UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2007

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

001-33503

SEMGROUP ENERGY PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**20-8536826**
(State or other jurisdiction of	**(IRS Employer**
incorporation or organization)	**Identification No.)**

Two Warren Place

6120 South Yale Avenue, Suite 500

Tulsa, Oklahoma 74136

(Address of principal executive offices, zip code)

Registrant s telephone number, including area code: (918) 524-5500

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 x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x

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

As of August 10, 2007, there were 14,375,000 common units and 12,570,504 subordinated units outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

SEMGROUP ENERGY PARTNERS, L.P. PREDECESSOR

BALANCE SHEETS

	As of December 31, 2006	As of June 30, 2007 (unaudited)
	(in thousands)	
ASSETS (collateral for Parent debt - see Note 6)		
Current assets:		
Accounts receivable, net of allowance for doubtful accounts of $100 and $76 at December 31, 2006 and June 30, 2007, respectively	$ 2,544	$ 3,813
Other current assets	1,256	1,760
Total current assets	3,800	5,573
Property, plant and equipment, net of accumulated depreciation of $33,153 and $35,449 at December 31, 2006 and June 30, 2007, respectively	92,245	102,466
Goodwill	6,340	6,340
Other assets, net	2,462	2,245
Total assets (collateral for Parent debt - see Note 6)	$ 104,847	$ 116,624
LIABILITIES AND DIVISION EQUITY		
Current liabilities:		
Book overdrafts	$ 87	$ 33
Accounts payable	4,674	3,560
Accrued liabilities	1,183	1,788
Current portion of capital lease obligations	1,877	1,782
Total current liabilities	7,821	7,163
Long-term debt payable to Parent	31,191	31,191
Long-term capital lease obligations	3,689	2,792
Commitments and contingencies (Note 7)		
Division equity	62,146	75,478
Total liabilities and division equity	$ 104,847	$ 116,624

See accompanying notes to unaudited financial statements.

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SEMGROUP ENERGY PARTNERS, L.P. PREDECESSOR

STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
	(unaudited) (in thousands)			
Service revenue	$ 6,603	$ 10,464	$ 12,941	$ 19,098
Expenses:				
Operating	11,649	18,041	24,976	34,158
General and administrative	2,718	4,118	5,495	8,490
Total expenses	14,367	22,159	30,471	42,648
Operating loss	(7,764)	(11,695)	(17,530)	(23,550)
Other expenses:				
Interest expense	530	516	1,041	945
Net loss	$ (8,294)	$ (12,211)	$ (18,571)	$ (24,495)

See accompanying notes to unaudited financial statements.

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SEMGROUP ENERGY PARTNERS, L.P. PREDECESSOR

STATEMENTS OF CHANGES IN DIVISION EQUITY

	Division Equity (unaudited) (in thousands)
Balance, December 31, 2006	$ 62,146
Contribution from Parent	37,827
Net loss	(24,495)
Balance, June 30, 2007	$ 75,478

See accompanying notes to unaudited financial statements.

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SEMGROUP ENERGY PARTNERS, L.P. PREDECESSOR

STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
	(unaudited) (in thousands)	
Cash flows from operating activities:		
Net loss	$ (18,571)	$ (24,495)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,770	4,387
Loss on sale of assets	50	52
Changes in assets and liabilities, net of acquisitions:		
Increase in accounts receivable	(3,633)	(1,269)
Increase in other current assets	(679)	(504)
Decrease in other assets		70
Decrease in accounts payable	(6,679)	(693)
Decrease in accrued liabilities	1,299	605
Net cash used in operating activities	(24,443)	(21,847)
Cash flows from investing activities:		
Acquisition	(9,835)	
Capital expenditures	(15,226)	(15,265)
Proceeds from sale of assets	126	331
Net cash used in investing activities	(24,935)	(14,934)
Cash flows from financing activities:		
Increase (decrease) in book overdrafts	86	(54)
Payments on capital lease obligations	(1,060)	(992)
Contribution from Parent	50,352	37,827
Net cash provided by financing activities	49,378	36,781
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period	$	$
Cash paid for interest, net of amount capitalized	$ 1,041	$ 945
Changes in accounts payable related to purchases of property, plant and equipment	5,591	(421)

See accompanying notes to unaudited financial statements.

