ 993,272 |
| Less: Intersegment revenues (2) | — | (59) | (1,163) | — | — | (1,222) |
| Revenues | $ 962,516 | $ 29,534 | $ — | $ — | $ — | $ 992,050 |
| Segment operating earnings (losses) (3) | 5,111 | 2,937 | (877) | — | — | 7,171 |
| Depreciation and amortization | 1,894 | 2,923 | 271 | — | — | 5,088 |
| Property and equipment additions (4) (5) | 884 | 159 | 46 | — | — | 1,089 |
| **Six Months Ended June 30, 2023** | | | | | | |
| Segment revenues (2) | $ 1,193,748 | $ 51,106 | $ 1,703 | $ 32,527 | $ — | $ 1,279,084 |
| Less: Intersegment revenues (2) | — | (209) | (1,454) | (2,493) | — | (4,156) |
| Revenues | $ 1,193,748 | $ 50,897 | $ 249 | $ 30,034 | $ — | $ 1,274,928 |
| Segment operating earnings (losses) (3) | 5,258 | 1,957 | (1,980) | 402 | — | 5,637 |
| Depreciation and amortization | 4,243 | 6,267 | 538 | 3,305 | — | 14,353 |
| Property and equipment additions (4) (5) | 669 | 1,338 | 1,241 | 2,548 | 112 | 5,908 |
| **Six Months Ended June 30, 2022** | | | | | | |
| Segment revenues (2) | $ 1,710,071 | $ 56,311 | $ 2,060 | $ — | $ — | $ 1,768,442 |
| Less: Intersegment revenues (2) | — | (87) | (2,060) | — | — | (2,147) |
| Revenues | $ 1,710,071 | $ 56,224 | $ — | $ — | $ — | $ 1,766,295 |
| Segment operating earnings (losses) (3) | 15,231 | 5,805 | (1,699) | — | — | 19,337 |
| Depreciation and amortization | 3,682 | 5,880 | 539 | — | — | 10,101 |
| Property and equipment additions (4) (5) | 4,008 | 694 | 73 | — | 8 | 4,783 |

(1) On August 12, 2022, we acquired a transportation logistics and recycling and repurposing business, resulting in a new operating segment.

(2) Segment revenues include intersegment amounts that are eliminated due to consolidation in operating costs and expenses in our unaudited condensed consolidated statements of operations. Intersegment activities are conducted at posted tariff rates where applicable, or otherwise at rates similar to those charged to third parties or rates that we believe approximate market at the time the agreement is executed.
(3) Our crude oil marketing segment's operating earnings included inventory valuation losses of $1.0 million and $1.5 million for the three months ended June 30, 2023 and 2022, respectively. For the six months ended June 30, 2023 and 2022, our crude oil marketing segment's operating (losses) earnings included inventory valuation losses of $2.0 million and inventory liquidation gains of $7.2 million, respectively.
(4) Our segment property and equipment additions do not include assets acquired under finance leases during the three and six months ended June 30, 2023 and 2022. See Note 15 for further information.
(5) Amounts included in property and equipment additions for Other are additions for computer or other office equipment and a company vehicle at our corporate headquarters, which were not attributed or allocated to any of our reporting segments.

Segment operating earnings reflect revenues net of operating costs and depreciation and amortization expense and are reconciled to earnings (losses) before income taxes, as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Segment operating earnings | $ 3,495 | $ 7,171 | $ 5,637 | $ 19,337 |
| General and administrative | (1,715) | (4,211) | (6,487) | (8,229) |
| Operating earnings (losses) | 1,780 | 2,960 | (850) | 11,108 |
| Interest and other income | 570 | 303 | 774 | 327 |
| Interest expense | (802) | (136) | (1,498) | (250) |
| Earnings (Losses) before income taxes | $ 1,548 | $ 3,127 | $ (1,574) | $ 11,185 |

Identifiable assets by business segment were as follows at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Reporting segment: | | |
| Crude oil marketing | $ 193,478 | $ 215,813 |
| Transportation | 58,276 | 60,405 |
| Pipeline and storage | 25,444 | 25,815 |
| Logistics and repurposing | 43,097 | 45,307 |
| Cash and other (1) | 23,187 | 36,819 |
| Total assets | $ 343,482 | $ 384,159 |

(1) Other identifiable assets are primarily corporate cash, corporate accounts receivable, properties and operating lease right-of-use assets not identified with any specific segment of our business.

Accounting policies for transactions between reportable segments are consistent with applicable accounting policies as disclosed herein.

**Note 9. Transactions with Affiliates**

We enter into certain transactions in the normal course of business with affiliated entities. Activities with affiliates were as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| KSA and affiliate billings to us | $ — | $ — | $ — | $ 6 |
| Billings to KSA and affiliates | 4 | 5 | 9 | 10 |
| Rentals paid to an affiliate of KSA | 95 | 138 | 232 | 252 |
| Payments to an affiliate of KSA for purchase of vehicles (1) | — | — | 157 | 78 |
| Rentals paid to affiliates of Scott Bosard | 140 | — | 280 | — |

(1) Amounts paid to West Point Buick GMC are for the purchase of three and two pickup trucks during the six months ended June 30, 2023 and 2022, respectively.

Affiliate transactions included direct cost reimbursement for shared phone and administrative services from KSA Industries, Inc. ("KSA"), an affiliated entity. We lease our corporate office space in a building operated by 17 South Briar Hollow Lane, LLC, an affiliate of KSA. In addition, we purchase pickup trucks from West Point Buick GMC, an affiliate of KSA. KSA was our largest shareholder until October 31, 2022 when we repurchased the common stock owned by it. An affiliate of KSA served on our Board of Directors through the date of our 2023 annual meeting, when he retired. As of May 31, 2023, KSA and its affiliates are no longer related parties.

In connection with the acquisition of Firebird and Phoenix on August 12, 2022, we entered into four operating lease agreements for office and terminal locations with entities owned by Scott Bosard, one of the sellers, for periods ranging from two to five years.

**Note 10. Other Current Liabilities**

The components of other current liabilities were as follows at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Accrual for payroll, benefits and bonuses | $ 5,563 | $ 6,435 |
| Accrued automobile and workers' compensation claims | 5,690 | 5,579 |
| Contingent consideration for acquisition (see Note 6) | — | 2,566 |
| Accrued medical claims | 1,085 | 1,007 |
| Accrued taxes | 496 | 2,208 |
| Other | 1,177 | 1,419 |
| Total other current liabilities | $ 14,011 | $ 19,214 |

**Note 11. Long-Term Debt**

On October 27, 2022, we entered into a credit agreement (the "Credit Agreement") with Cadence Bank, as administrative agent, swingline lender and issuing lender, and the other lenders party thereto (collectively, the "Lenders"). The Credit Agreement provides for (a) a revolving credit facility that allows for borrowings up to $60.0 million in aggregate principal amount from time to time (the "Revolving Credit Facility") and (b) a Term Loan in aggregate principal amount of $25.0 million (the "Term Loan"). The Revolving Credit Facility matures on October 27, 2027 unless earlier terminated.

At June 30, 2023, we had $23.1 million outstanding under the Term Loan at a weighted average interest rate of 7.71 percent, and $20.4 million letters of credit outstanding at a fee of 2.50 percent. No amounts were outstanding under the Revolving Credit Facility. The following table presents the scheduled maturities of principal amounts of our debt obligations at June 30, 2023 for the next five years, and in total thereafter (in thousands):

| | | |
|---|---|---|
| Remainder of 2023 | $ | 1,250 |
| 2024 | | 2,500 |
| 2025 | | 2,500 |
| 2026 | | 2,500 |
| 2027 | | 14,375 |
| Total debt maturities | $ | 23,125 |

At June 30, 2023, we were in compliance with all covenants under the Credit Agreement.

