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| | Quarterly Report |
| EX-31.1 | ex31-1.htm |
| | Exhibit 31.1 |
| EX-31.2 | ex31-2.htm |
| | Exhibit 31.2 |
| EX-32.1 | ex32-1.htm |
| | Exhibit 32.1 |
| EX-32.1 | ex32-2.htm |
| | Exhibit 32.1 |
| GRAPHIC | bwlogo.jpg |

Module and Segment References

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

FORM 10-Q



(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended June 30, 2010

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 000-51403

BLACKWATER MIDSTREAM CORP.

(Exact name of small business issuer in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

26-2590455

(I.R.S. Employer
Identification Number)

660 LABAUVE DRIVE

WESTWEGO, LOUISIANA, 70094

(Address of principal executive offices)

TELEPHONE: (504) 340-3000

(Issuer's telephone number)

Indicate by check mark whether the issuer (1) 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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

As of August 10, 2010, there were 54,416,234 shares of Common Stock, \$.001 par value per share, outstanding.

PART I - FINANCIAL INFORMATION

PART I - FINANCIAL INFORMATION

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BLACKWATER MIDSTREAM CORP.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | <u>JUNE 30,</u> <u>2010</u> | <u>MARCH 31,</u> <u>2010</u> |
|--|--------------------------------|---------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 1,730,938 | \$ 2,020,527 |
| Receivables-trade (net of allowance of \$0 and \$0 as of June 30, 2010 and March 31, 2010, respectively) | 70,638 | 49,720 |
| Receivables-other | 1,214 | - |
| Current portion of deferred financing charges | 428,943 | 440,528 |
| Prepaid expenses and other current assets | 230,798 | 252,607 |
| Total current assets | 2,462,531 | 2,763,382 |
| Long-term portion of deferred financing charges | 207,677 | 303,327 |
| Property, plant, equipment, net | 10,839,043 | 9,461,415 |
| TOTAL ASSETS | \$ 13,509,251 | \$ 12,528,124 |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 1,679,409 | \$ 1,396,334 |
| Accounts payable-related parties | 10,556 | 11,832 |
| Accrued liabilities | 204,562 | 216,891 |
| Deferred revenue | 207,540 | 405,184 |
| Liabilities-disposal of asset | 527,616 | 616,671 |
| Current portion of long-term liabilities | 2,749,500 | 1,839,500 |
| Total current liabilities | 5,379,183 | 4,486,412 |
| Long-term liabilities: | | |
| Bank loan | 1,375,000 | 1,500,000 |
| Related party convertible debt | 250,000 | 250,000 |
| Convertible debt | 4,501,033 | 4,501,033 |
| Total long-term liabilities | 6,126,033 | 6,251,033 |
| TOTAL LIABILITIES | 11,505,216 | 10,737,445 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock - 20,000,000 "blank check" preferred shares, issuable in one or more series, no shares issued and outstanding | -- | -- |
| Common stock - 200,000,000 shares authorized, \$0.001 par value: 54,411,234 and 54,408,734 issued, outstanding at June 30, 2010 and March 31, 2010, respectively | 54,411 | 54,409 |
| Additional paid-in capital | 9,289,282 | 9,187,531 |
| Accumulated deficit | (7,339,658) | (7,451,261) |
| TOTAL STOCKHOLDERS' EQUITY | 2,004,035 | 1,790,679 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 13,509,251 | \$ 12,528,124 |

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

BLACKWATER MIDSTREAM CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Three Months Ended June 30, 2010 | Three Months Ended June 30, 2009 |
|--|---|---|
| Revenue | | |
| Storage | \$ 1,250,047 | \$ 700,577 |
| Other Services | 66,927 | 52,071 |
| Total Revenue | 1,316,974 | 752,648 |
| Cost of revenue | | |
| Labor | (138,591) | (117,739) |
| General materials | (55,694) | (24,083) |
| Subcontractors | (23,787) | (100,346) |
| Depreciation | (95,768) | (71,987) |
| Other costs of revenue | (27,517) | (12,640) |
| Total cost of revenue | (341,357) | (326,795) |
| GROSS PROFIT | 975,617 | 425,853 |
| OTHER OPERATING EXPENSES: | | |
| Selling, general and administrative | 712,345 | 1,381,965 |
| Loss on disposal of assets | 23,871 | 121,798 |
| Depreciation | 10,328 | 9,484 |
| Total other operating expenses | 746,544 | 1,513,247 |
| Income (Loss) from operations | 229,073 | (1,087,394) |
| Interest income | 51 | 284 |
| Net interest expense | (117,521) | (38,232) |
| | - | - |
| Net income (loss) | \$ 111,603 | \$ (1,125,342) |
| NET INCOME (LOSS) PER COMMON SHARE, | | |
| BASIC | \$ 0.00 | \$ (0.02) |
| DILUTED | \$ (0.01) | \$ (0.02) |
| Weighted average number of shares | | |
| outstanding: | | |
| BASIC | 54,409,146 | 52,096,535 |
| DILUTED | 65,019,430 | 52,096,535 |