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SEMGROUP ENERGY PARTNERS, L.P. PREDECESSOR

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

ORGANIZATION SemGroup Energy Partners, L.P. Predecessor (the Predecessor) includes the assets, liabilities and results of operations of certain crude oil terminalling and storage and gathering and transportation operations of SemGroup, L.P. (Parent) held by SemGroup Holdings, L.P. (SemGroup Holdings) prior to their contribution by SemGroup Holdings to SemGroup Energy Partners, L.P. (the Partnership). The Partnership was formed in February 2007 as a Delaware master limited partnership initially to own, operate and develop a diversified portfolio of complementary midstream energy assets.

NATURE OF BUSINESS The Predecessor conducts its operations in the United States primarily in Oklahoma, Kansas and Texas. The Predecessor provides integrated terminalling, storage, gathering and transportation services for companies engaged in the production, distribution and marketing of crude oil.

2. BASIS OF PRESENTATION

The accompanying financial statements and related notes present the Predecessor s financial position as of December 31, 2006 and June 30, 2007, and the results of our operations, changes in division equity, and cash flows for the six months ended June 30, 2006 and 2007.

The Predecessor s accounting and financial reporting policies conform to accounting principles and practices generally accepted in the United States of America. The accompanying financial statements include the assets, liabilities and results of operations of certain terminalling, storage, gathering and transportation operations of the Predecessor that were contributed to the Partnership prior to the closing of the Partnership s initial public offering on a carve out basis. Specifically, the Predecessor s terminalling, storage, gathering and transportation operations were contributed to the Partnership and include crude oil storage capacity located in Oklahoma, Kansas and Texas, pipelines that gather and transport crude oil in Oklahoma and Texas, and owned or leased crude oil transport trucks that gather and transport crude oil primarily in Oklahoma, Kansas and Texas. Working capital was not contributed to, and debt payable to Parent was not assumed by, the Partnership. All significant inter-company accounts and transactions have been eliminated in the preparation of the accompanying financial statements.

Throughout the periods covered by the financial statements, Parent has provided cash management services to the Predecessor through a centralized treasury system. As a result, all of the Predecessor s charges and cost allocations covered by the centralized treasury system were deemed to have been paid to Parent in cash, during the period in which the cost was recorded in the financial statements. In addition, cash advances by Parent in excess of cash earned by the Predecessor are reflected as contributions from Parent in the statements of division equity. As a result of this accounting treatment, the Predecessor s working capital does not reflect any affiliate accounts payable for personnel and services, and the Predecessor had a negative working capital balance of $4.0 million and $1.6 million at December 31, 2006 and June 30, 2007, respectively. See note 6 for discussion of the Predecessor debt payable to Parent.

The Predecessor has historically been a part of the integrated operations of Parent, and neither Parent nor the Predecessor recorded revenue associated with the terminalling, storage, gathering and transportation services provided on an intercompany basis. Parent and the Predecessor recognized only the costs associated with providing such services. Accordingly, revenues reflected in these financial statements only represent services provided to third parties.

The accompanying financial statements include allocated general and administrative charges from Parent for indirect corporate overhead to cover costs of functions such as legal, accounting, treasury, environmental safety, information technology and other corporate services. General and administrative charges allocated by Parent were $1.9 million and $2.7 million for the six months ended June 30, 2006 and 2007, respectively. Management believes that the allocated general and administrative expense is representative of the costs and expenses incurred by Parent for the Predecessor. See note 8 for discussion of the methods of allocation. The statements of operations and cash flows for the six months ended June 30, 2006 and 2007 are unaudited. In the opinion of management, the unaudited interim financial statements have been prepared on the same bases as the audited financial statements and include all adjustments necessary to present fairly the financial position and results of operations for the respective interim periods. Interim financial results are not necessarily indicative of the results to be expected for an annual period. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These unaudited financial statements and other information included in this Quarterly

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SEMGROUP ENERGY PARTNERS, L.P. PREDECESSOR

NOTES TO UNAUDITED FINANCIAL STATEMENTS

Report on Form 10-Q should be read in conjunction with the Predecessor s financial statements and notes thereto for the year ended December 31, 2006 included in our prospectus filed pursuant to Rule 424(b)(4).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingencies. The Predecessor makes significant estimates including: (1) allowance for doubtful accounts receivable; (2) estimated useful lives of assets, which impacts depreciation; (3) estimated cash flows and fair values inherent in impairment tests under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142); (4) estimated fair value of assets and liabilities acquired and identification of associated intangible assets; (5) accruals related to revenues and expenses; and (6) liability and contingency accruals. Although the Predecessor s management believes these estimates are reasonable, actual results could differ from these estimates.