See Note 17 regarding information relating to an amendment to the Credit Agreement.

**Note 12. Derivative Instruments and Fair Value Measurements**

*Derivative Instruments*

In the normal course of our operations, our crude oil marketing segment purchases and sells crude oil. We seek to profit by procuring the commodity as it is produced and then delivering the material to the end users or the intermediate use marketplace. As typical for the industry, these transactions are made pursuant to the terms of forward month commodity purchase and/or sale contracts. Some of these contracts meet the definition of a derivative instrument, and therefore, we account for these contracts at fair value, unless the normal purchase and sale exception is applicable. These types of underlying contracts are standard for the industry and are the governing document for our crude oil marketing segment. None of our derivative instruments have been designated as hedging instruments.

At June 30, 2023, we had in place three derivative instruments, entered into in June 2023 for a total of 250,000 barrels of crude oil to be purchased and sold in July 2023, and one derivative instrument, entered into in 2022, for the purchase of 126,000 gallons of diesel fuel per month during January 2023 through December 2023.

At December 31, 2022, we had in place three derivative instruments, entered into in 2022 for a total of 300,000 barrels of crude oil to be purchased and sold in January 2023, and one derivative instrument, also entered into in 2022, for the purchase of 126,000 gallons of diesel fuel per month during January 2023 through December 2023.

**ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The estimated fair value of forward month derivatives instruments reflected in the accompanying unaudited condensed consolidated balance sheets were as follows at the dates indicated (in thousands):

| | Balance Sheet Location and Amount | | | |
|---|---|---|---|---|
| | Current Assets | Other Assets | Current Liabilities | Other Liabilities |
| **June 30, 2023** | | | | |
| Asset derivatives: | | | | |
| Fair value forward derivative instruments at gross valuation | $ — | $ — | $ — | $ — |
| Liability derivatives: | | | | |
| Fair value forward derivative instruments at gross valuation | — | — | 30 | — |
| Less counterparty offsets | — | — | — | — |
| As reported fair value contracts | $ — | $ — | $ 30 | $ — |
| **December 31, 2022** | | | | |
| Asset derivatives: | | | | |
| Fair value forward derivative instruments at gross valuation | $ — | $ — | $ — | $ — |
| Liability derivatives: | | | | |
| Fair value forward derivative instruments at gross valuation | — | — | 330 | — |
| Less counterparty offsets | — | — | — | — |
| As reported fair value contracts | $ — | $ — | $ 330 | $ — |

We only enter into derivative instruments with creditworthy counterparties and evaluate our exposure to significant counterparties on an ongoing basis. At June 30, 2023 and December 31, 2022, we were not holding nor have we posted any collateral to support our forward month fair value derivative activity. We are not subject to any credit-risk related trigger events. We have no other financial investment arrangements that would serve to offset our derivative contracts.

Forward month derivatives instruments reflected in the accompanying unaudited condensed consolidated statements of operations were as follows for the periods indicated (in thousands):

| | Gains (losses) | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Revenues – marketing | $ — | $ (14) | $ — | $ 5 |
| Cost and expenses – marketing | 187 | 625 | (299) | 625 |

*Fair Value Measurements*

The following tables set forth, by level with the Level 1, 2 and 3 fair value hierarchy, the carrying values of our financial assets and liabilities at the dates indicated (in thousands):

| | Fair Value Measurements Using | | | | |
|---|---|---|---|---|---|
| | **Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Counterparty Offsets** | **Total** |
| **June 30, 2023** | | | | | |
| Derivatives: | | | | | |
| Current assets | $ — | $ — | $ — | $ — | $ — |
| Current liabilities | — | (30) | — | — | (30) |
| Net value | $ — | $ (30) | $ — | $ — | $ (30) |
| **December 31, 2022** | | | | | |
| Derivatives: | | | | | |
| Current assets | $ — | $ — | $ — | $ — | $ — |
| Current liabilities | — | (330) | — | — | (330) |
| Net value | $ — | $ (330) | $ — | $ — | $ (330) |

These assets and liabilities are measured on a recurring basis and are classified based on the lowest level of input used to estimate their fair value. Our assessment of the relative significance of these inputs requires judgments.

When determining fair value measurements, we make credit valuation adjustments to reflect both our own nonperformance risk and our counterparty's nonperformance risk. When adjusting the fair value of derivative contracts for the effect of nonperformance risk, we consider the impact of netting and any applicable credit enhancements. Credit valuation adjustments utilize Level 3 inputs, such as credit scores, to evaluate the likelihood of default by us or our counterparties. At June 30, 2023 and December 31, 2022, credit valuation adjustments were not significant to the overall valuation of our fair value contracts. As a result, applicable fair value assets and liabilities are included in their entirety in the fair value hierarchy.

**Note 13. Stock-Based Compensation Plan**

We have in place a long-term incentive plan in which any employee or non-employee director who provides services to us is eligible to participate. The 2018 LTIP, which is overseen by the Compensation Committee of our Board of Directors, provides for the grant of various types of equity awards, of which restricted stock unit awards and performance-based compensation awards have been granted. In May 2022, our shareholders approved an amendment and restatement of the 2018 LTIP, in which the maximum number of shares authorized for issuance under the 2018 LTIP was increased by 150,000 shares to a total of 300,000 shares, and the term of the 2018 LTIP was extended through February 23, 2032. After giving effect to awards granted and forfeitures made under the 2018 LTIP and assuming the potential achievement of the maximum amounts of the performance factors through June 30, 2023, a total of 123,362 shares were available for issuance.

Compensation expense recognized in connection with equity-based awards was as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Compensation expense | $ 372 | $ 263 | $ 655 | $ 458 |

At June 30, 2023 and December 31, 2022, we had $117,700 and $140,300, respectively, of accrued dividend amounts for awards granted under the 2018 LTIP or as inducement awards.

*Restricted Stock Unit Awards*

The following table presents restricted stock unit award activity for the periods indicated:

| | Number of Shares | Weighted-Average Grant Date Fair Value per Share (1) |
|---|---|---|
| Restricted stock unit awards at January 1, 2023 | 70,244 | $ 31.89 |
| Granted (2) | 23,409 | $ 57.18 |
| Vested | (20,291) | $ 29.76 |
| Forfeited | (845) | $ 45.67 |
| Restricted stock unit awards at June 30, 2023 | 72,517 | $ 40.49 |

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued.
(2) The aggregate grant date fair value of restricted stock unit awards issued during the first six months of 2023 was $1.3 million based on grant date market prices of our common shares ranging from $37.56 to $58.05 per share.

Unrecognized compensation cost associated with restricted stock unit awards was approximately $1.3 million at June 30, 2023. Due to the graded vesting provisions of these awards, we expect to recognize the remaining compensation cost for these awards over a weighted-average period of 1.6 years.

*Performance Share Unit Awards*

The following table presents performance share unit award activity for the periods indicated:

| | Number of Shares | Weighted-Average Grant Date Fair Value per Share (1) |
|---|---|---|
| Performance share unit awards at January 1, 2023 | 30,687 | $ 28.59 |
| Granted (2) | 12,061 | $ 56.84 |
| Vested | (12,319) | $ 24.96 |
| Forfeited | — | $ — |
| Performance share unit awards at June 30, 2023 | 30,429 | $ 41.26 |

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued.
(2) The aggregate grant date fair value of performance share unit awards issued during the first six months of 2023 was $0.7 million based on grant date market prices of our common shares ranging from $38.42 to $58.05 per share and assuming a performance factor of 100 percent.

Unrecognized compensation cost associated with performance share unit awards was approximately $0.9 million at June 30, 2023. We expect to recognize the remaining compensation cost for these awards over a weighted-average period of 2.3 years.