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

BLACKWATER MIDSTREAM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | <u>Three Months Ended June 30, 2010</u> | <u>Three Months Ended June 30, 2009</u> |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (loss) | \$ 111,603 | \$ (1,125,342) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 106,096 | 81,471 |
| Amortization of deferred financing fees | 107,236 | - |
| Net Loss on disposal of assets | 24,152 | - |
| Stock based compensation | 101,752 | 728,956 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (20,918) | 198,080 |
| Prepaid expenses | 20,595 | 39,658 |
| Deferred revenue | (197,644) | 76,849 |
| Accounts payable and accruals | (861,987) | 134,925 |
| Net cash provided by (used in) operating activities | (609,115) | 134,597 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net increase in cash from restricted cash | - | 124,716 |
| Purchase of property, plant and equipment | (465,474) | (4,410) |
| Net cash provided by (used in) investing activities | (465,474) | 120,306 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments of related party debt | - | (9,282) |
| Proceeds from bank loan | 1,015,000 | - |
| Payments on bank loan | (230,000) | (125,000) |
| Net cash provided by (used in) financing activities | 785,000 | (134,282) |
| NET CHANGE IN CASH FOR THE PERIOD | (289,589) | 120,621 |
| CASH AT BEGINNING OF PERIOD | 2,020,527 | 12,565 |
| CASH AT END OF PERIOD | \$ 1,730,938 | \$ 133,186 |
| SUPPLEMENTAL CASH FLOW DISCLOSURES | | |
| Cash paid for interest | \$ 168,154 | \$ - |
| Cash paid for income taxes | \$ - | \$ - |
| Non-cash investing and financing activities: | | |
| Construction in progress included in accounts payable | \$ 1,042,401 | \$ - |

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

BLACKWATER MIDSTREAM CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of June 30, 2010 included herein have been prepared without an audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management of Blackwater Midstream Corp. (the "Company", "us", "our", or "we"), all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the March 31, 2010 audited financial statements and notes thereto. The balance sheet at March 31, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accepted accounting principles for complete financial statements. Certain items in 2009 have been reclassified to conform to the 2010 financial statement presentation generally accepted in the United States of America. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2010. The results of operations for the three-month period ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year.

CORRECTION OF PRIOR PERIOD

In accordance with the SEC's Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"), the Company recorded a non-cash adjustment for the year ended March 31, 2010 of \$111,237 which served to reduce certain share-based compensation recorded in Selling, General and Administrative Expense and Additional Paid in Capital. This non-cash adjustment resulted from incorrectly expensing options granted under the 2009 Non-Employee Directors Stock Incentive Plan. The error arose because this Plan had not yet been approved by the shareholders of the Company at the time of the grant. As a result of the Company's evaluation of this error under SAB 108, the Company determined that this error was material in relation to the current quarter, but not material to the year ended March 31, 2010. Consequently, the March 31, 2010 balance sheet was adjusted to reflect the correction of this error. In evaluating materiality and determining the appropriateness of applying SAB 108 to this error, the Company considered materiality both qualitatively and quantitatively as prescribed by the SEC's Staff Accounting Bulletin No. 99. The following table reflects the impact of the above error to the consolidated statements of operations as of and for the year ended March 31, 2010:

| | As previously reported | Adjustments | Adjusted |
|---|---------------------------|-------------|--------------|
| Selling, general and administrative expense | \$ 4,363,720 | \$ 111,237 | \$ 4,252,483 |
| Net loss | \$ 2,015,761 | \$ 111,237 | \$ 1,904,524 |
| Loss per share – Basic and diluted | .04 | .00 | .04 |

The impact on the Consolidated Balance Sheet as of March 31, 2010 was a reduction to Additional Paid-in Capital of \$111,237 and a corresponding decrease in the accumulated deficit of the same amount.

2. STOCK-BASED COMPENSATION.

Net income for the three-month period ended June 30, 2010 included \$94,442 of stock-based compensation costs for management and \$7,310 of stock-based compensation cost for equity awards granted to non-employees (see Note 3) which are included in general and administrative expenses in the accompanying consolidated statements of operations.

As of June 30, 2010, there was approximately \$566,651 of total unrecognized compensation costs related to unvested stock-based compensation for restricted shares granted to management that is expected to be recognized over a weighted-average period of approximately eighteen months.

3. COMMITMENTS AND CONTRACTUAL OBLIGATIONS.

On December 7, 2009, pursuant to the Company's 2009 Non-Employee Directors Stock Incentive Plan, the Company granted 1,200,000 shares of stock options to three non-employee directors as follows, subject to approval by the stockholders at the Company's Annual Meeting in September 2010. If approved, the options are to vest in three periods: 171,426 options vested on December 7, 2009, 514,287 options will vest on the date of the Company's annual shareholders' meeting in 2010, if all three directors are re-appointed, and 514,287 options will vest on the date of the Company's annual shareholders' meeting in 2011, if all three directors are re-appointed or elected to serve. The exercise price for the stock options was based on the Company's closing stock price on the date of grant, which was \$0.35 per share. As the option grants have not yet been approved by the stockholders of the Company, no compensation cost has been recognized.