IMPAIRMENT OF LONG-LIVED ASSETS Long-lived assets with recorded values that are not expected to be recovered through future cash flows are written-down to estimated fair value in accordance with SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets, as amended. Under SFAS 144, assets are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying value exceeds the sum of the undiscounted cash flows, an impairment loss equal to the amount the carrying value exceeds the fair value of the asset is recognized. Fair value is generally determined from estimated discounted future net cash flows. There were no asset impairments in the three or six month periods ended June 30, 2007.

INCOME AND OTHER TAXES Parent and the Predecessor are not subject to federal income taxes. As a result, their earnings or losses for federal income tax purposes have been included in the tax returns of their individual partners or owners.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Expenditures for maintenance and repairs that do not add capacity or extend the useful life of an asset are expensed as incurred. The carrying value of the assets is based on estimates, assumptions and judgments relative to useful lives and salvage values. As assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in other income in the statements of operations.

Property, plant and equipment, net is stated at cost and consisted of the following (in thousands):

	Estimated Useful Lives (Years)	December 31, 2006	June 30, 2007
Land		$ 93	$ 310
Pipelines and facilities	15-25	29,333	30,874
Storage and terminal facilities	10-25	42,445	71,240
Transportation equipment, injection stations	5-10	24,383	23,403
Office property and equipment and other	3-10	5,609	7,011
Construction-in-progress		23,535	5,077
Property, plant and equipment, gross		125,398	137,915
Accumulated depreciation		(33,153)	(35,449)
Property, plant and equipment, net		$ 92,245	$ 102,466

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SEMGROUP ENERGY PARTNERS, L.P. PREDECESSOR

NOTES TO UNAUDITED FINANCIAL STATEMENTS

Property, plant and equipment includes assets under capital lease of $5.5 million and $4.5 million, net of accumulated depreciation of $4.7 million and $4.5 million at December 31, 2006 and June 30, 2007, respectively.

Depreciation expense for the six months ended June 30, 2006 and 2007 was $3.8 million and $4.2 million, respectively.

The Predecessor calculates its depreciation using the straight-line method, based on estimated useful lives of its assets. These estimates are based on various factors including age (in the case of acquired assets), manufacturing specifications, technological advances and historical data concerning useful lives of similar assets. Uncertainties that impact these estimates include changes in laws and regulations relating to restoration and abandonment requirements, economic conditions, and supply and demand in the area. When assets are put into service, the Predecessor makes estimates with respect to useful lives and salvage values that it believes are reasonable. However, subsequent events could cause the Predecessor to change its estimates, thus impacting the future calculation of depreciation.

5. ACQUISITIONS

On June 30, 2006, Parent completed the acquisition of the assets of Big Tex Crude Oil Company (Big Tex), a crude oil gathering, transportation and marketing company located in Abilene and Midland, Texas, and in Hobbs, New Mexico, for total consideration of approximately $15.5 million. Assets from this acquisition assigned to the Predecessor totaled $9.8 million, consisting primarily of equipment, vehicles and intangibles related to customer relationships and non-compete agreements, including goodwill of $1.6 million and intangibles of $2.4 million.

6. LONG TERM DEBT PAYABLE TO PARENT

Borrowings associated with Parent s acquisition of the Predecessor in 2000 were allocated to the Predecessor and are reported as long term debt payable to Parent. At December 31, 2006 and June 30, 2007, debt payable to Parent totaled $31.2 million. This debt includes interest and other terms generally consistent with Parent s working capital facility. Interest is payable quarterly at the prime rate plus 0.25% (8.50% at June 30, 2007) and all borrowings are due and payable in October, 2010. Interest expense on the note was $0.7 million for both the six months ended June 30, 2006 and 2007, net of capitalized interest of $0.6 million for both periods.