**Note 14. Supplemental Cash Flow Information**

Supplemental cash flows and non-cash transactions were as follows for the periods indicated (in thousands):

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| Cash paid for interest | $ 1,656 | $ 250 |
| Cash paid for federal and state income taxes | 2,467 | 1,313 |
| Cash refund for net operating loss (NOL) carryback under CARES Act | — | 6,907 |
| Non-cash transactions: | | |
| Change in accounts payable related to property and equipment additions | 52 | — |
| Property and equipment acquired under finance leases | 13,917 | 1,888 |

See Note 15 for information related to other non-cash transactions related to leases.

**Note 15. Leases**

The following table provides the components of lease expense for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Finance lease cost: | | | | |
| Amortization of ROU assets | $ 1,933 | $ 1,261 | $ 3,707 | $ 2,469 |
| Interest on lease liabilities | 308 | 78 | 546 | 158 |
| Operating lease cost | 914 | 676 | 1,793 | 1,349 |
| Short-term lease cost | 3,440 | 3,802 | 7,138 | 7,583 |
| Variable lease cost | 6 | 4 | 11 | 10 |
| Total lease expense | $ 6,601 | $ 5,821 | $ 13,195 | $ 11,569 |

The following table provides supplemental cash flow and other information related to leases for the periods indicated (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Cash paid for amounts included in measurement of lease liabilities: | | |
| Operating cash flows from operating leases (1) | $ 1,576 | $ 1,347 |
| Operating cash flows from finance leases (1) | 515 | 139 |
| Financing cash flows from finance leases | 3,247 | 2,306 |
| ROU assets obtained in exchange for new lease liabilities: | | |
| Finance leases | 13,917 | 1,888 |
| Operating leases | 501 | 549 |

(1) Amounts are included in Other operating activities on the unaudited condensed consolidated statements of cash flows.

The following table provides the lease terms and discount rates for the periods indicated:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Weighted-average remaining lease term (years): | | |
| Finance leases | 3.67 | 3.16 |
| Operating leases | 3.17 | 3.53 |
| Weighted-average discount rate: | | |
| Finance leases | 5.0% | 2.5% |
| Operating leases | 4.1% | 3.7% |

The following table provides supplemental balance sheet information related to leases at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Finance lease ROU assets (1) | $ 25,663 | $ 15,264 |
| Operating lease ROU assets | 6,783 | 7,720 |
| **Liabilities** | | |
| *Current* | | |
| Finance lease liabilities | 6,444 | 4,382 |
| Operating lease liabilities | 2,802 | 2,712 |
| *Noncurrent* | | |
| Finance lease liabilities | 20,693 | 12,085 |
| Operating lease liabilities | 3,986 | 5,007 |

(1) Amounts are included in Property and equipment, net on the unaudited condensed consolidated balance sheets.

The following table provides maturities of undiscounted lease liabilities at June 30, 2023 (in thousands):

| | Finance Lease | Operating Lease |
|---|---|---|
| Remainder of 2023 | $ 3,962 | $ 1,553 |
| 2024 | 7,277 | 2,826 |
| 2025 | 7,582 | 1,098 |
| 2026 | 4,754 | 904 |
| 2027 | 5,185 | 570 |
| Thereafter | 1,557 | 237 |
| Total lease payments | 30,317 | 7,188 |
| Less: Interest | (3,180) | (400) |
| Present value of lease liabilities | 27,137 | 6,788 |
| Less: Current portion of lease obligation | (6,444) | (2,802) |
| Total long-term lease obligation | $ 20,693 | $ 3,986 |

The following table provides maturities of undiscounted lease liabilities at December 31, 2022 (in thousands):

| | Finance Lease | Operating Lease |
|---|---|---|
| 2023 | $ 4,870 | $ 2,958 |
| 2024 | 3,629 | 2,617 |
| 2025 | 4,652 | 962 |
| 2026 | 2,482 | 879 |
| 2027 | 2,179 | 570 |
| Thereafter | — | 237 |
| Total lease payments | 17,812 | 8,223 |
| Less: Interest | (1,345) | (504) |
| Present value of lease liabilities | 16,467 | 7,719 |
| Less: Current portion of lease obligation | (4,382) | (2,712) |
| Total long-term lease obligation | $ 12,085 | $ 5,007 |

**Note 16. Commitments and Contingencies**

*Insurance*

We have accrued liabilities for estimated workers' compensation and other casualty claims incurred based upon claim reserves plus an estimate for loss development and incurred but not reported claims. We self-insure a significant portion of expected losses relating to workers' compensation, general liability and automobile liability, with a self-insured retention of $1.0 million. Insurance is purchased over our retention to reduce our exposure to catastrophic events. Estimates are recorded for potential and incurred outstanding liabilities for workers' compensation, auto and general liability claims and claims that are incurred but not reported. Estimates are based on adjusters' estimates, historical experience and statistical methods commonly used within the insurance industry that we believe are reliable. We have also engaged a third-party actuary to perform a review of our accrued liability for these claims as well as potential funded losses in our captive insurance company. Insurance estimates include certain assumptions and management judgments regarding the frequency and severity of claims, claim development and settlement practices and the selection of estimated loss among estimates derived using different methods. Unanticipated changes in these factors may produce materially different amounts of expense that would be reported under these programs.

On October 1, 2020, we elected to utilize a wholly owned insurance captive to insure the self-insured retention for our workers' compensation, general liability and automobile liability insurance programs. All accrued liabilities associated with periods from October 1, 2017 through current were transferred to the captive.

We maintain excess property and casualty programs with third-party insurers in an effort to limit the financial impact of significant events covered under these programs. Our operating subsidiaries pay premiums to both the excess and reinsurance carriers and our captive for the estimated losses based on an external actuarial analysis. These premiums held by our wholly owned captive are currently held in a restricted account, resulting in a transfer of risk from our operating subsidiaries to the captive.

We also maintain a self-insurance program for managing employee medical claims in excess of employee deductibles. As claims are paid, the liability is relieved. We also maintain third party insurance stop-loss coverage for individual medical claims exceeding a certain minimum threshold. In addition, we maintain $1.3 million of umbrella insurance coverage for annual aggregate medical claims exceeding approximately $11.3 million.

Our accruals for automobile, workers' compensation and medical claims were as follows at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Accrued automobile and workers' compensation claims | $ 5,690 | $ 5,579 |
| Accrued medical claims | 1,085 | 1,007 |

*Litigation*

From time to time as incidental to our operations, we may become involved in various lawsuits and/or disputes. As an operator of an extensive trucking fleet, we are a party to motor vehicle accidents, worker compensation claims and other items of general liability as would be typical for the industry. We are presently unaware of any claims against us that are either outside the scope of insurance coverage or that may exceed the level of insurance coverage and could potentially represent a material adverse effect on our financial position, results of operations or cash flows.

**Note 17. Subsequent Event**

On August 2, 2023, we entered into Amendment No. 1 (the "Amendment") to the Credit Agreement. The Amendment (i) clarifies our ability to exclude crude oil inventory valuation losses (and, to the extent included in our consolidated net income, inventory liquidation gains) from the calculation of Consolidated EBITDA (as defined in the Credit Agreement) for purposes of the related financial covenants, (ii) provides for the exclusion of unusual and non-recurring losses and expenses from the calculation of Consolidated EBITDA, not to exceed ten percent (10%) of Consolidated EBITDA for the period, and (iii) amends the definition of Consolidated Funded Indebtedness (as defined in the Credit Agreement) to include letters of credit and banker's acceptances only to the extent such letters of credit or banker's acceptances have been drawn, for purposes of the Consolidated Total Leverage Ratio calculation (as defined in the Credit Agreement). The Amendment applies to our fiscal period ending June 30, 2023 and thereafter.