On May 19, 2010, the Company entered into a six month consulting agreement, which was amended on June 11, 2010, (the "Consulting Agreements"), with Malcolm McGuire & Associates, L.L.C. ("Consultant"). The Consulting Agreements require the Company to pay a monthly consulting fee of \$4,000 to the Consultant beginning as of May 19, 2010 for six months, to grant Consultant 2,500 shares of the Company's common stock monthly beginning on June 1, 2010 for six months, and as of June 11, 2010 to grant Consultant the option to purchase 100,000 shares of the Company's restricted common stock at the exercise price of \$0.50 per share, vesting on November 20, 2010 exercisable until November 20, 2015, with a fair value of \$36,360.

Through June 2010, the Consultant had received 2,500 shares of the Company's common stock, equal to an expense amount of \$1,250; and did receive 5,000 additional shares of the Company's common stock during and for the periods of July and August 2010. The Company recorded an expense of approximately \$6,060 for the month of June 2010 relating to the granting of the option to Consultant.

The grant-date fair value for the stock options was estimated using a Black-Scholes option valuation model which incorporated the following assumptions:

| | |
|---------------------------------|---------|
| Grant-Date Fair Value | \$0.36 |
| Expected Term | 5.5 |
| Expected Volatility | 146.64% |
| Risk-Free Interest Rate | 1.79% |
| Expected Dividend Distributions | N/A |

4. LONG-TERM DEBT AND NOTES PAYABLE.

On June 24, 2010, we entered into a Line of Credit Note (the "Note") with JP Morgan Chase Bank, N.A. ("JPM"). The Note provides us with access to an amount up to \$500,000 to provide working capital and to finance customer contract related capital improvements, tank modifications, piping, drumming equipment, etc. The Note bears interest at an annual rate of 2.00% above the Prime Rate. Commencing July 31, 2010, the Company began making monthly interest payments until maturity on June 30, 2011, when the principal sum will be due. The Note is secured by an existing Collateral Mortgage on the Westwego Terminal property, along with a Continuing Security Agreement granting JPM a security interest in the Company's bank accounts, chattel paper, general intangibles and instruments, deposit accounts, documents, equipment, letter of credit rights and contracts. In addition, the Company and JPM also amended the Company's existing Credit Agreement, adding the Note to its credit facility and adding several newly defined terms. Copies of the Line of Credit Note, Continuing Security Agreement and Amendment to Credit Agreement are incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on June 28, 2010. As of June 30, 2010, we had borrowed \$204,500 on this loan, the balance of which is included in the current portion of long-term liabilities in the consolidated balance sheet.

In addition, during the three months ended June 30, 2010, we borrowed an additional \$810,500 on our non-revolving line of credit with JPM to partially financing construction of three storage tanks and a ship dock at the Westwego, LA Terminal. Advances on this line of credit bear interest at 2.00% above the Prime Rate and principal payments are due monthly in the amount of \$35,000, beginning in April 2010. All unpaid principal and accrued interest is due on February 12, 2011.

5. GAIN AND LOSS ON DISPOSAL OF ASSETS.

On February 9, 2009 one of our storage tanks developed a minor leak during the introduction of product (sulfuric acid) into the tank. Terminal staff detected the leak and successfully contained it in the designated earthen berm area and immediately contacted all required federal, state and local authorities and agencies about the situation. Shortly thereafter, we began remediation and cleanup efforts and engaged expert environmental cleanup companies to assist with the process. While the cleanup effort was ongoing, the product was transferred into rented barges specifically designed for sulfuric acid.

As a result of this leak we recorded a loss of \$1,620 for legal fees for the three-month period ended June 30, 2010, a gain on disposal of asset of \$255,188 for the year ended March 31, 2010 and a loss on disposal of asset of \$902,761 for the period December 23, 2008 through March 31, 2009. The table below presents the net activity for all periods.

| Description | COMBINED PERIODS | For the Three Months Ended June 30, 2010 | For the Year Ended March 31, 2010 | For the Period December 22, 2008 through March 31, 2009 |
|---|-----------------------------|---|--|--|
| Environmental: Clean up & mitigation expenses | \$ (1,192,775) | \$ (1,620) | \$ (190,487) | \$ (1,000,668) |
| Property: Tank disposal | (83,678) | - | - | (83,678) |
| Less: Insurance recovery | 627,260 | - | 445,675 | 181,585 |
| Loss / Gain on Disposal of Asset | \$ (649,193) | \$ (1,620) | \$ 255,188 | \$ (902,761) |

Insurance recovery is shown net of a \$275,000 deductible.

The underside of the tanks' steel bottoms, related pumps and valves and the surrounding containment areas were damaged when they came in contact with the leaked sulfuric product during the remediation and cleanup process. The tank bottom was replaced and we have recognized a loss on disposal of tank totaling \$83,678 during the period December 22, 2008 through March 31, 2009. There were no tank leaks in other periods presented.

We continue to work closely with our pollution insurance carrier related to reimbursement for expenses related to this incident. The table above represents the costs incurred and insurance proceeds. On May 7, 2010, we filed suit in the United States District Court Eastern District of Louisiana against our former pollution coverage carrier for unpaid expense reimbursement claims pertaining to our tank leak incident on February 9, 2009. In dispute are approximately \$549,000 worth of unpaid expenses and collection of attorneys' fees.

