SemGroup Energy Partners, L.P.
Form 10-Q
May 27, 2009

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 September 30, 2008

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 incorporation or organization)	(IRS Employer 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 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 o No o

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 the definitions of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨

Non-accelerated filer x (Do not check if a smaller reporting company) 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 x

As of May 22, 2009, there were 21,557,309 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.
CONSOLIDATED BALANCE SHEETS
(in thousands, except units)

	As of December 31, 2007	As of September 30, 2008
		(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 416	$ 16,558
Accounts receivable, net of allowance for doubtful accounts of $0 and $432 at December 31, 2007 and September 30, 2008, respectively	2,666	7,954
Receivables from related parties, net of allowance for doubtful accounts of $0 for both dates	9,665	19,291
Prepaid insurance	797	3,303
Other current assets	442	1,666
Total current assets	13,986	48,772
Property, plant and equipment, net of accumulated depreciation of $40,222 and $74,731 at December 31, 2007 and September 30, 2008, respectively	102,239	289,716
Goodwill	6,340	6,340
Debt issuance costs	944	2,422
Other assets, net	1,973	1,863
Total assets	$ 125,482	$ 349,113
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)		
Current liabilities:		
Accounts payable	$ 3,045	$ 2,836
Payables to related parties	10,227	15,904
Accrued interest payable	449	-
Accrued property taxes payable	-	1,944
Interest rate swap settlements payable	-	1,505
Unearned revenue	-	453
Other accrued liabilities	340	1,956
Current portion of capital lease obligations	1,236	992
Total current liabilities	15,297	25,590
Long-term debt	89,600	448,100
Long-term capital lease obligations	1,123	418

Interest rate swaps liability		2,233		-
Commitments and contingencies (Notes 4, 10 and 13)				
Partners' capital (deficit):				
Common unitholders (14,375,000 and 21,557,309 units issued and outstanding at December 31, 2007 and September 30, 2008, respectively)		317,004		482,086
Subordinated unitholders (12,570,504 units issued and outstanding for both dates)		(287,210)		(283,717)
General partner interest (2.0% interest with 549,908 and 690,725 general partner units outstanding at December 31, 2007 and September 30, 2008, respectively)		(12,565)		(323,364)
Total Partners' capital (deficit)		17,229		(124,995)
Total liabilities and Partners' capital (deficit)	$	125,482	$	349,113

See accompanying notes to unaudited consolidated financial statements.

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SEMGROUP ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2008	2007	2008
	(unaudited)			
Service revenue:				
Third party revenue	$ 4,872	$ 15,571	$ 23,847	$ 26,222
Related party revenue	20,408	38,223	20,531	123,062
Total revenue	25,280	53,794	44,378	149,284
Expenses:				
Operating	15,952	28,187	50,110	79,958
Allowance for doubtful accounts	-	(819)	-	447
General and administrative	2,525	27,177	11,015	33,244
Total expenses	18,477	54,545	61,125	113,649
Operating income (loss)	6,803	(751)	(16,747)	35,635
Other expenses:				
Interest expense	2,424	11,041	3,369	15,905
Income (loss) before income taxes	4,379	(11,792)	(20,116)	19,730
Provision for income taxes	62	59	62	227
Net income (loss)	$ 4,317	$ (11,851)	$ (20,178)	$ 19,503
Allocation of net income (loss) to limited and subordinated partners:				
Net loss attributable to SemGroup Energy Partners Predecessor	$ (1,623)	$ -	$ (26,118)	$ -
General partner interest in net income (loss)	$ 119	$ (237)	$ 119	$ 3,368
Net income (loss) allocable to limited and subordinated partners	$ 5,821	$ (11,614)	$ 5,821	$ 16,135
Basic and diluted net income (loss) per common unit	$ 0.24	$ (0.33)	$ 0.24	$ 0.51
Basic and diluted net income (loss) per subordinated unit	$ 0.19	$ (0.33)	$ 0.19	$ 0.51
Weighted average common units outstanding - basic and diluted	14,375	21,426	14,375	20,015
Weighted average subordinated partners' units outstanding - basic and diluted	12,571	12,571	12,571	12,571

See accompanying notes to unaudited consolidated financial statements.

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SEMGROUP ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL (DEFICIT)
(in thousands)

	Common Unitholders	Subordinated Unitholders	General Partner Interest	Total Partners' Capital (Deficit)
		(unaudited)		
Balance, December 31, 2007	$ 317,004	$ (287,210)	$ (12,565)	$ 17,229
Net income	9,897	6,238	3,368	19,503
Equity-based incentive compensation	11,081	6,526	357	17,964
Distributions paid	(13,719)	(9,271)	(727)	(23,717)
Proceeds from sale of 6,900,000 common units, net of underwriters' discount and offering expenses of $7.1 million	157,823	-	-	157,823
Proceeds from issuance of 140,817 general partner units	-	-	3,365	3,365
Consideration paid in excess of historical cost of assets acquired from Private Company	-	-	(317,162)	(317,162)
Balance, September 30, 2008	$ 482,086	$ (283,717)	$ (323,364)	$ (124,995)

See accompanying notes to unaudited consolidated financial statements.

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SEMGROUP ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2007	2008
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (20,178)	$ 19,503
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for uncollectible receivables from third parties	(25)	432
Depreciation and amortization	6,781	15,587
Amortization and write off of debt issuance costs	41	616
Unrealized loss related to interest rate swaps	627	-
Loss on sale of assets	68	178
Equity-based incentive compensation	532	17,964
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	701	(5,720)
Increase in receivables from related parties	(1,428)	(9,626)
Increase in prepaid insurance	(28)	(2,506)
Increase in other current assets	(107)	(1,529)
Decrease (increase) in other assets	72	(113)
Decrease in accounts payable	(1,126)	(377)
Increase in payables to related parties	3,325	5,677
Increase (decrease) in accrued interest payable	606	(449)
Increase in accrued property taxes	-	1,944
Increase in interest rate swap settlements payable	-	1,505
Increase in unearned revenue	-	453
Increase (decrease) in other accrued liabilities	(1,602)	1,616
Decrease in interest rate swap liability	-	(2,233)
Net cash provided by (used in) operating activities	(11,741)	42,922
Cash flows from investing activities:		
Acquisition of assets from Private Company	-	(514,669)
Capital expenditures	(18,951)	(5,485)
Proceeds from sale of assets	338	386
Net cash used in investing activities	(18,613)	(519,768)
Cash flows from financing activities:		
Debt issuance costs	(1,037)	(2,094)
Payments on capital lease obligations	(1,294)	(939)
Borrowings under credit facility	146,550	518,600
Payments under credit facility	(54,050)	(160,100)
Proceeds from equity issuance, net of offering costs	38,036	161,238
Distributions paid	(136,463)	(23,717)
Contributions from Private Company	39,780	-
Net cash provided by financing activities	31,522	492,988
Net increase in cash and cash equivalents	1,168	16,142

Cash and cash equivalents at beginning of period		-		416
Cash and cash equivalents at end of period	$	1,168	$	16,558
Supplemental disclosure of cash flow information:				
Increase (decrease) in accounts payable related to purchases of property, plant and equipment	$	(846)	$	168

See accompanying notes to unaudited consolidated financial statements.

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SEMGROUP ENERGY PARTNERS, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

SemGroup Energy Partners, L.P. and subsidiaries (the "Partnership") is a publicly traded master limited partnership with operations in twenty-three states. The Partnership provides integrated terminalling, storage, gathering and transportation services for companies engaged in the production, distribution and marketing of crude oil and liquid asphalt cement. The Partnership manages its operations through two operating segments: (i) terminalling and storage services and (ii) gathering and transportation services. 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.

On July 20, 2007, the Partnership issued 12,500,000 common units, representing limited partner interests in the Partnership, and 12,570,504 subordinated units, representing additional limited partner interests in the Partnership, to SemGroup Holdings, L.P. ("SemGroup Holdings") and 549,908 general partner units representing a 2.0% general partner interest in the Partnership to SemGroup Energy Partners G.P., L.L.C. SemGroup Holdings subsequently offered 12,500,000 common units pursuant to a public offering at a price of $22 per unit. In addition, the Partnership issued an additional 1,875,000 common units to the public pursuant to the underwriters' exercise of their over-allotment option. The initial public offering closed on July 23, 2007. In connection with its initial public offering, the Partnership entered into a Throughput Agreement (the "Throughput Agreement") with SemGroup, L.P. (collectively, with its subsidiaries other than the Partnership and the Partnership's general partner, the "Private Company") under which the Partnership provided crude oil gathering and transportation and terminalling and storage services to the Private Company.

On February 20, 2008, the Partnership purchased land, receiving infrastructure, machinery, pumps and piping and 46 liquid asphalt cement and residual fuel oil terminalling and storage facilities (the "Acquired Asphalt Assets") from the Private Company for aggregate consideration of $379.5 million, including $0.7 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Asphalt Assets recorded at the historical cost of the Private Company, which was approximately $145.5 million, with the additional purchase price of $234.0 million reflected in the statement of changes in partners' capital as a distribution to the Private Company. In conjunction with the purchase of the Acquired Asphalt Assets, the Partnership amended its existing credit facility, increasing its borrowing capacity to $600 million. Concurrently, the Partnership issued 6,000,000 common units, receiving proceeds, net of underwriting discounts and offering-related costs, of $137.2 million. The Partnership's general partner also made a capital contribution of $2.9 million to maintain its 2.0% general partner interest in the Partnership. On March 5, 2008, the Partnership issued an additional 900,000 common units, receiving proceeds, net of underwriting discounts, of $20.6 million, in connection with the underwriters' exercise of their over-allotment option in full. The Partnership's general partner made a corresponding capital contribution of $0.4 million to maintain its 2.0% general partner interest in the Partnership. In connection with the acquisition of the Acquired Asphalt Assets, the Partnership entered into a Terminalling and Storage Agreement (the "Terminalling Agreement") with the Private Company and certain of its subsidiaries under which the Partnership provided liquid asphalt cement terminalling and storage and throughput services to the Private Company and the Private Company agreed to use the Partnership's services at certain minimum levels. The board of directors of the Partnership's general partner (the "Board") approved the acquisition of the Acquired Asphalt Assets as well as the terms of the related agreements based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Asphalt Assets was fair, from a financial point of view, to the Partnership.

On May 12, 2008, the Partnership purchased the Eagle North Pipeline System, a 130-mile, 8-inch pipeline that originates in Ardmore, Oklahoma and terminates in Drumright, Oklahoma (the "Acquired Pipeline Assets") from the Private Company for aggregate consideration of $45.1 million, including $0.1 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Pipeline Assets recorded at the historical cost of the Private Company, which was approximately $35.1 million, with the additional purchase price of $10.0 million reflected in the statement of changes in partners' capital as a distribution to the Private Company. The acquisition was funded with borrowings under the Partnership's existing revolving credit facility. The Board approved the acquisition of the Acquired Pipeline Assets based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Pipeline Assets was fair, from a financial point of view, to the Partnership.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

On May 30, 2008, the Partnership purchased eight recently constructed crude oil storage tanks located at the Cushing Interchange from the Private Company and the Private Company assigned a take-or-pay, fee-based agreement to the Partnership that commits substantially all of the 2.0 million barrels of new storage to a third-party customer through August 2010 (the "Acquired Storage Assets") for aggregate consideration of $90.3 million, including $0.3 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Storage Assets recorded at the historical cost of the Private Company, which was approximately $17.1 million, inclusive of $0.5 million of completion costs subsequent to the close of the acquisition, with the additional purchase price of $73.2 million reflected in the statement of changes in partners' capital as a distribution to the Private Company. The acquisition was funded with borrowings under the Partnership's existing revolving credit facility. The Board approved the acquisition of the Acquired Storage Assets based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Storage Assets was fair, from a financial point of view, to the Partnership.