**Item 2**. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following information should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements and accompanying Notes included in this quarterly report on Form 10-Q and the Audited Consolidated Financial Statements and related Notes, together with our discussion and analysis of financial position and results of operations, included in our annual report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K"), as filed on March 16, 2023 with the U.S. Securities and Exchange Commission ("SEC"). Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

**Cautionary Statement Regarding Forward-Looking Information**

*This quarterly report on Form 10-Q contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and information that are based on our beliefs, as well as assumptions made by us and information currently available to us. When used in this document, words such as "anticipate," "project," "expect," "plan," "seek," "goal," "estimate," "forecast," "intend," "could," "should," "would," "will," "believe," "may," "potential" and similar expressions and statements regarding our plans and objectives for future operations are intended to identify forward-looking statements. Although we believe that our expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that such expectations will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions as described in more detail under Part I, Item 1A of our 2022 Form 10-K. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. You should not put undue reliance on any forward-looking statements. The forward-looking statements in this quarterly report speak only as of the date hereof. Except as required by federal and state securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason.*

**Overview of Business**

Adams Resources & Energy, Inc., a Delaware corporation organized in 1973, and its subsidiaries are primarily engaged in crude oil marketing, truck and pipeline transportation of crude oil, terminalling and storage in various crude oil and natural gas basins in the lower 48 states of the United States ("U.S."). In addition, we conduct tank truck transportation of liquid chemicals, pressurized gases, asphalt and dry bulk primarily in the lower 48 states of the U.S. with deliveries into Canada and Mexico, and with eighteen terminals across the U.S. We also recycle and repurpose off-specification fuels, lubricants, crude oil and other chemicals from producers in the U.S. Unless the context requires otherwise, references to "we," "us," "our" or the "Company" are intended to mean the business and operations of Adams Resources & Energy, Inc. and its consolidated subsidiaries.

We operate and report in four business segments: (i) crude oil marketing, transportation and storage; (ii) tank truck transportation of liquid chemicals, pressurized gases, asphalt and dry bulk; (iii) pipeline transportation, terminalling and storage of crude oil; and (iv) interstate bulk transportation logistics of crude oil, condensate, fuels, oils and other petroleum products and recycling and repurposing of off-spec fuels, lubricants, crude oil and other chemicals. See Note 8 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding our business segments.

**Recent Developments**

*Land Purchase for Dayton Project*

On May 4, 2023, we acquired approximately 10.6 acres of land in the Gulf Inland Industrial Park, located in Dayton, Texas, for approximately $1.8 million to build a new processing facility for Phoenix with rail spur and siding, product storage, and truck rack. Phoenix will build new infrastructure to service its existing customers and to create opportunities for growing the business. Phoenix will also relocate its headquarters from Humble, Texas to this new location.

*Amendment to Credit Agreement*

On August 2, 2023, we entered into Amendment No. 1 (the "Amendment") to the credit agreement ("Credit Agreement") with Cadence Bank, as administrative agent, swingline lender and issuing lender, and the other lenders party thereto. The Amendment (i) clarifies our ability to exclude crude oil inventory valuation losses (and, to the extent included in our consolidated net income, inventory liquidation gains) from the calculation of Consolidated EBITDA (as defined in the Credit Agreement) for purposes of the related financial covenants, (ii) provides for the exclusion of unusual and non-recurring losses and expenses from the calculation of Consolidated EBITDA, not to exceed ten percent (10%) of Consolidated EBITDA for the period, and (iii) amends the definition of Consolidated Funded Indebtedness (as defined in the Credit Agreement) to include letters of credit and banker's acceptances only to the extent such letters of credit or banker's acceptances have been drawn, for purposes of the Consolidated Total Leverage Ratio calculation (as defined in the Credit Agreement). The Amendment applies to our fiscal period ending June 30, 2023 and thereafter. See Note 11 and Note 17 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information.

**Results of Operations**

*Crude Oil Marketing*

Our crude oil marketing segment revenues, operating earnings and selected costs were as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change (1) | 2023 | 2022 | Change (1) |
| Revenues | $ 585,272 | $ 962,516 | (39 %) | $ 1,193,748 | $ 1,710,071 | (30 %) |
| Operating earnings (2) | 3,351 | 5,111 | (34 %) | 5,258 | 15,231 | (65 %) |
| Depreciation and amortization | 2,168 | 1,894 | 14 % | 4,243 | 3,682 | 15 % |
| Driver compensation | 5,092 | 4,616 | 10 % | 10,100 | 9,242 | 9 % |
| Insurance | 1,816 | 1,674 | 8 % | 3,602 | 3,408 | 6 % |
| Fuel | 2,572 | 3,458 | (26 %) | 5,431 | 6,004 | (10 %) |

(1) Represents the percentage increase (decrease) from the prior year period.
(2) Operating earnings included inventory valuation losses of $1.0 million and $1.5 million for the three months ended June 30, 2023 and 2022, respectively, as discussed further below. For the six months ended June 30, 2023 and 2022, operating earnings included inventory valuation losses of $2.0 million and inventory liquidation gains of $7.2 million, respectively, as discussed further below

Volume and price information were as follows for the periods indicated:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Field level purchase volumes – per day (1) | | | | |
| Crude oil – barrels | 92,152 | 94,876 | 93,086 | 92,643 |
| Average purchase price | | | | |
| Crude oil – per barrel | $ 70.27 | $ 107.28 | $ 71.78 | $ 100.21 |

(1) Reflects the volume purchased from third parties at the field level of operations.

*Three Months Ended June 30, 2023 vs. Three Months Ended June 30, 2022*. Crude oil marketing revenues decreased by $377.2 million during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily as a result of a decrease in the market price of crude oil, which decreased revenues by approximately $359.9 million and lower overall crude oil volumes, which decreased revenues by approximately $17.3 million. The average crude oil price received was $107.28 per barrel during the three months ended June 30, 2022, which decreased to $70.27 per barrel during the three months ended June 30, 2023. Revenues from our volumes are mostly based upon the market price in our market areas, primarily in the Gulf Coast. The market price of crude oil was elevated in the 2022 period primarily as a result of a return of global crude oil demand following the pandemic. In addition, the invasion of Ukraine by Russia also contributed to an increase in the market price of crude oil in the first half of 2022. In the second half of 2022 and continuing into 2023, weakness in the Chinese economy and concern over economic recession caused crude oil prices to fall.

Driver compensation increased by $0.5 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to an increase in driver pay in the 2023 period as compared to the same period in 2022, partially offset by lower volumes transported in the 2023 period.

Insurance costs increased by $0.1 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to an increase in insurance premiums and an overall higher overall driver count in the 2023 period, partially offset in part by our safety performance during the current period. Fuel costs decreased by $0.9 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to lower fuel prices.

Depreciation and amortization increased by $0.3 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to the timing of purchases and retirements of tractors and other field equipment during 2022 and 2023.

Our crude oil marketing operating earnings decreased by $1.8 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily as a result of inventory valuation changes (as shown in the table below), a decrease in the average market price of crude oil, lower crude oil volumes and higher operating expenses in the 2023 period.

*Six Months Ended June 30, 2023 vs. Six Months Ended June 30, 2022*. Crude oil marketing revenues decreased by $516.3 million during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, primarily as a result of a decrease in the market price of crude oil, which decreased revenues by approximately $522.0 million, partially offset by a slight increase in overall crude oil volumes, which increased revenues by approximately $5.7 million. The average crude oil price received was $100.21 per barrel during the six months ended June 30, 2022, which decreased to $71.78 per barrel during the six months ended June 30, 2023. The decrease in the market price of crude oil was primarily due to weakness in the Chinese economy and concern over economic recession caused crude oil prices to fall.