6. SUBSEQUENT EVENTS.

Acquisition of the Storage Terminal in Brunswick, GA

On April 1, 2010, we entered into an asset purchase agreement to purchase a 161,000 barrel storage terminal located in Brunswick, GA, as well as certain licenses and permits to operate such facility (collectively, the "Brunswick Terminal"). The purchase price for the Brunswick Terminal was \$1,800,000; subject to certain adjustments. The acquisition was finalized on July 15, 2010.

The Brunswick Terminal currently leases the underlying ground from the Georgia Ports Authority which is scheduled to terminate September 4, 2012. The seller of the Brunswick Terminal has agreed to assist us in obtaining a new lease agreement prior to the expiration of the current lease. If a new lease agreement cannot be obtained, or an extension of the current lease cannot be negotiated prior to the expiration of the current lease, the purchase price shall be reduced by \$500,000.

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

Forward-looking Statements

THE FOLLOWING DISCUSSION OF THE RESULTS OF OUR OPERATIONS AND FINANCIAL CONDITION SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE NOTES THERETO INCLUDED ELSEWHERE IN THIS REPORT.

This section of this report includes a number of forward-looking statements that reflect Blackwater Midstream Corp.'s (the "Company") current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: "believe," "expect," "estimate," "anticipate," "intend," "project" and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

The following discussion provides an analysis of the results of our operations, an overview of our liquidity and capital resources and other items related to our business. The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and our audited financial statements and notes included in our Annual Report on Form 10-K as of and for the year ended March 31, 2010.

Overview of Company and its Operations

Company references herein are referring to consolidated information pertaining to the Company (formerly Laycor Ventures Corp.), the registrant, our wholly owned subsidiaries Blackwater New Orleans, L.L.C. and Blackwater Georgia, L.L.C. and to Laycor Ventures Corp.

General. We were incorporated in the State of Nevada on March 23, 2004. We changed our name from Laycor Ventures Corp. to Blackwater Midstream Corp. on March 18, 2008 and on March 21, 2008, a change in the ownership and management control of the Company occurred. At that time, we changed our business objective to become an independent developer and manager of third-party fuel, agricultural and chemical bulk liquid storage terminals. Commencing in May 2008 we hired new management and appointed a new board of directors.

Westwego Terminal Operations. On September 9, 2008, we formed Blackwater New Orleans, L.L.C. ("BWNO"), a Louisiana limited liability company, as a wholly-owned subsidiary of the Company, to acquire the Westwego Terminal.

The purchase price for the Westwego Terminal was \$4,800,000, subject to certain adjustments for prepaid third-party fees, adjustment to inventory, and transaction-related expenses. At purchase, the Westwego Terminal had an approximate leasable capacity of 752,000 barrels.

As of June 30, 2010 our asset portfolio and operations consisted of the Westwego Terminal. During the 1st and 2nd quarter of 2010, we completed construction of three 50,000 barrel steel storage tanks, increasing the leasable storage capacity to approximately 902,000 barrels. The 51 above-the-ground storage tanks at the Westwego Terminal range in size from approximately a 5,000 barrel capacity to tanks with over a 100,000 barrel capacity. Our operations support many different commercial customers, including refiners and chemical manufacturers. The diversity of our customer base, lends to the potential diversity of the products customers may want stored in the Westwego Terminal. The products will however generally fall into the three broad categories: petroleum, chemical and agricultural.

Our income is derived from tank leasing, throughput charges for receipt and delivery options and other services requested by our customers. The terms of our storage leasing contracts range from month-to-month, to multiple years, with renewal options. Cash generated from the operations at the Westwego Terminal is our primary source of liquidity for funding debt service, maintenance, and small-scale potential capital expenditures. Based on long-term contracts, we would seek debt financing to fund larger-scale capital expenditures.

At the Westwego Terminal, we generally receive our customer's liquid product by river barge and ship at our Mississippi River dock. The product is transferred from the river vessels to the leased storage tank(s) via the terminal's internal pipeline apparatus. The customer's product is removed from storage at our terminal by truck, railcar and/or by barge or ship. The length of time that the customer's product is held in storage without transfer varies depending upon the customer's needs.

As of June 30, 2010 we had leased approximately 695,000 barrels of storage, for a storage utilization rate of approximately 77%. The major products currently stored at the Westwego Terminal are lubricating oils, 50% grade caustic and sulfuric acid. Our utilization rate is expected to increase to more than 83% by the end of August 2010 due to recently signed agreements for additional long-term storage. This expected utilization rate of approximately 83% is including the increase in storage tank capacity of approximately 150,000 barrels constructed since the acquisition of the Westwego Terminal in December 2008. During June 2010, we substantially completed the construction of a new Mississippi River ship dock. The addition of the Mississippi River ship dock to our Westwego Terminal facilities will greatly increase our potential for servicing a larger range and number of customers and their products.

Brunswick Terminal Operations. On April 1, 2010, we entered into an asset purchase agreement to purchase a 161,000 barrel storage terminal located in Brunswick, GA and other improvements thereon, as well as certain licenses and permits to operate such facility. The Brunswick Terminal is being purchased “as-is”. The purchase price for the Brunswick Terminal is set at \$1,800,000.

Certain conditions specified in the asset purchase agreement were met prior to closing. The acquisition was finalized on July 15, 2010 and on that date we announced that we have entered into a new tank lease agreement for liquid fertilizer with our first customer at the Brunswick Terminal.