For the nine months ended September 30, 2008 and the year ended December 31, 2008, the Partnership derived approximately 81% and approximately 73%, respectively, of its revenues, excluding fuel surcharge revenues related to fuel and power consumed to operate its liquid asphalt cement storage tanks, from services it provided to the Private Company.

On July 22, 2008, the Private Company and certain of its subsidiaries filed voluntary petitions (the "Bankruptcy Filings") for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), Case No. 08-11547-BLS. The Private Company and its subsidiaries continue to operate their businesses and own and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. None of the Partnership, its general partner, the subsidiaries of the Partnership nor the subsidiaries of the Partnership's general partner were party to the Bankruptcy Filings. See Notes 4 and 13 for a discussion of the impact of the Bankruptcy Filings and related events upon the Partnership.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared assuming that the Partnership will continue as a going concern. Prior to consummating the Settlement (as defined below), events of default existed under the Partnership's credit facility, including during the quarter ended September 30, 2008. As discussed in Notes 4 and 13 to the financial statements, the Partnership entered into the Credit Agreement Amendment (as defined below) under which, among other things, the lenders under the Partnership's credit facility consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement (as defined below) and amendments thereto. However, the Partnership continues to face uncertainty relating to its future cash flows and operations, particularly with respect to its liquid asphalt cement terminalling and storage operations. Additionally, the Partnership earned 73% of its revenues, excluding fuel surcharge revenues related to fuel and power consumed to operate its liquid asphalt cement storage tanks, for the year ended December 31, 2008 from the Private Company, which made the Bankruptcy Filings in July 2008, the effects of which are more fully disclosed in Note 13. These factors raise substantial doubt about the Partnership's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 13. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The accompanying consolidated financial statements and related notes include the accounts of the Partnership, and prior to July 20, 2007, the operations contributed to the Partnership by the Private Company in connection with the Partnership's initial public offering. The financial statements have been prepared in accordance with accounting principles and practices generally accepted in the United States of America ("GAAP").

The accompanying financial statements include the results of operations of crude oil terminalling and storage and gathering and transportation operations that were contributed to the Partnership prior to the closing of the Partnership's initial public offering on a carve-out basis and are referred to herein as the "Predecessor." Both the Partnership and the Predecessor had common ownership and, in accordance with Emerging Issues Task Force Issue No. 87-21, "Change of Accounting Basis in Master Limited Partnership Transactions," the assets and liabilities transferred were carried forward to the Partnership at their historical amounts. Additionally, due to the previous common control of the Private Company and the Partnership, the subsequent acquisitions of fixed assets from the Private Company prior to July 2008 were recorded at the historical cost of the Private Company. All significant intercompany accounts and transactions have been eliminated in the preparation of the accompanying financial statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Through the date of the initial public offering, the Private Company 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 the Private Company in cash during the period in which the cost was recorded in the financial statements. In addition, cash advances by the Private Company in excess of cash earned by the Predecessor are reflected as contributions from the Private Company in the statements of cash flows.

Historically, the Predecessor was a part of the integrated operations of the Private Company, and neither the Private Company nor the Predecessor recorded revenue associated with the terminalling and storage and gathering and transportation services provided on an intercompany basis. The Private Company and the Predecessor recognized only the costs associated with providing such services. Accordingly, revenues reflected in these financial statements for all periods prior to the contribution of the assets, liabilities and operations to the Partnership by the Private Company on July 20, 2007 relate to services provided to third parties. Prior to the close of its initial public offering in July 2007, the Partnership entered into a Throughput Agreement with the Private Company under which the Partnership provided crude oil gathering and transportation and terminalling and storage services to the Private Company. In connection with its February 2008 purchase of the Acquired Asphalt Assets, the Partnership entered into a Terminalling Agreement with the Private Company under which the Partnership provided liquid asphalt cement terminalling and storage and throughput services to the Private Company (see Note 8). In connection with the Settlement, the Private Company rejected the Throughput Agreement and the Terminalling Agreement as part of its Bankruptcy Proceedings (as defined below) (see Note 13).

The accompanying financial statements include allocated general and administrative charges from the Private Company 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 the Private Company prior to the contribution of the assets, liabilities and operations to the Partnership by the Private Company were $3.2 million for the nine months ended September 30, 2007. Management believes that the allocated general and administrative expense is representative of the costs and expenses incurred by the Private Company for the Predecessor. Prior to the close of its initial public offering in July 2007, the Partnership entered into an Omnibus Agreement with the Private Company under which the Partnership reimbursed the Private Company for the provision of various general and administrative services for the Partnership's benefit. The Omnibus Agreement was amended and restated in conjunction with the purchase of the Acquired Asphalt Assets in February 2008 (the "Amended Omnibus Agreement") (see Note 8). The events related to the Bankruptcy Filings terminated the Private Company's obligations to provide services to the Partnership under the Amended Omnibus Agreement. The Private Company continued to provide such services to the Partnership until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and the Private Company and the Partnership entered into the Shared Services Agreement (as defined below) and the Transition Services Agreement (as defined below) relating to the provision of such services (see Note 13).

The statements of operations for the three and nine months ended September 30, 2007 and 2008 and the statements of cash flows for the nine months ended September 30, 2007 and 2008 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. These consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Partnership's annual report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission (the "SEC") on March 6, 2008. 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.

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SEMGROUP ENERGY PARTNERS, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

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

	Estimated Useful Lives (Years)	December 31, 2007	September 30, 2008
Land		$ 309	$ 15,065
Land improvements	10-20	-	5,297
Pipelines and facilities	5-31	34,626	94,600
Storage and terminal facilities	10-35	71,873	166,944
Transportation equipment	3-10	25,133	24,824
Office property and equipment and other	3-31	8,505	19,983
Construction-in-progress		2,015	37,734
Property, plant and equipment, gross		142,461	364,447
Accumulated depreciation		(40,222)	(74,731)
Property, plant and equipment, net		$ 102,239	$ 289,716

Property, plant and equipment includes assets under capital leases of $2.4 million and $1.4 million, net of accumulated depreciation of $4.2 million and $5.1 million at December 31, 2007 and September 30, 2008, respectively. All capital leases relate to the transportation equipment asset category. At September 30, 2008, $37.6 million of construction-in-progress consists of the Eagle North Pipeline System, a 130-mile, 8-inch pipeline that was acquired by the Partnership from the Private Company on May 12, 2008. The Partnership has suspended capital expenditures on this pipeline due to the continuing impact of the Bankruptcy Filings (see Note 13). Management currently intends to put the asset into service by late 2009 or early 2010 and is exploring various alternatives to complete the project.

Depreciation expense for the nine months ended September 30, 2007 and September 30, 2008 was $6.5 million and $15.4 million, respectively.

4. LONG TERM DEBT

On July 20, 2007, the Partnership entered into a $250.0 million five-year credit facility with a syndicate of financial institutions. The Partnership borrowed approximately $137.5 million prior to the closing of the initial public offering. The Partnership distributed $136.5 million, net of debt issuance costs of $1.0 million, advanced under the credit agreement to SemGroup Holdings. On July 23, 2007, the Partnership repaid approximately $38.7 million under the credit facility with the proceeds it received in connection with the exercise of the underwriters' over-allotment option in the Partnership's initial public offering.

In connection with its purchase of the Acquired Asphalt Assets, the Partnership amended this credit facility to increase the total borrowing capacity to $600.0 million.

Due to events related to the Bankruptcy Filings, events of default occurred under the Partnership's credit agreement (see Note 13). Effective on September 18, 2008, the Partnership and the requisite lenders under its credit facility

entered into a Forbearance Agreement and Amendment to Credit Agreement (the "Forbearance Agreement") under which the lenders agreed, subject to specified limitations and conditions, to forbear from exercising their rights and remedies arising from the Partnership's defaults and events of default described therein for the period commencing on September 18, 2008 and ending on the earliest of (i) December 11, 2008, (ii) the occurrence of any default or event of default under the credit agreement other than certain defaults and events of default indicated in the Forbearance Agreement, or (iii) the failure of the Partnership to comply with any of the terms of the Forbearance Agreement (the "Forbearance Period"). On December 11, 2008, the lenders agreed to extend the Forbearance Period until December 18, 2008 pursuant to a First Amendment to Forbearance Agreement and Amendment to Credit Agreement (the "First Forbearance Amendment"), on December 18, 2008, the lenders agreed to extend the Forbearance Period until March 18, 2009 pursuant to a Second Amendment to Forbearance Agreement and Amendment to Credit Agreement (the "Second Forbearance Amendment"), and on March 18, 2009, the lenders agreed to further extend the Forbearance Period until April 8, 2009 pursuant to a Third Amendment to Forbearance Agreement and Amendment to Credit Agreement (the "Third Forbearance Amendment").

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SEMGROUP ENERGY PARTNERS, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Partnership, its subsidiaries that are guarantors of the obligations under the credit facility, Wachovia Bank, National Association, as Administrative Agent, and the requisite lenders under the Partnership's credit agreement entered into the Consent, Waiver and Amendment to Credit Agreement (the "Credit Agreement Amendment"), dated as of April 7, 2009, under which, among other things, the lenders consented to the Settlement (see Note 13) and waived all existing defaults and events of default described in the Forbearance Agreement and amendments thereto.

Prior to the execution of the Forbearance Agreement, the credit agreement was comprised of a $350 million revolving credit facility and a $250 million term loan facility. The Forbearance Agreement permanently reduced the Partnership's revolving credit facility under the credit agreement from $350 million to $300 million and prohibited the Partnership from borrowing additional funds under its revolving credit facility during the Forbearance Period. Under the Forbearance Agreement, the Partnership agreed to pay the lenders executing the Forbearance Agreement a fee equal to 0.25% of the aggregate commitments under the credit agreement after giving effect to the above described commitment reduction. The Second Forbearance Amendment further permanently reduced the Partnership's revolving credit facility under the credit agreement from $300 million to $220 million. In addition, under the Second Forbearance Amendment, the Partnership agreed to pay the lenders executing the Second Forbearance Amendment a fee equal to 0.375% of the aggregate commitments under the credit agreement after the above described commitment reduction. Under the Third Forbearance Amendment, the Partnership agreed to pay a fee equal to 0.25% of the aggregate commitments under the credit agreement after the above described commitment reduction. The amendments to the Forbearance Agreement prohibited the Partnership from borrowing additional funds under its revolving credit facility during the extended Forbearance Period.

The Credit Agreement Amendment subsequently further permanently reduced the Partnership's revolving credit facility under the credit agreement from $220 million to $50 million, and increased the term loan facility from $250 million to $400 million. Upon the execution of the Credit Agreement Amendment, $150 million of the Partnership's outstanding revolving loans were converted to term loans and the Partnership became able to borrow additional funds under its revolving credit facility. Pursuant to the Credit Agreement Amendment, the credit facility and all obligations thereunder will mature on June 30, 2011. Under the Credit Agreement Amendment, the Partnership agreed to pay the lenders executing the Credit Agreement Amendment a fee equal to 2.00% of the aggregate commitments under the credit agreement after the above described commitment reduction, offset by the fee paid pursuant to the Third Forbearance Amendment. As of May 22, 2009, the Partnership had $423.4 million in outstanding borrowings under its credit facility (including $23.4 million under its revolving credit facility and $400.0 million under its term loan facility) with an aggregate unused credit availability under its revolving credit facility and cash on hand of approximately $27.2 million. Pursuant to the Credit Agreement Amendment, the Partnership's revolving credit facility is limited to $50.0 million. If any of the financial institutions that support the Partnership's revolving credit facility were to fail, it may not be able to find a replacement lender, which could negatively impact its ability to borrow under its revolving credit facility. For instance, Lehman Brothers Commercial Bank is one of the lenders under the Partnership's $50.0 million revolving credit facility, and Lehman Brothers Commercial Bank has agreed to fund approximately $2.5 million (approximately 5%) of the revolving credit facility. On several occasions Lehman Brothers Commercial Bank has failed to fund revolving loan requests under the Partnership's revolving credit facility, effectively limiting the aggregate amount of the Partnership's revolving credit facility to $47.5 million.