Driver compensation increased by $0.9 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to an increase in driver pay in the 2023 period as compared to the same period in 2022.

Insurance costs increased by $0.2 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to an increase in insurance premiums and an overall higher overall driver count in the 2023 period as compared to the same period in 2022. Fuel costs decreased by $0.6 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to lower fuel prices in the current period.

Depreciation and amortization expense increased by $0.6 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to the timing of purchases and retirements of tractors and other field equipment during 2022 and 2023.

Our crude oil marketing operating earnings decreased by $10.0 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily as a result of inventory valuation changes (as shown in the table below), lower revenues due to lower crude oil prices and higher operating expenses in the 2023 period.

*Field Level Operating Earnings (Non-GAAP Financial Measure)*. Inventory valuations and forward month derivative instrument valuations (mark-to-market) are two significant factors affecting comparative crude oil marketing segment operating earnings. As a purchaser and shipper of crude oil, we hold inventory in storage tanks and third-party pipelines. Generally, during periods of increasing crude oil prices, we recognize inventory liquidation gains while during periods of falling prices, we recognize inventory liquidation and valuation losses.

Crude oil marketing operating earnings can be affected by the valuations of our forward month derivative instruments. These non-cash valuations are calculated and recorded at each period end based on the underlying data existing as of such date. We generally enter into these derivative contracts to as part of a strategy to protect crude oil inventory value from market price fluctuations. The valuation of derivative instruments at period end requires the recognition of non-cash "mark-to-market" gains and losses.

The impact of inventory liquidations and valuations and derivative valuations on our crude oil marketing segment operating earnings is summarized in the following reconciliation of our non-GAAP financial measure and provides management a measure of the business unit's performance by removing the impact of inventory valuation and liquidation adjustments for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| As reported segment operating earnings | $ 3,351 | $ 5,111 | $ 5,258 | $ 15,231 |
| Add (subtract): | | | | |
| Inventory liquidation gains | — | — | — | (7,184) |
| Inventory valuation losses | 951 | 1,533 | 1,968 | — |
| Derivative valuation losses (gains) | 187 | (611) | (299) | (630) |
| Field level operating earnings [(1)] | $ 4,489 | $ 6,033 | $ 6,927 | $ 7,417 |

(1) The use of field level operating earnings is unique to us, not a substitute for a GAAP measure and may not be comparable to any similar measures developed by industry participants. We utilize this data to evaluate the profitability of our operations.

Field level operating earnings and field level purchase volumes depict our day-to-day operation of acquiring crude oil at the wellhead, transporting the product and delivering the product to market sales point. Field level operating earnings decreased during the three months ended June 30, 2023 as compared to the same period in 2022 primarily due to lower revenues resulting from lower crude oil volumes and prices in the 2023 period, and higher operating expenses in the 2023 period. During the six months ended June 30, 2023, field level operating earnings decreased as compared to the same period in 2022 primarily due to lower revenues resulting from lower crude oil prices in the 2023 period, and higher operating expenses in the 2023 period.

We held crude oil inventory at a weighted average composite price as follows at the dates indicated (in barrels):

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Barrels | Average Price | Barrels | Average Price |
| Crude oil inventory | 369,738 | $ 70.49 | 328,562 | $ 78.39 |

Prices received for crude oil have been volatile and unpredictable with price volatility expected to continue. See "Part I, Item 1A. *Risk Factors*" in our 2022 Form 10-K.

*Transportation*

Our transportation segment revenues, operating earnings, selected costs and operating data were as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change (1) | 2023 | 2022 | Change (1) |
| Revenues | $ 24,452 | $ 29,534 | (17 %) | $ 50,897 | $ 56,224 | (9 %) |
| Operating earnings | $ 1,056 | $ 2,937 | (64 %) | $ 1,957 | $ 5,805 | (66 %) |
| Depreciation and amortization | $ 3,136 | $ 2,923 | 7 % | $ 6,267 | $ 5,880 | 7 % |
| Driver commissions and wages | $ 3,569 | $ 3,724 | (4 %) | $ 7,296 | $ 7,489 | (3 %) |
| Insurance | $ 2,246 | $ 2,164 | 4 % | $ 4,426 | $ 4,313 | 3 % |
| Fuel | $ 2,174 | $ 3,709 | (41 %) | $ 4,852 | $ 6,511 | (25 %) |
| Maintenance expense | $ 1,258 | $ 1,270 | (1 %) | $ 2,645 | $ 2,518 | 5 % |
| Mileage (000s) | 6,296 | 6,863 | (8 %) | 12,848 | 13,661 | (6 %) |

(1) Represents the percentage increase (decrease) from the prior year period.

Our revenue rate structure includes a component for fuel costs in which fuel cost fluctuations are largely passed through to the customer. Revenues, net of fuel costs, were as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Total transportation revenue | $ 24,452 | $ 29,534 | $ 50,897 | $ 56,224 |
| Diesel fuel cost | (2,174) | (3,709) | (4,852) | (6,511) |
| Revenues, net of fuel costs [1] | $ 22,278 | $ 25,825 | $ 46,045 | $ 49,713 |

(1) Revenues, net of fuel costs, is a non-GAAP financial measure and is utilized for internal analysis of the results of our transportation segment.

*Three Months Ended June 30, 2023 vs. Three Months Ended June 30, 2022*. Transportation revenues decreased by $5.1 million during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. Transportation revenues, net of fuel costs, decreased by $3.5 million during the three months ended June 30, 2023, as compared to the prior year period. These decreases in transportation revenues were primarily due to decreased transportation rates during the 2023 period as a result of a softening in the transportation market due to changes in demand, supply chain issues and inflation.

Driver commissions decreased by $0.2 million during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily due to lower mileage during the 2023 period, partially offset by an increase in driver pay in July 2022.

Fuel costs decreased by $1.5 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily as a result of a decrease in the price of fuel and lower miles traveled during the 2023 period. Insurance costs remained relatively constant during the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to consistent insurance premiums during the 2022 and 2023 periods. Maintenance expense remained relatively constant during the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to consistent repairs and maintenance to older tractors and trailers in our fleet offset by escalating prices in parts, repairs and maintenance between periods.

Depreciation and amortization expense increased by $0.2 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily as a result of the timing of purchases of new tractors and trailers in 2022 and 2023.

Our transportation operating earnings decreased by $1.9 million for the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to lower revenues as a result of decreased transportation rates and higher depreciation and amortization expense, partially offset by lower fuel costs.

*Six Months Ended June 30, 2023 vs. Six Months Ended June 30, 2022*. Transportation revenues decreased by $5.3 million during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. Transportation revenues, net of fuel costs, decreased by $3.7 million during the six months ended June 30, 2023, as compared to the prior year period. These decreases in transportation revenues were primarily due to decreased transportation rates during the 2023 period as a result of a softening in the transportation market due to changes in demand, supply chain issues and inflation.

Driver commissions decreased by $0.2 million for the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to lower mileage during the 2023 period, partially offset by an increase in driver pay in July 2022.

Fuel costs decreased by $1.7 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily as a result of a decrease in the price of fuel and lower miles traveled during the 2023 period. Insurance costs increased by $0.1 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to slightly higher insurance premiums during the 2023 period. Maintenance expense increased by $0.1 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to repairs and maintenance to older tractors and trailers in our fleet and escalating prices in parts, repairs and maintenance.

Depreciation and amortization expense increased by $0.4 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily as a result of the timing of purchases of new tractors and trailers in 2022 and 2023.