Growth of our Business. The importance of bulk terminal facilities in the refined product and chemical manufacturing segments has grown significantly over the past decade as the nation’s product supply patterns have become increasingly more complex. Bulk liquid terminals allow producers to operate their refineries and manufacturing plants more efficiently by providing capacity to level out both increases and decreases in product demand. In addition, bulk liquid terminals provide a more efficient supply chain by storing the product either closer to the production or consumption locations.

Our current business model is to continue to increase the utilization rate of the existing storage tanks at the Westwego Terminal and the Brunswick Terminal and to construct additional storage tanks at those sites as needed.

Additionally, we plan to pursue the acquisition of other underachieving, underutilized storage terminals through asset purchases and management agreements. We believe the considerable experience of the Company’s management team will be a key factor in transitioning underperforming terminals into viable profit centers. We expect these acquisitions to provide immediate accretive results to the Company’s operations, and will also allow us to serve the specific storage needs of our customers at our various terminals.

Results of Operations

For the Three-Month Period Ended June 30, 2010.

Revenues-Revenues from storage terminal facilities are derived from two main areas of operation: recurring contractual storage tank lease fees and monthly ancillary services. The following is a discussion about each.

Revenues-Storage Revenues. The Company's storage tank revenues for the three-month period ended June 30, 2010 totaled approximately \$1,250,000, as compared to the storage tank revenues of approximately \$701,000 for the three-month period ended June 30, 2009. This is an increase of approximately 78% when comparing the three-month periods. For the three-month period ended June 30, 2010, the monthly average was approximately \$417,000. For the three-month period ended June 30, 2009, the monthly average was approximately \$233,500. This rise in revenues is attributable to an increase in the number of customers, an increase in the number of tanks and barrels leased, and an increase in the rate structure due to a different product mix.

Management monitors the utilization rate of the leasable barrels available in our storage tanks at the Westwego Terminal each month. At the commencement of the Company's operations at the Westwego Terminal in December 2008, the leasable barrel utilization rate was 38%. As of June 30, 2010, the leasable barrel utilization rate was 77%. See the table below for the month-to-month utilization percentage. Management attributes this approximate 103% increase in the utilization rate to aggressive marketing of the Westwego Terminal, its desirable location as a distribution hub from the Port of New Orleans, our services offered, storage capacity, and to management's industry associations.

| Month | Utilization Based on Leasable Barrels | Month | Utilization Based on Leasable Barrels |
|----------|--|----------|--|
| Jun 2010 | 77.0% | Jun 2009 | 56.4% |
| May 2010 | 75.7% | May 2009 | 55.9% |
| Apr 2010 | 75.7% | Apr 2009 | 56.9% |
| Mar 2010 | 78.0% | Mar 2009 | 57.8% |
| Feb 2010 | 76.7% | Feb 2009 | 57.8% |
| Jan 2010 | 75.0% | Jan 2009 | 57.8% |
| Dec 2009 | 74.4% | Dec 2008 | 38.0% |
| Nov 2009 | 73.3% | | |
| Oct 2009 | 71.8% | | |
| Sep 2009 | 71.8% | | |
| Aug 2009 | 71.8% | | |
| Jul 2009 | 65.6% | | |

Revenues-Ancillary Services. Ancillary revenues are earned based on a customer's particular needs; and, therefore, by their nature fluctuate from month to month. The Company's ancillary revenues for the three-month period ended June 30, 2010 totaled approximately \$67,000 or approximately 29% more than the ancillary revenues of approximately \$52,000 for period ended June 30, 2009. This increase is due to an ever-increasing array of ancillary services the Company is offering to customers.

Cost of Revenue Operating Expenses. Our cost of revenue operating expenses consist mainly of direct and contract labor, associated payroll taxes and labor burden expenses, materials, subcontractors, terminal improvements, depreciation expenses, and other expenses. These amounts totaled approximately \$341,000 for the three-month period ended June 30, 2010, averaging approximately \$114,000 per month; approximately 4.5% more than the average monthly cost of revenue operating expense for the three-month period ending June 30, 2009, which was approximately \$109,000. This increase is mainly attributable to additions in our depreciable assets due to our expansion and therefore to our subsequent depreciation expenses.

Gross Profit. Gross profit for the three-month period ended June 30, 2010 was approximately \$976,000, or 74% of revenues, or an average of approximately \$325,000 per month. This is a 129% increase from the monthly average gross profit of \$142,000 for the three-month period ending June 30, 2009; and is attributable to an increase in the number of customers and revenues during the twelve-month period and management's plan to keep operating expenses in focus and below storage terminal industry standards.

Selling, General and Administration Expenses (SG&A). Our SG&A expenses include our corporate executive management salaries, executive management non-cash compensation (restrictive stock grants), expenses related to being a public company and other professional fees, insurance, and other expenses that were not allocated or expensed to the terminal's operations via our cost of revenues operating expenses. The table below outlines the expenses for the three-month period ending June 30, 2010 and the three-month period ended June 30, 2009; with a narrative following comparing the differences between the periods.