Prior to the events of default, indebtedness under the credit agreement bore interest at the Partnership's option, at either (i) the higher of the administrative agent's prime rate or the federal funds rate plus 0.5% (the "Base rate"), plus an applicable margin that ranges from 0.50% to 1.75%, depending on the Partnership's total leverage ratio and senior secured leverage ratio, or (ii) LIBOR plus an applicable margin that ranges from 1.50% to 2.75%, depending upon the Partnership's total leverage ratio and senior secured leverage ratio. During the Forbearance Period indebtedness under the credit agreement bore interest at the Partnership's option, at either (i) the Base rate, plus an applicable margin that

ranges from 2.75% to 3.75%, depending upon the Partnership's total leverage ratio, or (ii) LIBOR plus an applicable margin that ranges from 4.25% to 5.25%, depending upon the Partnership's total leverage ratio. Pursuant to the Second Forbearance Amendment, commencing on December 12, 2008, indebtedness under the credit agreement bore interest at the Partnership's option, at either (i) the Base rate plus 5.0% per annum, with a Base rate floor of 4.0% per annum, or (ii) LIBOR plus 6.0% per annum, with a LIBOR floor of 3.0% per annum.

After giving effect to the Credit Agreement Amendment, amounts outstanding under the Partnership's credit facility bear interest at either the LIBOR rate plus 6.50% per annum, with a LIBOR floor of 3.00%, or the Base rate plus 5.50% per annum, with a Base rate floor of 4.00% per annum. The Partnership now pays a fee of 1.50% on unused commitments under its revolving credit facility. After giving effect to the Credit Agreement Amendment, interest on amounts outstanding under the Partnership's credit facility must be paid monthly. The Partnership's credit facility, as amended by the Credit Agreement Amendment, now requires the Partnership to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively.

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During the three months ended September 30, 2008, the weighted average interest rate incurred by the Partnership was 7.04% resulting in interest expense of approximately $8.2 million. During the three months ended December 31, 2008, the weighted average interest rate incurred by the Partnership was 7.72% resulting in interest expense of approximately $8.9 million.

Among other things, the Partnership's credit facility, as amended by the Credit Agreement Amendment, now requires the Partnership to make (i) minimum quarterly amortization payments on March 31, 2010 in the amount of $2.0 million, June 30, 2010 in the amount of $2.0 million, September 30, 2010 in the amount of $2.5 million, December 31, 2010 in the amount of $2.5 million and March 31, 2011 in the amount of $2.5 million, (ii) mandatory prepayments of amounts outstanding under the revolving credit facility (with no commitment reduction) whenever cash on hand exceeds $15.0 million, (iii) mandatory prepayments with 100% of asset sale proceeds, (iv) mandatory prepayment with 50% of the proceeds raised through equity sales and (v) annual prepayments with 50% of excess cash flow (as defined in the Credit Agreement Amendment). The Partnership's credit facility, as amended by the Credit Agreement Amendment, prohibits the Partnership from making draws under the revolving credit facility if it would have more than $15.0 million of cash on hand after making the draw and applying the proceeds thereof.

Under the credit agreement, the Partnership is subject to certain limitations, including limitations on its ability to grant liens, incur additional indebtedness, engage in a merger, consolidation or dissolution, enter into transactions with affiliates, sell or otherwise dispose of its assets (other than the sale or other disposition of the assets of the asphalt business, provided that such disposition is at arm's length to a non-affiliate for fair market value in exchange for cash and the proceeds of the disposition are used to pay down outstanding loans), businesses and operations, materially alter the character of its business, and make acquisitions, investments and capital expenditures. The credit agreement prohibits the Partnership from making distributions of available cash to its unitholders if any default or event of default (as defined in the credit agreement) exists. The credit agreement, as amended by the Credit Agreement Amendment, requires the Partnership to maintain a leverage ratio (the ratio of its consolidated funded indebtedness to its consolidated adjusted EBITDA, in each case as defined in the credit agreement), determined as of the last day of each month for the twelve month period ending on the date of determination, that ranges on a monthly basis from not more than 5.50 to 1.00 to not more than 9.75 to 1.00. In addition, pursuant to the Credit Agreement Amendment, the Partnership's ability to make acquisitions and investments in unrestricted subsidiaries is limited and the Partnership may only make distributions if its leverage ratio is less than 3.50 to 1.00 and certain other conditions are met. As of September 30, 2008 and December 31, 2008, the Partnership's leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. If the Partnership's leverage ratio does not improve, it may not make quarterly distributions to its unitholders in the future.

The credit agreement, as amended by the Credit Agreement Amendment, also requires the Partnership to maintain an interest coverage ratio (the ratio of its consolidated EBITDA to its consolidated interest expense, in each case as defined in the credit agreement) that ranges on a monthly basis from not less than 2.50 to 1.00 to not less than 1.00 to 1.00. As of September 30, 2008 and December 31, 2008, the Partnership's interest coverage ratio was 4.95 to 1.00 and 3.60 to 1.00, respectively.

Further, the Partnership is required to maintain a monthly consolidated adjusted EBITDA for the prior twelve months ranging from $45.4 million to $82.9 million as determined at the end of each month. In addition, capital expenditures are limited to $12.5 million in 2009, $8.0 million in 2010 and $4.0 million in the six months ending June 30, 2011.

The credit agreement specifies a number of events of default (many of which are subject to applicable cure periods), including, among others, failure to pay any principal when due or any interest or fees within three business days of the due date, failure to perform or otherwise comply with the covenants in the credit agreement, failure of any

representation or warranty to be true and correct in any material respect, failure to pay debt, a change of control of the Partnership or the Partnership's general partner, and other customary defaults. In addition, it is an event of default under the credit agreement if the Partnership does not file its delinquent quarterly and annual reports with the SEC by September 30, 2009, unless the Partnership retains new auditors, in which case such deadline is extended to December 31, 2009. If an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity of the credit agreement and exercise other rights and remedies, including taking available cash in the Partnership's bank accounts. If an event of default exists and the Partnership is unable to obtain forbearance from its lenders or a waiver of the events of default under its credit agreement, it may be forced to sell assets, make a bankruptcy filing or take other action that could have a material adverse effect on its business, the price of its common units and its results of operations. The Partnership is also prohibited from making cash distributions to its unitholders while the events of default exist.

The Partnership is exposed to market risk for changes in interest rates related to its credit facility. Interest rate swap agreements were used to manage a portion of the exposure related to changing interest rates by converting floating-rate debt to fixed-rate debt. In August 2007 the Partnership entered into interest rate swap agreements with an aggregate notional value of $80.0 million that mature on August 20, 2010. Under the terms of the interest rate swap agreements, the Partnership was to pay fixed rates of 4.9% and receive three-month LIBOR with quarterly settlement. In March 2008 the Partnership entered into interest rate swap agreements with an aggregate notional value of $100.0 million that mature on March 31, 2011. Under the terms of the interest rate swap agreements, the Partnership was to pay fixed rates of 2.6% to 2.7% and receive three-month LIBOR with quarterly settlement. The interest rate swaps do not receive hedge accounting treatment under Statement of Financial Accounting Standard ("SFAS") SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). Changes in the fair value of the interest rate swaps are recorded in interest expense in the statements of operations. In addition, the interest rate swap agreements contain cross-default provisions to events of default under the credit agreement. Due to events related to the Bankruptcy Filings, all of these interest rate swap positions were terminated in the third quarter of 2008, and the Partnership has recorded a $1.5 million liability as of September 30, 2008 with respect to these positions.

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5. FAIR VALUE MEASUREMENTS

The Partnership adopted SFAS No. 157, “Fair Value Measurements,” effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. SFAS No. 157 applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis. In February 2008, the FASB issued FSP No. 157-2, which delayed the effective date of SFAS No. 157 by one year for nonfinancial assets and liabilities except those that are recognized and recorded in the financial statements at fair value on a recurring basis. As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS No. 157 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurements be classified and disclosed in one of the following categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Partnership considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e., supported by little or no market activity). The Partnership’s Level 3 instruments are comprised of interest rate swaps. Although the Partnership utilizes third party broker quotes to assess the reasonableness of its prices and valuation, the Partnership does not have sufficient corroborating market evidence to support classifying these assets and liabilities as Level 2.

As required by SFAS No. 157, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Partnership’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The following table summarizes the valuation of the Partnership’s investments and financial instruments by SFAS No. 157 pricing levels as of September 30, 2008 (in thousands):

		Fair Value Measurements at Reporting Date Using		
Description	September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	$ -	$ -	$ -	$ -

Interest rate swap assets				
Interest rate swap liabilities	-	-	-	-
Total	$ -	$ -	$ -	$ -

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The following table sets forth a reconciliation of changes in the fair value of the Partnership's net financial liabilities classified as level 3 in the fair value hierarchy (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Beginning balance	$ 496	$ (2,233)
Total gains or losses (realized/unrealized)		
Included in earnings (1)	216	2,785
Included in other comprehensive income	-	-
Purchases, issuances, and settlements	(712)	(552)
Transfers in and/or out of Level 3	-	-
Ending balance, September 30, 2008	$ -	$ -
The amount of total losses for the period included in earnings attributable to the change in the unrealized gains or losses relating to liabilities still held at the reporting date	$ -	$ -

(1) Amounts reported as included in earnings are reported as interest expense on the statements of operations.

6. NET INCOME PER LIMITED PARTNER UNIT

Subject to applicability of Emerging Issues Task Force Issue No. 03-06 ("EITF 03-06"), "Participating Securities and the Two-Class Method under Financial Accounting Standards Board ("FASB") Statement No. 128," as discussed below, Partnership income is allocated to the limited partners, including the holders of subordinated units, and to the general partner after consideration of its incentive distribution rights. Income allocable to the limited partners is first allocated to the common unitholders up to the quarterly minimum distribution of $0.3125 per unit, with remaining income allocated to the subordinated unitholders up to the minimum distribution amount. Basic and diluted net income per common and subordinated partner unit is determined by dividing net income attributable to common and subordinated partners by the weighted average number of outstanding common and subordinated partner units during the period.