Our transportation operating earnings decreased by $3.8 million for the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to lower revenues as a result of decreased transportation rates and higher insurance costs and maintenance expense and other operating costs.

*Pipeline and Storage*

Our pipeline and storage segment revenues, operating losses and selected costs were as follows for the periods indicated (in thousands):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change [1] | 2023 | 2022 | Change [1] |
| Segment revenues [2] | $ 894 | $ 1,163 | (23 %) | $ 1,703 | $ 2,060 | (17%) |
| Less: Intersegment revenues [2] | (645) | (1,163) | (45 %) | (1,454) | (2,060) | (29%) |
| Revenues | $ 249 | $ — | — % | $ 249 | $ — | —% |
| Operating losses | (779) | (877) | (11 %) | (1,980) | (1,699) | 17% |
| Depreciation and amortization | 275 | 271 | 1 % | 538 | 539 | —% |
| Insurance | 217 | 200 | 9 % | 434 | 400 | 9% |

(1) Represents the percentage increase (decrease) from the prior year period.
(2) Segment revenues include intersegment revenues from our crude oil marketing segment, which are eliminated due to consolidation in our unaudited condensed consolidated statements of operations.

Volume information was as follows for the periods indicated (in barrels per day):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Pipeline throughput | 8,560 | 13,281 | 9,320 | 11,891 |
| Terminalling | 10,785 | 13,704 | 10,591 | 12,334 |

*Three Months Ended June 30, 2023 vs. Three Months Ended June 30, 2022*. Pipeline and storage revenues increased by $0.2 million during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. During the three months ended June 30, 2022, all pipeline and storage segment revenues were earned from GulfMark, an affiliated shipper, while during the three months ended June 30, 2023, approximately a third of our pipeline and storage revenues, or $0.2 million, were earned from third party customers. All pipeline and storage revenues earned from GulfMark are eliminated in consolidation, with the offset to marketing costs and expenses in our unaudited condensed consolidated statements of operations. Pipeline and storage revenues from GulfMark decreased by $0.5 million for the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to lower volumes transported by GulfMark during the current period.

We are currently constructing a new pipeline connection between the VEX Pipeline System and the Max Midstream pipeline system, and we expect to place the assets into commercial service during the fourth quarter of 2023. In addition, we are exploring new connections with other pipeline systems, for new crude oil supply opportunities both upstream and downstream of the pipeline, to enhance the crude oil supply and take-away capability of the system.

Our pipeline and storage operating losses decreased by $0.1 million during the three months ended June 30, 2023 as compared to the 2022 period, primarily due to an increase in third party revenues in the 2023 period, partially offset by increases in operating salaries and wages and related personnel costs, materials and supplies, outside service costs and insurance costs in the 2023 period.

*Six Months Ended June 30, 2023 vs. Six Months Ended June 30, 2022*. Pipeline and storage revenues increased by $0.2 million during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. During the six months ended June 30, 2022, all pipeline and storage segment revenues were earned from GulfMark, an affiliated shipper, while during the six months ended June 30, 2023, approximately a third of our pipeline and storage revenues, or $0.2 million, were earned from third party customers. Pipeline and storage revenues from GulfMark decreased by $0.6 million for the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to lower volumes transported by GulfMark during the current period.

Our pipeline and storage operating losses increased by $0.3 million during the six months ended June 30, 2023 as compared to the 2022 period, primarily due to increases in operating salaries and wages and related personnel costs, materials and supplies, outside service costs and insurance costs in the 2023 period, partially offset by an increase in third party revenues.

*Logistics and Repurposing*

Our logistics and repurposing segment revenues, operating (losses) earnings and selected costs were as follows for the period indicated (in thousands):

| | Three Months Ended June 30, 2023 | Six Months Ended June 30, 2023 |
|---|---|---|
| Revenues | $ 14,793 | $ 30,034 |
| Operating (losses) earnings | (133) | 402 |
| Depreciation and amortization | 1,724 | 3,305 |
| Driver commissions | 2,098 | 4,143 |
| Insurance | 640 | 1,208 |
| Fuel | 836 | 1,830 |
| Maintenance expense | 544 | 1,053 |

On August 12, 2022, we acquired all of the equity interests of Firebird and Phoenix. Firebird is an interstate bulk motor carrier of crude oil, condensate, fuels, oils and other petroleum products. Firebird has six terminal locations throughout Texas and owns 123 tractors and 216 trailers largely in the Eagle Ford basin. Phoenix recycles and repurposes off-specification fuels, lubricants, crude oil and other chemicals from producers in the U.S.

*General and Administrative Expense*

General and administrative expense decreased by $2.5 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to an adjustment in the 2023 period of the $2.6 million contingent consideration accrual related to the Firebird and Phoenix acquisition in 2022 (see Note 6 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information) and lower salaries and wages and related personnel costs, partially offset by higher outside service costs, audit fees and banking fees primarily related to outstanding letters of credit.

General and administrative expense decreased by $1.7 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to an adjustment in the 2023 period of the $2.6 million contingent consideration accrual related to the Firebird and Phoenix acquisition in 2022 and lower salaries and wages and related personnel costs, partially offset by higher insurance costs, outside service costs, audit fees and banking fees primarily related to outstanding letters of credit.

*Interest Expense*

Interest expense increased by $0.7 million during the three months ended June 30, 2023 as compared to the same period in 2022, primarily due to higher interest expense related to the outstanding Term Loan of $23.1 million under our Credit Agreement (see Note 11 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information).

Interest expense increased by $1.2 million during the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to higher interest expense related to the outstanding Term Loan of $23.1 million under our Credit Agreement (see Note 11 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information).

*Income Taxes*

Provision for (benefit from) income taxes is based upon federal and state tax rates, and variations in amounts are consistent with taxable income (loss) in the respective accounting periods.

**Liquidity and Capital Resources**

*Liquidity*

Our primary sources of liquidity are (i) our cash balance, (ii) cash flow from operating activities, (iii) borrowings under our credit agreement and (iv) funds received from the sale of equity securities. Our primary cash requirements include, but are not limited to, (a) ordinary course of business uses, such as the payment of amounts related to the purchase of crude oil, and other expenses, (b) discretionary capital spending for investments in our business and (c) dividends to our shareholders. We believe we will have sufficient liquidity through our current cash balances, availability under our credit agreement, expected cash generated from future operations, and the ease of financing tractor and trailer additions through leasing arrangements (should the need arise) to meet our short-term and long-term liquidity needs for the reasonably foreseeable future. Our cash balance and cash flow from operating activities is dependent on the success of future operations. If our cash inflow subsides or turns negative, we will evaluate our investment plan accordingly and remain flexible.

We maintain cash balances in order to meet the timing of day-to-day cash needs. Cash and cash equivalents (excluding restricted cash) and working capital, the excess of current assets over current liabilities, were as follows at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 8,974 | $ 20,532 |
| Working capital | 17,217 | 19,083 |

Our cash balance at June 30, 2023 decreased by 56 percent from December 31, 2022, as discussed further below.

We have in place a Credit Agreement with Cadence Bank. The Credit Agreement provides for (a) a revolving credit facility that allows for borrowings up to $60.0 million in aggregate principal amount from time to time, and (b) a term loan in aggregate principal amount of $25.0 million (the "Term Loan"). We may also obtain letters of credit under the revolving credit facility up to a maximum amount of $30.0 million, which reduces availability under the revolving credit facility by a like amount. Borrowings under the revolving credit facility may be, at our option, base rate loans (defined by reference to the higher of the prime rate, the federal funds rate or an adjusted term SOFR for a one month tenor plus one percent) or SOFR loans, in each case plus an applicable margin, the amount of which is determined by reference to our consolidated total leverage ratio, and is between 1 percent and 2 percent for base rate loans and between 2 percent and 3 percent for SOFR loans.