Generally, all assets of Parent, including the assets of the Predecessor, are pledged as collateral on substantially all of Parent s debt. Payment of the debt of Parent is not dependent upon the cash flows of the Predecessor.

7. COMMITMENTS AND CONTINGENCIES

The Predecessor leases certain real property, equipment and operating facilities under various operating and capital leases. It also incurs costs associated with leased land, rights-of-way, permits and regulatory fees, the contracts for which generally extend beyond one year but can be cancelled at any time should they not be required for operations. Future non-cancellable commitments related to these items at June 30, 2007 are summarized below (in thousands):

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SEMGROUP ENERGY PARTNERS, L.P. PREDECESSOR

NOTES TO UNAUDITED FINANCIAL STATEMENTS

	Capital Leases	Operating Leases
For twelve months ending:		
June 30, 2008	$ 2,131	$ 3,117
June 30, 2009	1,827	3,111
June 30, 2010	1,123	2,834
June 30, 2011	100	2,623
June 30, 2012		903
Thereafter		1
Total future minimum lease payments	5,181	$ 12,589
Less amount representing interest	(607)	
Net future minimum lease payments	4,574	
Less current portion	(1,782)	
	$ 2,792	

Rental expense related to leases was $0.2 million, $0.7 million, $0.4 million and $1.3 million for each of the three month periods ended June 30, 2006 and 2007 and the six month periods ended June 30, 2006 and 2007, respectively.

The Predecessor is from time to time subject to various legal actions and claims incidental to its business, including those arising out of employment-related matters. The Predecessor believes that these routine legal proceedings will not have a material adverse effect on the financial position, results of operations or cash flows of the Predecessor. Once the Predecessor determines that information pertaining to a legal proceeding indicates that it is probable that a liability has been incurred, an accrual is established equal to its estimate of the likely exposure. The Predecessor did not have an accrual for legal settlements as of December 31, 2006 or June 30, 2007.

8. RELATED PARTY TRANSACTIONS

The Predecessor has a storage agreement with an entity owned by a unitholder of its general partner under which the Predecessor recognized $0.3 million and $0.0 million in storage revenue during the six months ended June 30, 2006 and 2007, respectively. At June 30, 2007, nothing was due from this entity. The Predecessor has a transportation agreement with an entity owned by a unitholder of its general partner under which the Predecessor recognized $0.0 million and $0.1 million in transportation revenue during the six months ended June 30, 2006 and 2007, respectively. At June 30, 2007, nothing was due from this entity.

The employees supporting the Predecessor s operations are employees of Parent. The Predecessor s financial statements include costs allocated to it by Parent for centralized general and administrative services performed by Parent, as well as depreciation of assets utilized by Parent s centralized general and administrative functions. Costs allocated to the Predecessor were based on identification of Parent s resources which directly benefit the Predecessor and its proportionate share of costs based on the Predecessor s estimated usage of shared resources and functions. Costs were allocated to the Predecessor based on its proportionate share of Parent s headcount, compensation expense, net revenues or square footage as appropriate for the nature of the charge. All of the allocations are based on assumptions that the Partnership s management believes are reasonable; however, these allocations are not necessarily indicative of the costs and expenses that would have resulted if the Predecessor had been operated as a stand-alone entity. See note 6 for a discussion of debt payable to the Parent.

9. OPERATING SEGMENTS

The Predecessor s operations consist of two operating segments: (i) terminalling and storage services and (ii) gathering and transportation services.

TERMINALLING AND STORAGE SERVICES The Predecessor provides crude oil terminalling and storage services at its terminalling and storage facilities located in Oklahoma, Kansas and Texas.

GATHERING AND TRANSPORTATION SERVICES The Predecessor owns and operates two pipeline systems, the Mid-Continent system and the Longview system, that gather crude oil purchased by Parent and its other customers and transport it to refiners, to common carrier pipelines for ultimate delivery to refiners or to terminalling and storage facilities owned by the Predecessor and others. The Predecessor refers to its gathering and transportation system located in Oklahoma and the Texas