EITF 03-06 addresses the computation of earnings per share by entities that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the entity when, and if, it declares dividends on its common stock (or partnership distributions to unitholders). Under EITF 03-06, in accounting periods where the Partnership's aggregate net income exceeds aggregate dividends declared in the period, the Partnership is required to present earnings per unit as if all of the earnings for the periods were distributed. The nine months ended September 30, 2008 earnings per share calculation reflects the summation of the quarterly calculations, as earnings per share for master limited partnerships is calculated based on the distribution provisions set forth in the partnership agreement. The following sets forth the computation of basic and diluted net income per common and subordinated unit (in thousands, except per unit data):

	July 1, 2007 to July 19, 2007	July 20, 2007 to September 30, 2007	Three Months Ended September 30, 2008	January 1, 2007 to July 19, 2007	July 20, 2007 to September 30, 2007	Nine Months Ended September 30, 2008
Net income (loss)	$ (1,623)	$ 5,940	$ (11,851)	$ (26,118)	$ 5,940	$ 19,503
Less: General partner interest in net income (loss)	(1,623)	119	(237)	(26,118)	119	3,368
Net income (loss) available to limited and subordinated partners	$ -	$ 5,821	$ (11,614)	$ -	$ 5,821	$ 16,135
Basic weighted average number of units:						
Common units		14,375	21,426		14,375	20,015
Subordinated units		12,571	12,571		12,571	12,571
Restricted and phantom units		-	641		-	552
Diluted weighted average number of units:						
Common units		14,508	21,426		14,508	20,015
Subordinated units		12,571	12,571		12,571	12,571
Restricted and phantom units		-	641		-	552
Basic and diluted net income (loss) per common unit		$ 0.24	$ (0.33)		$ 0.24	$ 0.51
Basic and diluted net income (loss) per subordinated unit		$ 0.19	$ (0.33)		$ 0.19	$ 0.51

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7. PARTNERS' CAPITAL AND DISTRIBUTIONS

The Partnership has not made a distribution to its common unitholders, subordinated unitholders or general partner since May 15, 2008 due to the events of default that existed under its credit agreement and the uncertainty of its future cash flows relating to the Bankruptcy Filings. The Partnership's unitholders will be required to pay taxes on their share of the Partnership's taxable income even though they did not receive a distribution for the quarters ended June 30, 2008, September 30, 2008, December 31, 2008 or March 31, 2009. In addition, the Partnership does not currently expect to make a distribution relating to operations during the second quarter of 2009. Pursuant to the Credit Agreement Amendment, the Partnership is prohibited from making distributions to its unitholders if its leverage ratio (as defined in the credit agreement) exceeds 3.50 to 1.00. As of September 30, 2008 and December 31, 2008, the Partnership's leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. If the Partnership's leverage ratio does not improve, it may not make quarterly distributions to its unitholders in the future. The Partnership's partnership agreement provides that, during the subordination period, which the Partnership is currently in, the Partnership's common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.3125 per common unit per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units.

On April 24, 2008, the Partnership declared a cash distribution of $0.40 per unit on its outstanding units for the three month period ended March 31, 2008. The distribution was paid on May 15, 2008 to unitholders of record on May 5, 2008. The total distribution paid was approximately $14.3 million, with approximately $8.5 million, $5.0 million, and $0.6 million paid to the Partnership's common unitholders, subordinated unitholders and general partner, respectively, and $0.2 million paid to phantom and restricted unitholders pursuant to awards granted under the Partnership's long-term incentive plan.

On February 20, 2008, the Partnership purchased the Acquired Asphalt Assets from the Private Company for aggregate consideration of $379.5 million, including $0.7 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Asphalt Assets recorded at the historical cost of the Private Company, which was approximately $145.5 million, and with the additional purchase price of $234.0 million reflected in the statement of changes in partners' capital as a distribution to the Private Company. The Board approved the acquisition of the Acquired Asphalt Assets as well as the terms of the related agreements based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Asphalt Assets was fair, from a financial point of view, to the Partnership.

On May 12, 2008, the Partnership purchased the Acquired Pipeline Assets from the Private Company for aggregate consideration of $45.1 million, including $0.1 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Pipeline Assets recorded at the historical cost of the Private Company, which was approximately $35.1 million, and with the additional purchase price of $10.0 million reflected in the statement of changes in partners' capital as a distribution to the Private Company. The Board approved the acquisition of the Acquired Pipeline Assets based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Pipeline Assets was fair, from a financial point of view, to the Partnership.

On May 30, 2008, the Partnership purchased the Acquired Storage Assets from the Private Company for aggregate consideration of $90.3 million, including $0.3 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Storage Assets recorded at the historical cost of the Private Company, which was approximately $17.1 million, inclusive of $0.5 million of completion costs subsequent to the close of the acquisition, and with the additional purchase price of $73.2 million reflected in the statement of changes in partners' capital as a distribution to the Private Company. The Board approved the acquisition of the Acquired Storage Assets based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Storage Assets was fair, from a financial point of view, to the Partnership.

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As a result of the Private Company's control of the Partnership's general partner, consideration paid in excess of the historical cost of the Acquired Asphalt Assets, Acquired Pipeline Assets, and Acquired Storage Assets were treated as distributions to the Private Company. This resulted in an aggregate reduction in Partners' Capital of $317.2 million and negative Partners' Capital of $125.0 million as of September 30, 2008. As discussed in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2007, as a result of the Private Company's control of the Partnership's general partner, the Partnership was subject to the risk that the Private Company may favor its own interest in proposing the terms of any acquisition (or drop downs) the Partnership makes from the Private Company and such terms may not be as favorable as those received from an unrelated third party. The Board approved the acquisition of the Acquired Asphalt Assets, the Acquired Pipeline Assets, and Acquired Storage Assets, as well as the terms of the related agreements based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating these transactions and considered a number of factors in approving the acquisitions, including opinions from the committee's independent financial advisor that the consideration paid for the Acquired Asphalt Assets, the Acquired Pipeline Assets, and the Acquired Storage Assets was fair, from a financial point of view, to the Partnership.

8. RELATED PARTY TRANSACTIONS

Prior to the close of its initial public offering in July 2007, the Partnership entered into the Throughput Agreement with the Private Company. For the nine months ended September 30, 2008, the Partnership recognized revenue of $73.4 million under the Throughput Agreement.

In conjunction with the purchase of the Acquired Asphalt Assets in February 2008, the Partnership entered into the Terminalling Agreement with the Private Company. For the nine months ended September 30, 2008, the Partnership recognized revenue of $49.1 million under the Terminalling Agreement, including fuel surcharge revenues related to fuel and power consumed to operate its liquid asphalt cement storage tanks.

Based on the minimum requirements under the Throughput Agreement and the Terminalling Agreement, the Private Company was obligated to pay the Partnership an aggregate minimum monthly fee totaling $135 million annually for the Partnership's gathering and transportation services and the Partnership's terminalling and storage services. Pursuant to an order of the Bankruptcy Court entered on September 9, 2008, the Private Company began making payments under the Throughput Agreement at a market rate based upon the Private Company's actual usage rather than the contractual minimums. In connection with the Settlement, the Private Company rejected the Throughput Agreement and the Terminalling Agreement as part of its Bankruptcy Proceedings (see Note 13).

In connection with the Settlement, the Partnership and the Private Company entered into various agreements including the New Throughput Agreement pursuant to which the Partnership provides certain crude oil gathering, transportation, terminalling and storage services to the Private Company and the New Terminalling Agreement pursuant to which the Partnership provides certain liquid asphalt cement terminalling and storage services for the Private Company's remaining asphalt inventory. For a further discussion of these agreements, and the other agreements entered into in connection with the Settlement, please see Note 13.

As of December 31, 2007 and September 30, 2008, the Partnership had $9.7 million and $19.3 million, respectively, in receivables from the Private Company and its subsidiaries, including the pre-petition receivables that will be netted and waived due to the Settlement of $0 and $10.5 million, respectively. The $10.5 million relates to amounts that were due from the Private Company as of September 30, 2008 and are considered prepetition debt in the Bankruptcy Cases. In connection with the Settlement, these pre-petition claims by the Partnership will be netted against pre-petition claims by the Private Company and waived (see Note 13).

Prior to the Bankruptcy Filings, the Partnership paid the Private Company a fixed administrative fee for providing general and administrative services to the Partnership. This fixed administrative fee was initially fixed at $5.0 million per year through July 2010. Concurrently with the closing of the purchase of the Acquired Asphalt Assets, the Partnership amended and restated the Omnibus Agreement, increasing the fixed administrative fee the Partnership paid the Private Company for providing general and administrative services to the Partnership from $5.0 million per year to $7.0 million per year. For the nine months ended September 30, 2008, the Partnership paid the Private Company $5.0 million for the services provided under the Omnibus Agreement. The obligation for the Private Company to provide services under the Amended Omnibus Agreement and the corresponding administrative fee payable by the Partnership were terminated in connection with the events related to the change of control of the Partnership's general partner. The Private Company continued to provide such services to the Partnership until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and the Private Company and the Partnership entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services (see Note 13). In addition, in connection with the Settlement, the Private Company waived the fixed administrative fee payable by the Partnership under the Amended Omnibus Agreement for the month of March 2009 (see Note 13).

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The Partnership also reimburses the Private Company for direct operating payroll and payroll-related costs and other operating costs associated with services the Private Company's employees provide to the Partnership. For the three months and nine months ended September 30, 2008, the Partnership recorded $7.3 million and $21.6 million, respectively, in compensation costs and $0.7 and $2.3 million, respectively, in other operating costs related to services provided by the Private Company's employees which are reflected as operating expenses in the accompanying statement of operations. As of December 31, 2007 and September 30, 2008, the Partnership had $10.2 million and $15.9 million in payables to the Private Company and its subsidiaries, including the pre-petition payables that will be netted and waived due to the Settlement of $0 and $10.6 million, respectively. Pursuant to the Settlement, these pre-petition claims by the Private Company will be netted against pre-petition claims by the Partnership and waived (see Note 13). After the effective date of the Settlement, these costs will be reimbursed pursuant to the Shared Services Agreement and the Transition Services Agreement (see Note 13). In addition, in connection with the Settlement, the Private Company waived the direct operational costs attributable to the Partnership's asphalt operations and payable by the Partnership under the Amended Omnibus Agreement for the month of March 2009 (see Note 13).

The Partnership has acquired various assets, including the Acquired Asphalt Assets, the Acquired Pipeline Assets and the Acquired Storage Assets, from the Private Company. See Notes 1 and 7 for a description of these acquisitions. In addition, the Partnership acquired certain liquid asphalt cement assets and crude oil assets from the Private Company in connection with the Settlement (see Note 13).

During the three months and nine months ended September 30, 2008, the Partnership made payments of $0.8 million and $1.8 million, respectively, to a third party entity on whose board of directors a former member of the Board served in connection with leased transport trucks and trailers utilized in the Partnership's gathering and transportation services segment. At September 30, 2008 the Partnership had future commitments to this entity totaling $8.3 million.

As of September 30, 2008, the Partnership had a banking relationship with a third party banking entity on whose board of directors a former member of the Board served.

9. LONG-TERM INCENTIVE PLAN

In July 2007, the Partnership's general partner adopted the SemGroup Energy Partners G.P., L.L.C. Long-Term Incentive Plan (the "Plan"). The compensation committee of the Board administers the Plan. The Plan authorizes the grant of an aggregate of 1.25 million common units deliverable upon vesting. Although other types of awards are contemplated under the Plan, currently outstanding awards include "phantom" units, which convey the right to receive common units upon vesting, and "restricted" units, which are grants of common units restricted until the time of vesting. The phantom unit awards also include distribution equivalent rights ("DERs").

Subject to applicable earning criteria, a DER entitles the grantee to a cash payment equal to the cash distribution paid on an outstanding common unit prior to the vesting date of the underlying award. Recipients of restricted units are entitled to receive cash distributions paid on common units during the vesting period which distributions are reflected initially as a reduction of partners' capital. Distributions paid on units which ultimately do not vest are reclassified as compensation expense.

In July 2007, 475,000 phantom common units and 5,000 restricted common units were granted which vest ratably over periods of four and three years, respectively. In October 2007, 5,000 restricted common units were granted which vest ratably over three years. In June 2008, 375,000 phantom common units were granted which vest ratably over three years. In July 2008, 5,000 restricted common units were granted which vest ratably over three years. These grants are equity awards under SFAS 123(R), "Share-Based Payment" and, accordingly, the fair value of the awards as

of the grant date is expensed over the vesting period. The weighted average grant date fair-value of the awards is $23.86 per unit. The value of these award grants was approximately $10.5 million, $0.1 million, $0.1 million, $9.8 million and $0.1 million on their grant dates, respectively. Due to the change of control of the Partnership's general partner related to the Private Company's liquidity issues, all outstanding awards as of July 18, 2008 vested. The Partnership's equity-based incentive compensation expense for the three months and nine months ended September 30, 2007 and 2008 was $0.5 million, $0.5 million, $18.0 and $19.4 million, respectively. On August 14, 2008, 282,309 common units were issued in connection with the vesting of certain of the outstanding awards. In addition, in December 2008 the Plan was amended to provide for the delivery of subordinated units in addition to common units upon vesting and 3,333 restricted common units and 1,667 restricted subordinated units were awarded under the Plan (see Note 13). In April 2009, the 1,667 restricted subordinated units were cancelled and were replaced by a grant of 1,667 restricted common units (see Note 13).