The term loan amortizes on a 10-year schedule with quarterly payments beginning December 31, 2022, and matures October 27, 2027. Proceeds of the term loan were used, together with additional cash on hand, to fund the repurchase of shares from the KSA and certain of its affiliates. The term loan bears interest at the SOFR loan rate plus the applicable margin for SOFR loans.

We are required to maintain compliance with certain financial covenants under the Credit Agreement, including a consolidated leverage ratio, an asset coverage ratio and a consolidated fixed charge coverage ratio. We were in compliance with these covenants as of June 30, 2023. See "Recent Developments" for further information regarding an amendment to the Credit Agreement in August 2023.

At June 30, 2023, we had $23.1 million of borrowings outstanding under the Credit Agreement, representing the remaining principal balance of the Term Loan, with a weighted average interest rate of 7.71 percent. We also had $20.4 million of letters of credit issued under the Credit Agreement at a fee of 2.50 percent per annum. No amounts were outstanding under the revolving credit facility. See Note 11 and Note 17 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information.

We have in place an At Market Issuance Sales Agreement ("ATM Agreement") with B. Riley Securities, Inc., as agent (the "Agent"), in which we may offer to sell shares of our common stock through or to the Agent for cash from time to time. We filed a registration statement initially registering an aggregate of $20.0 million of shares of common stock for sale under the ATM Agreement. The total number of shares of common stock to be sold, if any, and the price at which the shares will be sold will be determined by us periodically in connection with any such sales, though the total amount sold may not exceed the limitations stated in the registration statement. During the six months ended June 30, 2023, we received net proceeds of approximately $0.6 million (net of offering costs to the Agent of $27 thousand) from the sale of 14,680 of our common shares at an average price per share of approximately $40.74 under this agreement.

We utilize cash from operations to make discretionary investments in our crude oil marketing, transportation, pipeline and storage and logistics and repurposing businesses. With the exception of operating and finance lease commitments primarily associated with storage tank terminal arrangements, leased office space, tractors, trailers and other equipment, and borrowings outstanding under our bank credit facility, our future commitments and planned investments can be readily curtailed if operating cash flows decrease. See "Material Cash Requirements" below for information regarding our operating and finance lease obligations.

The most significant item affecting future increases or decreases in liquidity is earnings from operations, and these earnings are dependent on the success of future operations. See "Part I, Item 1A. *Risk Factors*" in our 2022 Form 10-K.

*Cash Flows from Operating, Investing and Financing Activities*

Our consolidated cash flows from operating, investing and financing activities were as follows for the periods indicated (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Cash provided by (used in): | | |
| Operating activities | $ (3,608) | $ (24,178) |
| Investing activities | (4,464) | (3,409) |
| Financing activities | (5,237) | (4,149) |

*Operating activities*. Net cash flows used in operating activities for the six months ended June 30, 2023 decreased by $20.6 million as compared to the same period in 2022. The decrease in net cash flows used in operating activities was primarily due to changes in our working capital accounts. Early payments received from customers decreased by approximately $24.6 million in the 2023 period, while early payments made to suppliers decreased by approximately $7.9 million in the 2023 period. Crude oil inventory decreased by $0.4 million at June 30, 2023, primarily due to a decrease in the price of our crude oil inventory, which decreased from $78.39 per barrel at December 31, 2022 to $70.49 per barrel at June 30, 2023, partially offset by an increase of 12.5 percent in the number of barrels held in inventory.

At various times each month, we may make cash prepayments and/or early payments in advance of the normal due date to certain suppliers of crude oil within our crude oil marketing operations. Crude oil supply prepayments are recouped and advanced from month to month as the suppliers deliver product to us. In addition, in order to secure crude oil supply, we may also "early pay" our suppliers in advance of the normal payment due date of the twentieth of the month following the month of production. These "early payments" reduce cash and accounts payable as of the balance sheet date.

We also require certain customers to make similar early payments or to post cash collateral with us in order to support their purchases from us. Early payments and cash collateral received from customers increase cash and reduce accounts receivable as of the balance sheet date.

Early payments received from customers and prepayments to suppliers were as follows at the dates indicated (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| ırly payments received | $ 20,666 | $ 45,265 |
| epayments to suppliers | 6,130 | 14,055 |

We rely heavily on our ability to obtain open-line trade credit from our suppliers especially with respect to our crude oil marketing operations. The timing of payments and receipts of these early pays received and paid can have a significant impact on our cash balance.

*Investing activities*. Net cash flows used in investing activities for the six months ended June 30, 2023 increased by $1.1 million as compared to the same period in 2022. This increase was due to an increase of $1.1 million in capital spending for property and equipment (see following table), partially offset by an increase of $0.1 million in cash proceeds from the sales of assets.

Capital spending was as follows for the periods indicated (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| Crude oil marketing [(1)] | $ 669 | $ 4,008 |
| Transportation [(2)] | 1,338 | 694 |
| Pipeline and storage [(3)] | 1,241 | 73 |
| Logistics and repurposing [(4)] | 2,548 | — |
| Other [(5)] | 112 | 8 |
| Capital spending | $ 5,908 | $ 4,783 |

(1) 2023 amount relates to the purchase of various field equipment, and the 2022 amount relates to the purchase of 20 tractors and other field equipment.
(2) 2023 amount relates to the purchase of three tractors and various field equipment, and the 2022 amount relates to the purchase of three tractors, one trailer and other field equipment.
(3) 2023 amount relates to spending for the continued construction of a planned pipeline connection, which is expected to be placed in commercial service during the third quarter of 2023, and the 2022 amount relates to the purchase of field equipment.
(4) 2023 amount relates to the purchase of approximately 10.6 acres of land in the Gulf Inland Industrial Park, located in Dayton, Texas, for approximately $1.8 million to build a new processing facility for Phoenix (see "Recent Developments" for further information), five tractors, 2 trailers and various field equipment.
(5) Other capital spending relates to the purchase of a company vehicle and office and computer equipment.

*Financing activities*. Net cash used in financing activities was $5.2 million for the six months ended June 30, 2023 as compared to $4.1 million for the six months ended June 30, 2022. The increase in net cash flows used in financing activities of $1.1 million was primarily due to the following cash outflows and inflows:

- an increase in the 2023 period in net repayments under our Credit Agreement. During the six months ended June 30, 2023, we made principal payments of $1.3 million on the Term Loan. During the six months ended June 30, 2023, we also borrowed and repaid $38.0 million under the revolving credit facility under our Credit Agreement, primarily for working capital purposes, while during the six months ended June 30, 2022, we borrowed and repaid $30.0 million under the revolving credit facility;
- an increase in the 2023 period of $0.9 million for principal repayments made for finance lease obligations (see "Material Cash Requirements" below for information regarding our finance lease obligations);
- an increase in the 2023 period in net proceeds from the sale of common shares under the ATM program. During the six months ended June 30, 2023, we received net proceeds of approximately $0.6 million from the sale of 14,680 of our common shares, while during the six months ended June 30, 2022, we received net proceeds of approximately $0.3 million from the sale of 8,202 of our common shares; and

- a decrease in the 2023 period in cash dividends paid on our common shares. During each of the six months ended June 30, 2023 and 2022, we paid cash dividends of $0.48 per common share, or totals of $1.3 million and $2.1 million, respectively. On October 31, 2022, the number of common shares outstanding decreased by 1.9 million as a result of the repurchase of shares from KSA and certain of its affiliates.