Our consolidated SG&A expenses for the three-month period ended June 30, 2010 were approximately \$712,000 or 54% of total revenues, averaging approximately \$237,000 per month. Our consolidated SG&A expenses for the three-month period ended June 30, 2009 were approximately \$1,382,000 or 184% of total revenues, averaging approximately \$461,000 per month.

Non-cash activity for this period includes management non-cash compensation expense for services of approximately \$94,000 and professional fees of approximately \$7,300. These non-cash expenses total approximately \$101,300. Excluding these non-cash amounts, our total SG&A expenses for this three-month period ended June 30, 2010 would have been \$610,700 or approximately 46% of total revenues. Comparatively, excluding our non-cash expenses of approximately \$697,000 for management and directors services for the three-month period ended June 30, 2009, the total SG&A would have been \$685,000 or 91% of total revenues.

The amount expensed for management's salaries were the same for both periods. Non-cash compensation expensed for management's restrictive shares greatly decreased by approximately \$603,000 from the three-month period ended June 30, 2009 to the three-month period ended June 30, 2010. This decrease is due in part to the extension of the vesting periods of management's restrictive shares until January 2012, reducing the monthly expense from approximately \$72,000 to approximately \$32,000. However, the largest decrease is due to the non-recurring expense of approximately \$435,000 for the options granted to directors in April 2009.

Professional fees decreased by approximately \$67,000 or approximately 31% due to the elimination of certain consulting services, non-recurring professional expenses for legal and audit services, and better negotiation and management of expenditures. Included in professional fees for the three-month period ended June 30, 2010 is \$7,300 of non-cash compensation. Business related insurance expenses increased as we sought additional coverage and increased limits for the business. The other SG&A expense category remained stable throughout the periods.

Management is pleased with the overall decrease in SG&A expenses in total dollars and as they relate to total revenues, as this supports Management's belief and plan that we can increase revenues and utilization from our terminal(s) operations without greatly increasing our established SG&A expenses.

| Selling, General & Administrative (SG&A) Expenses: | For the Three-Month Period Ended June 30, 2010 | | For the Three-Month Period Ended June 30, 2009 | | | |
|---|---|----------------|---|-----------|------------------|-------------|
| Management Salaries | \$ | 248,000 | 35% | \$ | 248,000 | 18% |
| Management Non-cash Compensation | | 94,000 | 13% | | 697,000 | 50% |
| Professional Fees | | 128,000 | 18% | | 217,000 | 16% |
| Insurance-Other | | 105,000 | 15% | | 82,000 | 6% |
| Other SG&A Expenses | | 137,000 | 19% | | 138,000 | 10% |
| Total SG&A Expenses | \$ | 712,000 | 100% | \$ | 1,382,000 | 100% |

Gain / Loss on Disposal of Assets. Repairs, cleanup, legal and other expenses related to the tank leak incident in February 2009, were recorded as a loss on disposal of assets to the extent that the loss was not recoverable through insurance. The table below summarizes amounts related to this incident.

On May 7, 2010, we filed suit in the United States District Court Eastern District of Louisiana against our former pollution coverage carrier for unpaid expense reimbursement claims pertaining to our tank leak incident on February 9, 2009. In dispute are approximately \$549,000 worth of unpaid expenses and collection of attorneys' fees.

| Description | COMBINED PERIODS | For the Three | For the Year Ended | For the Period |
|---|------------------|---------------|--------------------|---------------------------|
| | | Months Ended | March 31, 2010 | December 22, 2008 through |
| | | June 30, 2010 | | March 31, 2009 |
| Environmental: Clean up & mitigation expenses | \$ (1,192,775) | \$ (1,620) | \$ (190,487) | \$ (1,000,668) |
| Property: Tank disposal | (83,678) | - | - | (83,678) |
| Less: Insurance recovery | 627,260 | - | 445,675 | 181,585 |
| Loss on Disposal of Asset | \$ (649,193) | \$ (1,620) | \$ 255,188 | \$ (902,761) |

In addition to the \$1,620 amount expensed for legal fees during the three-month period ended June 30, 2010 due to the insurance claim in February 2009, we also recorded a net loss of \$22,250 relating to the disposal of a 7,500 barrel tank-previously used to store water and not part of the Westwego Terminal's leasable storage capacity.

Depreciation. Our consolidated overhead (non-revenue producing assets) depreciation expense was approximately \$10,000 for the three-month period ended June 30, 2010, averaging approximately \$3,300 per month. This is comparable to the three-month period ended June 30, 2009.

Interest Expense. We recorded net interest expense of approximately \$118,000 for the three-month period ended June 30, 2010 and approximately \$38,000 in net interest expense for the three-month period ended June 30, 2009. The following table summarizes the Company's interest expense incurred and interest expense capitalized during the three-month period ended June 30, 2010 and the three-month period ended June 30, 2009.