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10. COMMITMENTS AND CONTINGENCIES

The Partnership is from time to time subject to various legal actions and claims incidental to its business, including those arising out of environmental-related matters. Management 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 Partnership. Once management determines that information pertaining to a legal proceeding indicates that it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated, an accrual is established equal to its estimate of the likely exposure. The Partnership did not have an accrual for legal settlements as of December 31, 2007 or September 30, 2008. The Partnership is subject to a securities class action and other lawsuits, an SEC investigation and a Grand Jury investigation due to events related to the Bankruptcy Filings (see Note 13). An unfavorable outcome in any of these matters may have a material adverse effect on the Partnership's business, financial condition, results of operations, cash flows, ability to make distributions to its unitholders and the trading price of the Partnership's common units.

The Partnership has contractual obligations to perform dismantlement and removal activities in the event that some of its liquid asphalt cement and residual fuel oil terminalling and storage assets are abandoned. These obligations include varying levels of activity including completely removing the assets and returning the land to its original state. The Partnership has determined that the settlement dates related to the retirement obligations are indeterminate. The assets with indeterminate settlement dates have been in existence for many years and with regular maintenance will continue to be in service for many years to come. Also, it is not possible to predict when demands for the Partnership's terminalling and storage services will cease, and the Partnership does not believe that such demand will cease for the foreseeable future. Accordingly, the Partnership believes the date when these assets will be abandoned is indeterminate. With no reasonably determinable abandonment date, the Partnership cannot reasonably estimate the fair value of the associated asset retirement obligations. Management believes that if the Partnership's asset retirement obligations were settled in the foreseeable future the potential cash flows that would be required to settle the obligations based on current costs are not material. The Partnership will record asset retirement obligations for these assets in the period in which sufficient information becomes available for it to reasonably determine the settlement dates.

In the Amended Omnibus Agreement and other agreements with the Private Company, the Private Company agreed to indemnify the Partnership for certain environmental and other claims relating to the crude oil and liquid asphalt cement assets that have been contributed to the Partnership. In connection with the Settlement, the Partnership waived these claims and the Amended Omnibus Agreement and other relevant agreements, including the indemnification provisions therein, were rejected as part of the Bankruptcy Proceedings. If the Partnership experiences an environmental or other loss, it would experience increased losses which may have a material adverse effect on its business, financial condition, results of operations, cash flows, ability to make distributions to its unitholders, the trading price of its common units and the ability to conduct its business.

11. OPERATING SEGMENTS

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

TERMINALLING AND STORAGE SERVICES —The Partnership provides crude oil and liquid asphalt cement terminalling and storage services at its terminalling and storage facilities located in twenty-three states.

GATHERING AND TRANSPORTATION SERVICES —The Partnership owns and operates two pipeline systems, the Mid-Continent system and the Longview system, that gather crude oil purchased by the Private Company and its other customers and transports it to refiners, to common carrier pipelines for ultimate delivery to refiners or to terminalling and storage facilities owned by the Partnership and others. The Partnership refers to its gathering and transportation system located in Oklahoma and the Texas Panhandle as the Mid-Continent system. It refers to its second gathering and transportation system, which is located in Texas, as the Longview system. In addition to its pipelines, the Partnership uses its owned and leased tanker trucks to gather crude oil for the Private Company and its other customers at remote wellhead locations generally not covered by pipeline and gathering systems and to transport the crude oil to aggregation points and storage facilities located along pipeline gathering and transportation systems. In connection with its gathering services, the Partnership also provides a number of producer field services, ranging from gathering condensates from natural gas companies to hauling produced water to disposal wells.

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The Partnership's management evaluates performance based upon segment operating margin, which includes revenues from related parties and external customers and operating expenses excluding depreciation and amortization. The non-GAAP measure of operating margin (in the aggregate and by segment) is presented in the following table. The Partnership computes the components of operating margin by using amounts that are determined in accordance with GAAP. A reconciliation of operating margin to income (loss) before income tax, which is its nearest comparable GAAP financial measure, is included in the following table. The Partnership believes that investors benefit from having access to the same financial measures being utilized by management. Operating margin is an important measure of the economic performance of the Partnership's core operations. This measure forms the basis of the Partnership's internal financial reporting and is used by its management in deciding how to allocate capital resources between segments. Income (loss) before income tax, alternatively, includes expense items, such as depreciation and amortization, general and administrative expenses and interest expense, which management does not consider when evaluating the core profitability of an operation.

The following table reflects certain financial data for each segment for the periods indicated:

	Terminalling and Storage	Gathering and Transportation	Total
		(in thousands)	
Three Months Ended September 30, 2007			
Service revenue			
Third party revenue	$ 691	$ 4,181	$ 4,872
Related party revenue	7,245	13,163	20,408
Total revenue for reportable segments	7,936	17,344	25,280(1)
Operating expenses (excluding depreciation and amortization)	293	13,265	13,558
Operating margin (excluding depreciation and amortization)	7,643	4,079	11,722(2)
Total assets (end of period)	63,134	54,182	117,316
Three Months Ended September 30, 2008			
Service revenue			
Third party revenue	$ 4,661	$ 10,910	$ 15,571
Related party revenue	27,555	10,668	38,223
Total revenue for reportable segments	32,216	21,578	53,794
Operating expenses (excluding depreciation and amortization)	7,958	14,415	22,373
Allowance for doubtful accounts	(817)	(2)	(819)
Operating margin (excluding depreciation and amortization)	25,075	7,165	32,240(2)
Total assets (end of period)	246,651	102,462	349,113
Nine Months Ended September 30, 2007			
Service revenue			
Third party revenue	$ 7,836	$ 16,011	$ 23,847
Related party revenue	7,245	13,286	20,531
Total revenue for reportable segments	15,081	29,297	44,378(1)
Operating expenses (excluding depreciation and amortization)	1,449	41,880	43,329
	13,632	(12,583)	1,049(2)

Operating margin (excluding depreciation and amortization)			
Total assets (end of period)	63,134	54,182	117,316
Nine Months Ended September 30, 2008			
Service revenue			
Third party revenue	$ 5,674	$ 20,548	$ 26,222
Related party revenue	75,434	47,628	123,062
Total revenue for reportable segments	81,108	68,176	149,284
Operating expenses (excluding depreciation and amortization)	18,928	45,444	64,372
Allowance for doubtful accounts	-	447	447
Operating margin (excluding depreciation and amortization)	62,180	22,285	84,465 (2)
Total assets (end of period)	246,651	102,462	349,113

(1) Historically, the Predecessor was a part of the integrated operations of the Private Company, and neither the Private Company nor the Predecessor recorded revenue associated with the terminalling and storage and gathering and transportation services provided on an intercompany basis. Accordingly, revenues reflected for all periods prior to the contribution of the assets, liabilities and operations to the Partnership by the Private Company on July 20, 2007 are substantially services provided to third parties.

(2) The following table reconciles segment operating margin (excluding depreciation and amortization) to income (loss) before income taxes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2008	2007	2008
	(in thousands)			
Operating margin (excluding depreciation and amortization)	$ 11,722	$ 32,240	$ 1,049	$ 84,465
Depreciation and amortization	2,394	5,814	6,781	15,586
General and administrative expenses	2,525	27,177	11,015	33,244
Interest expense	2,424	11,041	3,369	15,905
Income (loss) before income taxes	$ 4,379	$ (11,792)	$ (20,116)	$ 19,730

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12. RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2009, the Financial and Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Statement No. 107-1 and Accounting Principles Board (APB) 28-1 (collectively, FSP FAS 107-1), "Interim Disclosures about Fair Value of Financial Instruments." FSP FAS 107-1 amends FAS 107, "Disclosures about Fair Value of Financial Instruments," to require an entity to provide disclosures about fair value of financial instruments in interim financial information. The FSP FAS 107-1 also amends APB Opinion 28, "Interim Financial Reporting," to require those disclosures in summarized financial information at interim reporting periods. Under FSP FAS 107-1, the Partnership will be required to include disclosures about the fair value of its financial instruments whenever it issues financial information for interim reporting periods. In addition, the Partnership will be required to disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position. FSP FAS 107-1 is effective for periods ending after June 15, 2009. The Partnership is currently evaluating the impact FSP FAS 107-1 may have on our consolidated financial statements.

In June 2008, the Emerging Issues Task Force ("EITF") issued Issue No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities " ("EITF 03-6-1"). EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share ("EPS") under the two-class method. EITF 03-6-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented will be adjusted retrospectively to conform with the provisions of EITF 03-6-1. The Partnership is evaluating the expected impact of adoption of EITF 03-6-1.

In April 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. FAS 142-3 "Determination of the Useful Life of Intangible Assets " ("FSP No. FAS 142-3"). FSP No. FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets " ("SFAS 142"). The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007), "Business Combinations," and other GAAP. This FSP will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Partnership is evaluating the expected impact; however, it believes adoption will not impact the Partnership's financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133" ("SFAS No. 161"). This Statement requires enhanced disclosures about the Partnership's derivative and hedging activities. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Partnership will adopt SFAS No. 161 beginning January 1, 2009. With the adoption of this statement, the Partnership does not expect any significant impact on its financial position, results of operations or cash flows.

In March 2008, the Emerging Issues Task Force ("EITF") of the FASB reached a final consensus on Issue No. 07-4, "Application of the Two-Class Method under FASB Statement No. 128, Earnings per Share, to Master Limited Partnerships" ("Issue No. 07-4"). This conclusion reached by the EITF affects how a master limited partnership ("MLP") allocates income between its general partner, which typically holds incentive distribution rights ("IDRs") along with the

general partner interest, and the limited partners. It is not uncommon for MLPs to experience timing differences between the recognition of income and partnership distributions. The amount of incentive distribution is typically calculated based on the amount of distributions paid to the MLP's partners. The issue is whether current period earnings of an MLP should be allocated to the holders of IDRs as well as the holders of the general and limited partnership interests when applying the two-class method under SFAS No. 128, "Earnings Per Share."

The conclusion reached by the EITF in Issue No. 07-4 is that when current period earnings are in excess of cash distributions, the undistributed earnings should be allocated to the holders of the general partner interest, the holders of the limited partner interest and incentive distribution rights holders based upon the terms of the partnership agreement. Under this model, contractual limitations on distributions to incentive distribution rights holders would be considered when determining the amount of earnings to allocate to them. That is, undistributed earnings would not be considered available cash for purposes of allocating earnings to incentive distribution rights holders. Conversely, when cash distributions are in excess of earnings, net income (or loss) should be reduced (increased) by the distributions made to the holders of the general partner interest, the holders of the limited partner interest and incentive distribution rights holders. The resulting net loss would then be allocated to the holders of the general partner interest and the holders of the limited partner interest based on their respective sharing of the losses based upon the terms of the partnership agreement.

Issue No. 07-4 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. The accounting treatment is effective for all financial statements presented. The Partnership is currently considering the impact of the adoption of Issue 07-4 on its presentation of earnings per unit.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." This statement requires assets acquired and liabilities assumed to be measured at fair value as of the acquisition date, acquisition related costs incurred prior to the acquisition to be expensed and contractual contingencies to be recognized at fair value as of the acquisition date. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Partnership is currently assessing the impact, if any, the adoption of this statement will have on its financial position, results of operations or cash flows.

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13. EVENTS RELATED TO THE BANKRUPTCY FILINGS AND SUBSEQUENT EVENTS

Due to the events related to the Bankruptcy Filings described herein, including the uncertainty relating to future cash flows, the Partnership faces substantial doubt as to its ability to continue as a going concern. While it is not feasible to predict the ultimate outcome of the events surrounding the Bankruptcy Cases, the Partnership has been and could continue to be materially and adversely affected by such events and it may be forced to make a bankruptcy filing or take other action that could have a material adverse effect on its business, the price of its common units and its results of operations.