*Material Cash Requirements*

The following table summarizes our contractual obligations with material cash requirements at June 30, 2023 (in thousands):

| | | Payments due by period | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **More than 5 years** |
| Credit Agreement (1) | $ 29,145 | $ 4,211 | $ 7,843 | $ 17,091 | $ — |
| Finance lease obligations (2) | 30,317 | 7,622 | 14,176 | 8,519 | — |
| Operating lease obligations (3) | 7,188 | 3,014 | 2,956 | 1,090 | 128 |
| Purchase obligations (4) | 17,429 | 17,429 | — | — | — |
| Total contractual obligations | $ 84,079 | $ 32,276 | $ 24,975 | $ 26,700 | $ 128 |

(1) Represents scheduled future maturities for amounts due under the Term Loan under our Credit Agreement plus estimated cash payments for interest. Interest payments are based upon the principal amount of the amount outstanding and the applicable interest rate at June 30, 2023. See Note 11 and Note 17 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information about our Credit Agreement.
(2) Amounts represent our principal contractual commitments, including interest, outstanding under finance leases for certain tractors, trailers, tank storage and throughput arrangements and other equipment.
(3) Amounts represent rental obligations under non-cancelable operating leases and terminal arrangements with terms in excess of one year.
(4) Amount represents commitments to purchase 32 new tractors and 33 new trailers in our transportation business, 31 new tractors in our crude oil marketing business and 14 new tractors and two new trailers in our logistics and repurposing segment.

We maintain certain lease arrangements with independent truck owner-operators for use of their equipment and driver services on a month-to-month basis. In addition, we enter into office space and certain lease and terminal access contracts in order to provide tank storage and dock access for our crude oil marketing business. These storage and access contracts require certain minimum monthly payments for the term of the contracts.

See Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding our finance and operating leases.

*Off-Balance Sheet Arrangements*

We have no off-balance sheet arrangements that have or are reasonably expected to have a material current or future effect on our financial position, results of operations or cash flows.

*Recent Accounting Pronouncements*

For information regarding recent accounting pronouncements, see Note 2 in the Notes to Unaudited Condensed Consolidated Financial Statements.

*Transactions with Affiliates*

For more information regarding transactions with our affiliates during the six months ended June 30, 2023 and 2022, see Note 9 in the Notes to Unaudited Condensed Consolidated Financial Statements.

**Critical Accounting Policies and Use of Estimates**

A discussion of our critical accounting policies and estimates is included in our 2022 Form 10-K. Certain of these accounting policies require the use of estimates. There have been no material changes to our accounting policies since the disclosures provided in our 2022 Form 10-K.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

There have been no other material changes to our "Quantitative and Qualitative Disclosures about Market Risk" that have occurred since the disclosures provided in our 2022 Form 10-K.

**Item 4. *Controls and Procedures***

As of the end of the period covered by this quarterly report, our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 and 15d-15(e) of the Exchange Act. Based on this evaluation, as of the end of the period covered by this quarterly report, our Chief Executive Officer and our Chief Financial Officer concluded:

(i) that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow for timely decisions regarding required disclosures; and

(ii) that our disclosure controls and procedures are effective.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(e) under the Exchange Act) during the fiscal quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

**Item 1. *Legal Proceedings***

From time to time as incidental to our operations, we may become involved in various lawsuits and/or disputes. As an operator of an extensive trucking fleet, we are a party to motor vehicle accidents, worker compensation claims and other items of general liability as would be typical for the industry. We are presently unaware of any claims against us that are either outside the scope of insurance coverage or that may exceed the level of insurance coverage and could potentially represent a material adverse effect on our financial position or results of operations.

**Item 1A.** ***Risk Factors***

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors and other cautionary statements described under the heading "Item 1A. *Risk Factors*" included in our 2022 Form 10-K and the risk factors and other cautionary statements contained in our other SEC filings, which could materially affect our businesses, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results. There have been no material changes in our Risk Factors from those disclosed in Item 1A of our 2022 Form 10-K or our other SEC filings.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds***

None.

**Item 3.** ***Defaults Upon Senior Securities***

None.

**Item 4.** ***Mine Safety Disclosures***

Not applicable.

**Item 5.** ***Other Information***

None.

**Item 6. *Exhibits***

| Exhibit Number | Exhibit |
|---|---|
| 3.1 | Certificate of Incorporation of Adams Resources & Energy, Inc., as amended (incorporated by reference to Exhibit 3.1 to Form 10-K for the fiscal year ended December 31, 2019). |
| 3.2 | Bylaws of Adams Resources & Energy, Inc., as amended (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed on November 1, 2022). |
| 31.1* | Sarbanes-Oxley Section 302 certification of Executive Chairman pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Sarbanes-Oxley Section 302 certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Sarbanes-Oxley Section 906 certification of Executive Chairman pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Sarbanes-Oxley Section 906 certification of Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.CAL* | Inline XBRL Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Definition Linkbase Document |
| 101.INS* | Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.LAB* | Inline XBRL Labels Linkbase Document |
| 101.PRE* | Inline XBRL Presentation Linkbase Document |
| 101.SCH* | Inline XBRL Schema Document |
| 104* | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

* Filed or furnished (in the case of Exhibits 32.1 and 32.2) with this report.

## SIGNATURES

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

**ADAMS RESOURCES & ENERGY, INC.**
(Registrant)

| | | | |
|---|---|---|---|
| Date: | August 9, 2023 | By: | /s/ Kevin J. Roycraft |
| | | | Kevin J. Roycraft<br>*Chief Executive Officer*<br>*(Principal Executive Officer)* |
| | | By: | /s/ Tracy E. Ohmart |
| | | | Tracy E. Ohmart<br>*Chief Financial Officer*<br>*(Principal Financial Officer and Principal Accounting Officer)* |

**Exhibit 31.1**

**SARBANES-OXLEY SECTION 302 CERTIFICATION**

I, Kevin J. Roycraft, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Adams Resources & Energy, Inc.;

2. Based on my knowledge, this 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 period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are 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 have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this 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 an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (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: | August 9, 2023 | By: | /s/ Kevin J. Roycraft |
| | | | Kevin J. Roycraft |
| | | | Chief Executive Officer |

**Exhibit 31.2**

**SARBANES-OXLEY SECTION 302 CERTIFICATION**

I, Tracy E. Ohmart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Adams Resources & Energy, Inc.;

2. Based on my knowledge, this 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 period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are 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 have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this 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 an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (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: | August 9, 2023 | By: | /s/ Tracy E. Ohmart |
| | | | Tracy E. Ohmart |
| | | | Chief Financial Officer |

**Exhibit 32.1**

**SARBANES-OXLEY SECTION 906 CERTIFICATION**

**CERTIFICATION OF KEVIN J. ROYCRAFT,**
**CHIEF EXECUTIVE OFFICER OF ADAMS RESOURCES & ENERGY, INC.**

In connection with the quarterly report of Adams Resources & Energy, Inc. (the "Registrant") on Form 10-Q for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin J. Roycraft, Chief Executive Officer of the Registrant, 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) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

| | | | |
|---|---|---|---|
| Date: | August 9, 2023 | By: | /s/ Kevin J. Roycraft |
| | | | Kevin J. Roycraft |
| | | | Chief Executive Officer |

**Exhibit 32.2**

**SARBANES-OXLEY SECTION 906 CERTIFICATION**

**CERTIFICATION OF TRACY E. OHMART,**
**CHIEF FINANCIAL OFFICER OF ADAMS RESOURCES & ENERGY, INC.**

In connection with the quarterly report of Adams Resources & Energy, Inc. (the "Registrant") on Form 10-Q for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tracy E. Ohmart, Chief Financial Officer of the Registrant, 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) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

| | | | |
|---|---|---|---|
| Date: | August 9, 2023 | By: | /s/ Tracy E. Ohmart |
| | | | Tracy E. Ohmart |
| | | | Chief Financial Officer |