Bank Loans refer to our loan agreements with JPMorgan Chase Bank as per our acquisition of the Westwego Terminal, ship dock and tank expansion projects, and our line of credit loan established in late June 2010. Convertible Debt Loans refer to our loan agreements with investors as per our September 2009 and our January 2010 private offerings; wherein we pay quarterly interest payments, and to the non-cash amount of \$107,235 expensed during the three-month period ended June 30, 2010 pertaining to expenses incurred to raise the convertible debt funds, allocated over the life of the loans. Related Party Loans refers to loans obtained by the Company in January 2009 from related parties. In December 2009, the Company remitted payments of the remaining outstanding principal on these related party loans.

| | For the Three-Month | For the Three-Month |
|---|---------------------|---------------------|
| | Period Ended | Period Ended |
| | June 30, 2010 | June 30, 2009 |
| Bank Loans | \$ 47,736 | \$ 29,500 |
| Convertible Debt Loans | 226,011 | - |
| Related Party Loans | - | 6,000 |
| Other Interest | 1,642 | 2,732 |
| Total Interest Incurred | \$ 275,389 | \$ 38,232 |
| Less Interest Capitalized to Construction in Process Projects | \$ (157,868) | \$ - |
| Net Interest Expense | \$ 117,521 | \$ 38,232 |

Net Profit (Loss) from Operations. We recorded our first quarterly net profit during the three-month period ended June 30, 2010 when we recorded a net profit from operations in the amount of approximately \$112,000. This is an improvement of approximately \$1,237,000 when compared to the net loss of approximately \$1,125,000 recorded for the three-month period ended June 30, 2009.

The \$112,000 in net profits amount includes non-cash expenses for depreciation of approximately \$106,000, non-cash expenses due to the allocation of stock-based compensation relating to convertible debt deferred financing interest charges of approximately \$47,000, non-cash expense of approximately \$24,000 for the net disposal of assets, and stock based compensation to members of management and for professional services in the amount of approximately \$101,300. These were offset by the non-cash transaction of approximately \$158,000 for interest expense capitalized. Without these non-cash transactions, we would have generated a net profit of approximately \$232,000 for the period. This is an improvement of approximately \$547,000 when compared to the net non-cash results for the three-month period ended June 30, 2009.

During the three-month period ended June 30, 2009, we recorded a net loss of approximately \$1,125,000. Included in this amount was approximately \$729,000 related to non-cash expenses for management, directors and professionals for services in stock-based compensation and approximately \$81,000 for depreciation. Without these non-cash expenses, we would have recorded a net loss of approximately \$315,000.

Liquidity and Capital Resources.

General. Our primary cash requirements are for working capital; which includes debt service and normal operating expenses. We attempt to fund our working capital requirements with cash generated from our operations. If we do not generate sufficient cash from operations to meet these requirements, we attempt to raise funds through debt financing and/or equity. We generally fund our strategic capital expenditures from external sources, primarily borrowing secured by long-term contracts with our customers. However, our ability to raise funds by issuing debt or equity depends on many factors beyond our control. The volatility of the capital and credit markets could restrict our ability to issue debt or equity or may increase our cost of capital beyond rates acceptable to us.

Significant Events during the Three-Month Period Ended June 30, 2010.

Current Debt and Notes Payable. On June 24, 2010, we entered into a Line of Credit Note (the "Note") with JP Morgan Chase Bank, N.A. ("JPM"). The Note provides us with access to an amount up to \$500,000 to provide working capital and to finance customer contract related capital improvements, tank modifications, piping, drumming equipment, etc. The Note bears interest at an annual rate of 2.00% above the Prime Rate. Commencing July 31, 2010, the Company began making monthly interest payments until maturity, June 30, 2011, when the principal sum will be due. The Note is secured by an existing Collateral Mortgage on the Westwego Terminal property, along with a Continuing Security Agreement granting JPM a security interest in the Company's bank accounts, chattel paper, general intangibles and instruments, deposit accounts, documents, equipment, letter of credit rights and contracts. In addition, the Company and JPM also amended the Company's existing Credit Agreement, adding the Note to its credit facility and adding several newly defined terms. Copies of the Line of Credit Note, Continuing Security Agreement and Amendment to Credit Agreement are incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on June 28, 2010. As of June 30, 2010, we had borrowed \$204,500 on this loan.

Discussion. As of June 30, 2010, our total assets were approximately \$13,509,000. This amount includes cash and cash equivalents of approximately \$1,731,000. Included in the cash amount is \$1,725,000 deposited in the Company's escrow bank account which was received as per our January 2010 convertible debt offering for use towards the Brunswick Terminal acquisition. Additionally, the total assets amount includes approximately \$72,000 from trade and other receivables, approximately \$429,000 from the current portion of deferred financing charges, approximately \$231,000 for prepaid expenses, approximately \$208,000 for the long-term portion of deferred financing charges, and approximately \$10,839,000 from net property, plant and equipment.

Our total liabilities were approximately \$11,505,000. Our current liabilities were approximately \$5,379,000, which includes accounts and accrued payables of approximately \$1,895,000, deferred revenue (due to storage prepayment) of approximately \$208,000, liabilities for our tank disposal associated with our insurance incident of approximately \$528,000, and the current portion of our long-term debt of \$2,749,500. Our long-term liabilities were approximately \$6,126,000 which includes \$1,375,000 for bank loans and approximately \$4,751,000 for convertible debt loans.