Bankruptcy Filings

On July 17, 2008, the Partnership issued a press release announcing that the Private Company was experiencing liquidity issues and was exploring various alternatives, including raising additional equity, debt capital or the filing of a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code to address these issues. The Partnership filed this press release in a Current Report on Form 8-K filed with the SEC on July 18, 2008.

On July 22, 2008 and thereafter, the Private Company and certain of its subsidiaries made the Bankruptcy Filings. The Private Company and its subsidiaries continue to operate their businesses and own and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code (the "Bankruptcy Cases"). None of the Partnership, its general partner, the subsidiaries of the Partnership nor the subsidiaries of the general partner are debtors in the Bankruptcy Cases. However, because of the contractual relationships with the Private Company and certain of its subsidiaries, the Bankruptcy Filings have adversely impacted the Partnership and may in the future impact the Partnership in various ways, including the items discussed below. The Partnership's financial results as of September 30, 2008 also reflect a $0.4 million allowance for doubtful accounts related to amounts due from third parties as of September 30, 2008. The allowance related to amounts due from third parties was established as a result of certain third party customers netting amounts due them from the Private Company with amounts due to the Partnership. Also, due to the change of control of the Partnership's general partner related to the Private Company's liquidity issues, all outstanding awards under the Plan vested on July 18, 2008, resulting in an incremental $18.0 million in non-cash compensation expense for the three months ended September 30, 2008 (see Note 9). In addition to the allowance for doubtful accounts and non-cash compensation expense described above, the results of operations for the three and nine months ended September 30, 2008 included in this quarterly report were affected by the Bankruptcy Filings and related events, which resulted in decreased revenues and increased general and administrative expenses as described below under "—Partnership Revenues," and "—Other Effects," respectively.

Board and Management Composition

On July 9, 2008, Edward F. Kosnik was appointed as an independent member of the Board. Mr. Kosnik is the chairman of the compensation committee and also serves on the audit committee and the conflicts committee of the Board. Under the provisions of the Plan, Mr. Kosnik was granted an award of 5,000 restricted common units on July 9, 2008. These restricted common units vested on July 18, 2008 in connection with the change of control of the Partnership's general partner described below.

On July 18, 2008, Manchester Securities Corp. ("Manchester") and Alerian Finance Partners, LP ("Alerian"), as lenders to SemGroup Holdings, the sole member of the Partnership's general partner, exercised certain rights described below under a Loan Agreement and a Pledge Agreement, each dated June 25, 2008 (the "Holdings Credit Agreements"), that were triggered by certain events of default under the Holdings Credit Agreements. On March 20, 2009, Alerian

transferred its interest in the Holdings Credit Agreements to Manchester. The Holdings Credit Agreements are secured by the subordinated units and incentive distribution rights of the Partnership and the membership interests in the Partnership's general partner owned by SemGroup Holdings. Manchester has not foreclosed on the subordinated units of the Partnership owned by SemGroup Holdings or the membership interests in the Partnership's general partner. Manchester may in the future exercise other remedies available to them under the Holdings Credit Agreement and related loan documents, including taking action to foreclose on the collateral securing the loan. Neither the Partnership nor the Partnership's general partner is a party to the Holdings Credit Agreements or the related loan documents.

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On July 18, 2008, Manchester and Alerian exercised their right under the Holdings Credit Agreements to vote the membership interests of the Partnership's general partner in order to reconstitute the Board (the "Change of Control"). Messrs. Thomas L. Kivisto, Gregory C. Wallace, Kevin L. Foxx, Michael J. Brochetti and W. Anderson Bishop were removed from the Board. Mr. Bishop had served as the chairman of the audit committee and as a member of the conflicts committee and compensation committee of the Board. Messrs. Sundar S. Srinivasan, David N. Bernfeld and Gabriel Hammond (each of whom is affiliated with Manchester or Alerian) were appointed to the Board. Mr. Srinivasan was elected as Chairman of the Board. Messrs. Brian F. Billings and Edward F. Kosnik remain as independent directors of the Board and continue to serve as members of the conflicts committee, audit committee and compensation committee of the Board. In addition, Messrs. Foxx and Alex Stallings resigned the positions each officer held with SemGroup, L.P. in July 2008. Mr. Brochetti had previously resigned from his position with SemGroup, L.P. in March 2008. Messrs. Foxx, Brochetti and Stallings remain as officers of the Partnership's general partner.

On October 1, 2008, Dave Miller (who is an affiliate of Manchester) and Duke R. Ligon were appointed members of the Board. Mr. Ligon is an independent member of the Board and is the chairman of the audit committee and also serves on the compensation committee and the conflicts committee of the Board. Under the provisions of the Plan, Mr. Ligon was granted an award of 3,333 restricted common units and 1,667 restricted subordinated units on December 23, 2008 (see Note 9). In April 2009, the 1,667 restricted subordinated units granted to Mr. Ligon were cancelled and replaced with 1,667 restricted common units (see Note 9). The restricted common units granted to Mr. Ligon vest in one-third increments over a three-year period.

On January 9, 2009, Mr. Srinivasan resigned his positions as Chairman of the Board and as a director. Mr. Ligon was subsequently elected as Chairman of the Board.

On March 18, 2009, the Board realigned the officers of the Partnership's general partner appointing Michael J. Brochetti as Executive Vice President—Corporate Development and Treasurer, Alex G. Stallings as Chief Financial Officer and Secretary, and James R. Griffin as Chief Accounting Officer. Mr. Brochetti had previously served as Chief Financial Officer, Mr. Stallings had previously served as Chief Accounting Officer and Secretary and Mr. Griffin had previously served as Controller.

Bankruptcy Court Order

On September 9, 2008, the Bankruptcy Court entered an order relating to the settlement of certain matters between the Partnership and the Private Company (the "Order") in the Bankruptcy Cases. Among other things, the Order provided that (i) the Private Company was to directly pay any utility costs attributable to the operations of the Private Company at certain shared facilities, and the Private Company was to pay the Partnership for past utility cost reimbursements that were due from the Private Company; (ii) commencing on September 15, 2008, payments under the Terminalling Agreement were netted against amounts due under the Amended Omnibus Agreement and were made on the 15th day of each month for the prior month (with a three business-day grace period); (iii) the Private Company provided the Partnership with a letter of credit in the amount of approximately $4.9 million to secure the Private Company's postpetition obligations under the Terminalling Agreement; (iv) the Private Company was to make payments under the Throughput Agreement for the month of August on September 15, 2008 (with a three business-day grace period) based upon the monthly contract minimums in the Throughput Agreement and netted against amounts due under the Amended Omnibus Agreement; (v) the Private Company was to make payments under the Throughput Agreement for the months of September and October on October 15, 2008 (with a three business-day grace period) and November 15, 2008 (with a three business-day grace period), respectively, or three business days after amounts due are determined and documentation therefore was provided and exchanged based upon actual volumes for each such month

and at a rate equal to the average rate charged by the Partnership to third-party shippers in the same geographical area, with any such amounts netted against amounts due under the Amended Omnibus Agreement; (vi) the parties were to reevaluate the Throughput Agreement and the payment terms with respect to services provided after October 2008; (vii) representatives of the Private Company and the Partnership were to meet to discuss the transition to the Partnership of certain of the Private Company's employees necessary to maintain the Partnership's business, and pending agreement between the parties, the Private Company was to continue to provide services in accordance with the Amended Omnibus Agreement through at least November 30, 2008; (viii) the Private Company was to consent to an order relating a third-party storage contract which provided that the Partnership was the rightful owner of the rights in and to a certain third-party storage agreement and the corresponding amounts due thereunder; and (ix) the Partnership was to enter into a specified lease with the Private Company to permit the Private Company to construct a pipeline.

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Settlement with the Private Company

On March 12, 2009, the Bankruptcy Court held a hearing and approved the transactions contemplated by a term sheet (the "Settlement Term Sheet") relating to the settlement of certain matters between the Private Company and the Partnership (the "Settlement"). The Bankruptcy Court entered an order approving the Settlement upon the terms contained in the Settlement Term Sheet on March 20, 2009. The Partnership and the Private Company executed definitive documentation, in the form of a master agreement (the "Master Agreement"), dated April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, and certain other transaction documents to effectuate the Settlement and that superseded the Settlement Term Sheet. The Bankruptcy Court entered an order approving the Master Agreement and the Settlement on April 7, 2009. In addition, in connection with the Settlement, the Partnership and the requisite lenders under the Partnership's secured credit facility entered into the Credit Agreement Amendment under which, among other things, the lenders consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement and amendments thereto.

The Settlement provided for the following:

- the Partnership transferred certain crude oil storage assets located in Kansas and northern Oklahoma to the Private Company;

- the Private Company transferred ownership of 355,000 barrels of crude oil tank bottoms and line fill to the Partnership;

- the Private Company rejected the Throughput Agreement;

- the Partnership and one of its subsidiaries have a $20 million unsecured claim against the Private Company and certain of its subsidiaries relating to rejection of the Throughput Agreement;

- the Partnership and the Private Company entered into the New Throughput Agreement (as defined below) pursuant to which the Partnership provides certain crude oil gathering, transportation, terminalling and storage services to the Private Company;

- the Partnership offered employment to certain crude oil employees;

- the Private Company transferred its asphalt assets that are connected to the Partnership's asphalt assets to the Partnership;

- the Private Company rejected the Terminalling Agreement;

- a subsidiary of the Partnership has a $35 million unsecured claim against the Private Company and certain of its subsidiaries relating to rejection of the Terminalling Agreement;

- the Partnership and the Private Company entered into the New Terminalling Agreement (as defined below) pursuant to which the Partnership provides liquid asphalt cement terminalling and storage services for the Private Company's remaining asphalt inventory;

- the Private Company agreed to remove all of its remaining asphalt inventory from the Partnership's asphalt storage facilities no later than October 31, 2009;

- the Private Company will be entitled to receive 20% of the proceeds of any sale by the Partnership of any of the asphalt assets transferred to the Partnership in connection with the Settlement that occurs prior to December 31, 2009;

- the Private Company rejected the Amended Omnibus Agreement;

- the Partnership and the Private Company entered into the Shared Services Agreement (as defined below) pursuant to which the Private Company provides certain operational services for the Partnership;

- other than as provided above, the Partnership and the Private Company entered into mutual releases of claims relating to the rejection of the Terminalling Agreement, the Throughput Agreement and the Amended Omnibus Agreement;

- certain pre-petition claims by the Private Company and the Partnership were netted and waived;

- the Private Company and the Partnership resolved certain remaining issues related to the contribution of crude oil assets to the Partnership in connection with the Partnership's initial public offering, the Partnership's acquisition of the Acquired Asphalt Assets, the Partnership's acquisition of the Acquired Pipeline Assets and the Partnership's acquisition of the Acquired Storage Assets, including the release of claims relating to such acquisitions; and

- the Partnership and the Private Company entered into the Trademark Agreement (as defined below) which provides the Partnership with a non-exclusive, worldwide license to use certain trade names, including the name "SemGroup", and the corresponding mark until December 31, 2009, and the Private Company waived claims for infringement relating to such trade names and mark prior to the date of such license agreement.

Management is currently evaluating the accounting for the Settlement, and is obtaining independent valuations of the assets transferred. Certain terms of transaction documents relating to the Settlement are discussed in more detail below.

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Shared Services Agreement

In connection with the Settlement, the Partnership entered into a Shared Services Agreement, dated April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "Shared Services Agreement"), with the Private Company. Pursuant to the Shared Services Agreement, the Private Company will provide certain general shared services, Cushing shared services (as described below), and SCADA services (as described below) to the Partnership.

The general shared services include crude oil movement services, Department of Transportation services, right-of-way services, environmental services, pipeline and civil structural maintenance services, safety services, pipeline truck station maintenance services, project support services and truck dispatch services. The fees for such general shared services are fixed at $125,000 for the month of April 2009 and such fixed fee may be extended by mutual agreement of the parties for one additional month. Thereafter the fees will be calculated in accordance with the formulas contained therein. The Private Company has agreed to provide the general shared services for three years (subject to earlier termination as provided therein) and the term may be extended an additional year by mutual agreement of the parties.

The Cushing shared services include operational and maintenance services related to terminals at Cushing, Oklahoma. The fees for such Cushing shared services are fixed at $20,000 for the month of April 2009 and such fixed fee may be extended by mutual agreement of the parties for one additional month. Thereafter the fees will be calculated in accordance with the formulas contained therein. The Private Company has agreed to provide the Cushing shared services for three years (subject to earlier termination as provided therein) and the term may be extended an additional year by mutual agreement of the parties.

The SCADA services include services related to the operation of the SCADA system which is used in connection with the Partnership's crude oil operations. The fees for such SCADA services are fixed at $15,000 for the month of April 2009 and such fixed fee may be extended by mutual agreement of the parties for one additional month. Thereafter the fees will be calculated in accordance with the formulas contained therein. The Private Company has agreed to provide the SCADA services for five years (subject to earlier termination as provided therein) and the Partnership may elect to extend the term for two subsequent five year periods.

Transition Services Agreement

In connection with the Settlement, the Partnership entered into a Transition Services Agreement, dated April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "Transition Services Agreement"), with the Private Company. Pursuant to the Transition Services Agreement, the Private Company will provide certain corporate, crude oil and asphalt transition services, in each case for a limited amount of time, to the Partnership.

Transfer of Crude Oil Assets

In connection with the Settlement, the Partnership transferred certain crude oil assets located in Kansas and northern Oklahoma to the Private Company. These transfers included real property and associated personal property at locations where the Private Company owned the pipeline. The Partnership retained certain access and connection rights to enable it to continue to operate its crude oil trucking business in such areas. In addition, the Partnership transferred its interests in the SCADA System, a crude oil inventory tracking system, to the Private Company.

In addition, the Private Company transferred to the Partnership (i) 355,000 barrels of crude oil line fill and tank bottoms, which are necessary for the Partnership to operate its crude oil tank storage operations and its Oklahoma and

Texas crude oil pipeline systems, (ii) certain personal property located in Oklahoma, Texas and Kansas used in connection with the Partnership's crude oil trucking business and (iii) certain real property located in Oklahoma, Kansas, Texas and New Mexico that was intended to be transferred in connection with the Partnership's initial public offering.

Transfer of Asphalt Assets

In connection with the Settlement, the Private Company transferred certain asphalt processing assets that were connected to, adjacent to, or otherwise contiguous with the Partnership's existing asphalt facilities and associated real property interests to the Partnership. The transfer of the Private Company's asphalt assets in connection with the Settlement provides the Partnership with outbound logistics for its existing asphalt assets and, therefore, allows it to provide asphalt terminalling and storage services to third parties.

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New Throughput Agreement

In connection with the Settlement, the Partnership and the Private Company entered into a Throughput Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "New Throughput Agreement"), pursuant to which the Partnership provides certain crude oil gathering, transportation, terminalling and storage services to the Private Company.

Under the New Throughput Agreement, the Partnership charges the following fees: (i) barrels gathered via gathering lines will be charged a gathering rate of $0.75 per barrel, (ii) barrels transported within Oklahoma will be charged $1.00 per barrel while barrels transported on the Masterson Mainline will be charged $0.55 per barrel, (iii) barrels transported by truck will be charged in accordance with the schedule contained therein, including a fuel surcharge, (iv) storage fees shall equal $0.50 per barrel per month for product located in storage tanks located in Cushing, Oklahoma and $0.44 per barrel per month for product not located in dedicated Cushing storage tanks, and (v) a delivery charge of $0.08 per barrel will be charged for deliveries out of the Cushing Interchange Terminal. The New Throughput Agreement has an initial term of one year with additional automatic one-month renewals unless either party terminates the agreement upon thirty-days prior notice.

New Terminalling and Storage Agreement

In connection with the Settlement, the Partnership and the Private Company entered into a Terminalling and Storage Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "New Terminalling Agreement"), pursuant to which the Partnership provides certain asphalt terminalling and storage services for the remaining asphalt inventory of the Private Company. Storage services under the New Terminalling Agreement are equal to $0.565 per barrel per month multiplied by the total shell capacity in barrels for each storage tank where the Private Company and its affiliates have product; provided that if the Private Company removes all product from a storage tank prior to the end of the month, then the storage service fees shall be pro-rated for such month based on the number of calendar days storage was actually used. Throughput fees under the New Terminalling Agreement are equal to $9.25 per ton; provided that no fees are payable for transfers of product between storage tanks located at the same or different terminals. The New Terminalling Agreement has an initial term that expires on October 31, 2009, which may be extended for one month by mutual agreement of the parties.

New Access and Use Agreement

In connection with the Settlement, the Partnership and the Private Company entered into an Access and Use Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "New Access and Use Agreement"), pursuant to which the Partnership will allow the Private Company access rights to the Partnership's asphalt facilities relating to its existing asphalt inventory. The term of the Access and Use Agreement will end separately for each terminal upon the earlier of October 31, 2009 or until all of the existing asphalt inventory of the Private Company is removed from such terminal.

Trademark Agreement

In connection with the Settlement, the Private Company and the Partnership entered into a Trademark License Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "Trademark Agreement"), pursuant to which the Private Company granted the Partnership a non-exclusive, worldwide license to use certain trade names, including the name "SemGroup", and the corresponding mark until December 31, 2009, and the Private Company waived claims for infringement relating to such trade names and mark prior to the effective date of

the Trademark Agreement.

Building and Office Leases

In connection with the Settlement, the Partnership leased office space in Oklahoma City, Oklahoma and certain facilities in Cushing, Oklahoma to the Private Company. The terms for the leases expire on March 31, 2014. The rents for such leases are as described in the exhibits thereto.

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Easements

In connection with the Settlement, the Partnership and the Private Company granted mutual easements relating to access, facility improvements, existing and future pipeline rights and corresponding rights of ingress and egress for properties owned by the parties at Cushing, Oklahoma. In addition, the Partnership granted the Private Company certain pipeline easements at Cushing, Oklahoma, together with the corresponding rights of ingress and egress.

Partnership Revenues

For the nine months ended September 30, 2008 and the year ended December 31, 2008, the Partnership derived approximately 81% and approximately 73%, respectively, of its revenues, excluding fuel surcharge revenues related to fuel and power consumed to operate its liquid asphalt cement storage tanks, from services it provided to the Private Company and its subsidiaries. Prior to the Order and the Settlement, the Private Company was obligated to pay the Partnership minimum monthly fees totaling $76.1 million annually and $58.9 million annually in respect of the minimum commitments under the Throughput Agreement and the Terminalling Agreement, respectively, regardless of whether such services were actually utilized by the Private Company. As described above, the Order required the Private Company to make certain payments under the Throughput Agreement and Terminalling Agreement during a portion of the third quarter of 2008, including the contractual minimum payments under the Terminalling Agreement. In connection with the Settlement, the Partnership waived the fees due under the Terminalling Agreement during March 2009. In addition, the Private Company rejected the Throughput Agreement and the Terminalling Agreement and the Partnership and the Private Company entered into the New Throughput Agreement and the New Terminalling Agreement. The Partnership expects revenues from services provided to the Private Company under the New Throughput Agreement and New Terminalling Agreement to be substantially less than prior revenues from services provided to the Private Company as the new agreements are based upon actual volumes gathered, transported, terminalled and stored instead of certain minimum volumes and are at reduced rates when compared to the Throughput Agreement and Terminalling Agreement.

The Partnership has been pursuing opportunities to provide crude oil terminalling and storage services and crude oil gathering and transportation services to third parties. As a result of new crude oil third-party storage contracts, the Partnership increased its third-party terminalling and storage revenue (excluding fuel surcharge revenues related to fuel and power consumed to operate its liquid asphalt cement storage tanks) from approximately $1.0 million, or approximately 4% of total terminalling and storage revenue during the second quarter of 2008, to approximately $4.6 million and $8.4 million, or approximately 17% and 34% of total terminalling and storage revenue for the third quarter of 2008 and the fourth quarter of 2008, respectively.

In addition, as a result of new third-party crude oil transportation contracts and reduced commitments of usage by the Private Company under the Throughput Agreement, the Partnership increased its third-party gathering and transportation revenue from approximately $5.0 million, or approximately 21% of total gathering and transportation revenue during the second quarter of 2008, to approximately $10.9 million and $13.6 million, or approximately 51% and 85% of total gathering and transportation revenue for the third quarter of 2008 and the fourth quarter of 2008, respectively.

The significant majority of the increase in third party revenues results from an increase in third-party crude oil services provided and a corresponding decrease in the Private Company’s crude oil services provided due to the termination of the monthly contract minimum revenues under the Throughput Agreement in September 2008. Average rates for the new third-party crude oil terminalling and storage and transportation and gathering contracts are comparable with those previously received from the Private Company. However, the volumes being

terminalled, stored, transported and gathered have decreased as compared to periods prior to the Bankruptcy Filings, which has negatively impacted total revenues. As an example, fourth quarter 2008 total revenues are approximately $8.2 million less than third quarter 2008 total revenues, in each case excluding fuel surcharge revenues related to fuel and power consumed to operate its liquid asphalt cement storage tanks.

In addition, the Partnership has recently entered into leases and storage agreements with third parties relating to 39 of its 46 asphalt facilities.

The Partnership has entered into various crude oil transportation and storage contracts with third parties and is continuing to pursue additional contracts with third parties; however, there can be no assurance that any of these additional efforts will be successful. In addition, certain third parties may be less likely to enter into business transactions with the Partnership due to the Bankruptcy Filings. The Private Company may also choose to curtail its operations or liquidate its assets as part of the Bankruptcy Cases. As a result, unless the Partnership is able to generate additional third party revenues, the Partnership will continue to experience lower volumes in its system which could have a material adverse effect on its results of operations and cash flows.

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Asphalt Operations

Historically, the Partnership provided liquid asphalt cement terminalling and storage services to the Private Company pursuant to the Terminalling Agreement. In connection with the Settlement, the Private Company rejected the Terminalling Agreement and the Partnership and the Private Company entered into the New Terminalling Agreement whereby the Partnership provides liquid asphalt cement terminalling and storage services to the Private Company in connection with its remaining asphalt inventory. The New Terminalling Agreement has an initial term that ends on October 31, 2009 and the Private Company has agreed to remove all of its existing asphalt inventory no later than such date, and the Partnership expects that the Private Company may remove it much earlier than such date. Also in connection with the Settlement, the Private Company transferred certain asphalt assets to the Partnership that were connected to the Partnership's existing asphalt assets. The transfer of the Private Company's asphalt assets in connection with the Settlement provides the Partnership with outbound logistics for its existing asphalt assets and, therefore, allows it to provide asphalt terminalling and storage services to third parties.

The asphalt industry in the United States is characterized by a high degree of seasonality. Much of this seasonality is due to the impact that weather conditions have on road construction schedules, particularly in cold weather states. Refineries produce liquid asphalt cement year round, but the peak asphalt demand season is during the warm weather months when most of the road construction activity in the United States takes place. As a result, liquid asphalt cement is typically purchased from refineries at low prices in the low demand winter months and then processed and sold at higher prices in the peak summer demand season. Any significant decrease in the amount of revenues that the Partnership receives from its liquid asphalt cement terminalling and storage operations could have a material adverse effect on the Partnership's cash flows, financial condition and results of operations.