At June 30, 2010, we had negative working capital of approximately \$2,917,000. This is an increase of approximately \$1,194,000 from the year ended March 31, 2010. Our acquisition of the Brunswick Terminal, when fully leased, will contribute to our increased cash flow and liquidity; as well as the increased revenues resulting from the recently completed construction of three 50,000 barrel storage tanks, which are currently leased to customers. It is anticipated that during the next few months we will restructure one of our JPM loans from being due within the current period to becoming a long-term note; resulting in the reclassing of approximately \$1,625,000 from current liabilities to long-term liabilities. This debt restructuring will be beneficial to our working capital calculation.

Future minimum payments as per our third party loans agreements and related party convertible debt loan agreements for the next five years and the total amount thereafter are as follows; if none of the convertible debt loans are converted into common shares of the company.

Years ending June 30,

| | | |
|------------|----|------------------|
| 2011 | \$ | 2,750,000 |
| 2012 | | 5,251,033 |
| 2013 | | 500,000 |
| 2014 | | 375,000 |
| 2015 | | 0 |
| Thereafter | | 0 |
| | \$ | <u>8,876,033</u> |

At June 30, 2010, we had cash totaling \$5,938 plus cash set aside by the Company of \$1,725,000 for the acquisition of the Brunswick Terminal. At March 31, 2010 we had unrestricted cash of \$2,020,527.

During the three-month period ended June 30, 2010, we reported a net profit of approximately \$112,000. Adding to this amount were the non-cash activities of approximately \$339,000, use of cash from changes in operating assets and liabilities of approximately \$1,060,000, use of cash from investing activities of approximately \$465,000 and receipt of funds from various financing activities of approximately \$785,000, resulting in a decrease in cash for the period of approximately \$289,000.

We do not have any operating leases or off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

a) Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include processes to accumulate and evaluate relevant information and communicate such information to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow for timely decisions regarding required disclosures.

In designing such disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Noting these assumptions, under the supervision and with the participation of management, including our CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2010, as required by Rule 13a-15(e) of the Exchange Act.

Based on this evaluation, our CEO and CFO have concluded that, as of June 30, 2010, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC due to material errors in the recording of stock-based compensation transactions. The consolidated financial statements in this report have been adjusted to include these changes. Management is working on plans to improve the processes that govern the recording of these transactions. We believe these plans when finalized will enable us to avoid these types of errors in the future.

(b) Changes in Internal Control over Financial Reporting.

There have been no changes in the Company's internal controls over financial reporting that occurred during the first quarter of the fiscal year that have materially affected; or are reasonably likely to materially affect our internal control over financial reporting other than noted above.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On May 7, 2010, we filed suit in the United States District Court Eastern District of Louisiana against our former pollution coverage carrier, for unpaid expense reimbursement claims pertaining to our tank leak incident on February 9, 2009. In dispute are approximately \$549,000 worth of unpaid expenses and collection of attorneys' fees which we believe are covered under our insurance policy then in effect.

ITEM 1A. RISK FACTORS.

Smaller reporting companies are not required to provide the information required by this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

| Exhibit Number | Description |
|---------------------------|--|
| 10.1* | Purchase and Sale Agreement by and between the Company and NuStar Terminals Operations Partnership, L.P. dated April 1, 2010 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on April 6, 2010) |
| 10.2* | Form of Line of Credit Note, Continuing Security Agreement and Amendment to Credit Agreement with JP Morgan Chase Bank, N.A. dated June 24, 2010 (incorporated by reference to the Company's Annual report on Form 10-K filed with the Commission on June 28, 2010) |
| 10.3* | Finalization of Acquisition of the Brunswick Terminal by and between the Company and NuStar Terminals Operations, L.P. dated July 15, 2010 and other agreements by and between the Company and others dated July 15, 2010 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on July 20, 2010) |
| 31.1** | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2** | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1** | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2** | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

* Incorporated by reference to prior filings.

** Filed herewith.

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 on this 10th day of August, 2010.

BLACKWATER MIDSTREAM CORP.

BY: /s/ Michael D. Suder

Michael D. Suder

Chief Executive Officer

BY: /s/ Donald St. Pierre

Donald St. Pierre

Chief Financial Officer

EXHIBIT INDEX

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* Incorporated by reference to prior filings.

** Filed herewith.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE
13A-14(A)/15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Michael D. Suder, Chief Executive Officer (Principal Executive Officer), certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Blackwater Midstream Corp.;
- (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 periods 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(s) 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(s) 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 the 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.

By: /s/ Michael D. Suder
Michael D. Suder, Chief Executive Officer

August 10, 2010

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE
13A-14(A)/15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Donald St. Pierre, the Chief Financial Officer (Principal Financial Officer), certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Blackwater Midstream Corp.;
- (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 periods 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(s) 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(s) 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 the 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.

By: /s/ Donald St. Pierre
Donald St. Pierre, Chief Financial Officer

August 10, 2010

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

In connection with the Quarterly Report of BLACKWATER MIDSTREAM CORP. (the "Company") on Form 10-Q for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Suder, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

August 10, 2010

By: /s/ Michael D. Suder
Michael D. Suder, Chief Executive Officer

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

In connection with the Quarterly Report of BLACKWATER MIDSTREAM CORP. (the "Company") on Form 10-Q for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald St. Pierre, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

August 10, 2010

By: /s/ Donald St. Pierre
Donald St. Pierre, Chief Financial Officer