The Partnership has recently entered into leases and storage agreements with third parties relating to 39 of its 46 asphalt facilities.

The revenues that the Partnership will receive pursuant to these leases and storage agreements will be less than the revenues received under the Terminalling Agreement with the Private Company. Without sufficient revenues from its asphalt assets, the Partnership may be unable to meet the covenants, including the minimum liquidity, minimum EBITDA and minimum receipt requirements, under its credit agreement.

Operation and General Administration of the Partnership

As is the case with many publicly traded partnerships, the Partnership has not historically directly employed any persons responsible for managing or operating the Partnership or for providing services relating to day-to-day business affairs. Pursuant to the Amended Omnibus Agreement, the Private Company operated the Partnership's assets and performed other administrative services for the Partnership such as accounting, legal, regulatory, development, finance, land and engineering. The events related to the Bankruptcy Filings terminated the Private Company's obligations to provide services to the Partnership under the Amended Omnibus Agreement. The Private Company continued to provide such services to the Partnership until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and the Private Company and the Partnership entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services. In addition, in connection with the Settlement, the Partnership made offers of employment to certain individuals associated with its crude oil operations and expects to make additional offers of employment to certain individuals associated with its asphalt operations. The costs to directly employ these individuals as well as the costs under the Shared Services Agreement and the Transition Services Agreement may be higher than those previously paid by the Partnership under the Amended Omnibus Agreement, which could have a material adverse effect on the

Partnership's business, financial condition, results of operations, cash flows, ability to make distributions to its unitholders, the trading price of its common units and its ability to conduct its business.

In addition, in connection with the Settlement, the Partnership agreed to not solicit the Private Company's employees for a year from the time of the Settlement. In connection with the Bankruptcy Cases, the Private Company may reduce a substantial number of its employees or some of the Private Company's employees may choose to terminate their employment with the Private Company, some of whom may currently be providing general and administrative and operating services to the Partnership under the Shared Services Agreement or the Transition Services Agreement. Any reductions in critical personnel who provide services to the Partnership and any increased costs to replace such personnel could have a material adverse effect on the Partnership's ability to conduct its business and its results of operations.

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Intellectual Property Rights

Pursuant to the Amended Omnibus Agreement, the Partnership licensed the use of certain trade names and marks, including the name "SemGroup." This license terminated automatically upon the Change of Control. In connection with the Settlement, the Private Company and the Partnership entered into the Trademark Agreement, pursuant to which the Private Company granted the Partnership a non-exclusive, worldwide license to use certain trade names, including the name "SemGroup" and the corresponding mark, until December 31, 2009, and the Private Company waived claims for infringement relating to such trade names and mark prior to the effective date of such Trademark Agreement (see "—Settlement with the Private Company"). As such, the Partnership will be required to change its name and trademark upon or prior to the expiration of the Trademark Agreement. The expenses associated with such a change may be significant, which could have a material adverse effect on the Partnership's business, financial condition, results of operations, cash flows, ability to make distributions to its unitholders, the trading price of its common units and its ability to conduct its business.

Credit Facility

As described in Note 4, in connection with the events related to the Bankruptcy Filings, events of default occurred under the Partnership's credit agreement. On September 18, 2008, the Partnership and the requisite lenders under its credit facility entered into the Forbearance Agreement relating to such events of default. On April 7, 2009, the Partnership and the requisite lenders entered into the Credit Agreement Amendment, under which the lenders consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement and amendments thereto. See Note 4 for more information regarding the Partnership's credit facility, the Forbearance Agreement and the Credit Agreement Amendment.

Distributions to Unitholders

The Partnership did not make a distribution to its common unitholders, subordinated unitholders or general partner attributable to the results of operations for the quarters ended June 30, 2008, September 30, 2008, December 31, 2008 or March 31, 2009 due to the events of default under its credit agreement and the uncertainty of its future cash flows relating to the Bankruptcy Filings. The Partnership's unitholders will be required to pay taxes on their share of the Partnership's taxable income even though they did not receive a cash distribution for such periods. In addition, the Partnership does not currently expect to make a distribution relating to the second quarter of 2009. The Partnership distributed approximately $14.3 million to its unitholders for the three months ended March 31, 2008. Pursuant to the Credit Agreement Amendment, the Partnership is prohibited from making distributions to its unitholders if its leverage ratio (as defined in the credit agreement) exceeds 3.50 to 1.00. As of September 30, 2008 and December 31, 2008, the Partnership's leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. If the Partnership's leverage ratio does not improve, it may not make quarterly distributions to its unitholders in the future.

The Partnership's partnership agreement provides that, during the subordination period, which the Partnership is currently in, the Partnership's common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.3125 per common unit per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units.

Nasdaq Delisting

Effective at the opening of business on February 20, 2009, the Partnership's common units were delisted from the Nasdaq Global Market ("Nasdaq") due to the Partnership's failure to timely file this Quarterly Report as well as its Quarterly Report on Form 10-Q for the quarter ended June 30, 2008. The Partnership filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 on March 23, 2009. The Partnership's common units are currently traded on the Pink Sheets, which is an over-the-counter securities market, under the symbol SGLP.PK. The fact that the Partnership's common units are not listed on a national securities exchange is likely to make trading such common units more difficult for broker-dealers, unitholders and investors, potentially leading to further declines in the price of the common units. In addition, it may limit the number of institutional and other investors that will consider investing in the Partnership's common units, which may have an adverse effect on the price of its common units. It may also make it more difficult for the Partnership to raise capital in the future.

The Partnership continues to work to become compliant with its SEC reporting obligations and intends to promptly seek the relisting of its common units on Nasdaq as soon as practicable after it has become compliant with such reporting obligations. However, there can be no assurances that the Partnership will be able to relist its common units on Nasdaq or any other national securities exchange and the Partnership may face a lengthy process to relist its common units if it is able to relist them at all.

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Claims Against and By the Private Company's Bankruptcy Estate

In connection with the Settlement, the Partnership and the Private Company entered into mutual releases regarding certain claims. In addition, the Settlement provided that the Partnership has a $35 million unsecured claim against the Private Company relating to the rejection of the Terminalling Agreement and a $20 million unsecured claim against the Private Company relating to rejection of the Throughput Agreement. On May 15, 2009, the Private Company filed a joint plan of reorganization. If such plan is confirmed without material amendment, the Partnership's claims will be impaired. The Partnership may also have additional claims against the Private Company that were not released in connection with the Settlement, and the Private Company may also have additional claims against the Partnership that were not released in connection with the Settlement. Any claims asserted by the Partnership against the Private Company in the Bankruptcy Cases will be subject to the claim allowance procedure provided in the Bankruptcy Code and Bankruptcy Rules. If an objection is filed, the Bankruptcy Court will determine the extent to which any such claim that has been objected to is allowed and the priority of such claims.

Governmental Investigations

On July 21, 2008, the Partnership received a letter from the staff of the SEC giving notice that the SEC is conducting an inquiry relating to the Partnership and requesting, among other things, that the Partnership voluntarily preserve, retain and produce to the SEC certain documents and information relating primarily to the Partnership's disclosures respecting the Private Company's liquidity issues, which were the subject of the Partnership's July 17, 2008 press release. On October 22, 2008, the Partnership received a subpoena from the SEC pursuant to a formal order of investigation requesting certain documents relating to, among other things, the Private Company's liquidity issues. The Partnership has been cooperating, and intends to continue cooperating, with the SEC in its investigation.

On July 23, 2008, the Partnership and its general partner each received a Grand Jury subpoena from the United States Attorney's Office in Oklahoma City, Oklahoma, requiring, among other things, that the Partnership and its general partner produce financial and other records related to the Partnership's July 17, 2008 press release. The Partnership has been informed that the U.S. Attorneys' Offices for the Western District of Oklahoma and the Northern District of Oklahoma are in discussions regarding the subpoenas, and no date has been set for a response to the subpoenas. The Partnership and its general partner intend to cooperate fully with this investigation if and when it proceeds.

Securities and Other Litigation

Between July 21, 2008 and September 4, 2008, the following class action complaints were filed:

1. Poelman v. SemGroup Energy Partners, L.P., et al., Civil Action No. 08-CV-6477, in the United States District Court for the Southern District of New York (filed July 21, 2008). The plaintiff voluntarily dismissed this case on August 26, 2008;

2. Carson v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-425, in the Northern District of Oklahoma (filed July 22, 2008);

3. Charles D. Maurer SIMP Profit Sharing Plan f/b/o Charles D. Maurer v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-6598, in the United States District Court for the Southern District of New York (filed July 25, 2008);

4. Michael Rubin v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7063, in the United States District Court for the Southern District of New York (filed August 8, 2008);

5. Dharam V. Jain v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7510, in the United States District Court for the Southern District of New York (filed August 25, 2008); and

6. William L. Hickman v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7749, in the United States District Court for the Southern District of New York (filed September 4, 2008).

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Pursuant to a motion filed with the United States Judicial Panel on Multidistrict Litigation ("MDL Panel"), the Maurer case has been transferred to the Northern District of Oklahoma and consolidated with the Carson case. The Rubin, Jain, and Hickman cases have also been transferred to the Northern District of Oklahoma.

A hearing on motions for appointment as lead plaintiff was held in the Carson case on October 17, 2008. At that hearing, the court granted a motion to consolidate the Carson and Maurer cases for pretrial proceedings, and the consolidated litigation is now pending as In Re: SemGroup Energy Partners, L.P. Securities Litigation, Case No. 08-CV-425-GKF-PJC. The court entered an order on October 27, 2008, granting the motion of Harvest Fund Advisors LLC to be appointed lead plaintiff in the consolidated litigation. On January 23, 2009, the court entered a Scheduling Order providing, among other things, that the lead plaintiff may file a consolidated amended complaint within 70 days of the date of the order, and that defendants may answer or otherwise respond within 60 days of the date of the filing of a consolidated amended complaint. On January 30, 2009 the lead plaintiff filed a motion to modify the stay of discovery provided for under the Private Securities Litigation Reform Act. The court granted Plaintiff's motion, and the Partnership and certain other defendants filed a Petition for Writ of Mandamus in the Tenth Circuit Court of Appeals that was denied after oral argument on April 24, 2009.

The lead plaintiff obtained an extension to file its consolidated amended complaint until May 4, 2009; defendants have 60 days from that date to answer or otherwise respond to the complaint.

The lead plaintiff filed a consolidated amended complaint on May 4, 2009. In that complaint, filed as a putative class action on behalf of all purchasers of the Partnership's units from July 17, 2007 to July 17, 2008 (the "class period"), lead plaintiff asserts claims under the federal securities laws against the Partnership, its general partner, certain of the Partnership's current and former officers and directors, certain underwriters in the Partnership's initial and secondary public offerings, and certain entities who were investors in the Private Company and their individual representatives who served on the Private Company's management committee. Among other allegations, the amended complaint alleges that the Partnership's financial condition throughout the class period was dependent upon speculative commodities trading by the Private Company and its Chief Executive Officer, Thomas L. Kivisto, and that Defendants negligently and intentionally failed to disclose this speculative trading in the Partnership's public filings during the class period. Specifically, the amended complaint alleges claims for violations of sections 11, 12(a)(2), and 15 of the Securities Act of 1933 for damages and rescission with respect to all persons who purchased the Partnership's units in the initial and secondary offerings, and also asserts claims under section 10b, Rule 10b-5, and section 20(a) of the Securities and Exchange Act of 1934. The amended complaint seeks certification as a class action under the Federal Rules of Civil Procedure, compensatory and rescissory damages for class members, pre-judgment interest, costs of court, and attorneys' fees.

The Partnership intends to vigorously defend these actions. There can be no assurance regarding the outcome of the litigation. An estimate of possible loss, if any, or the range of loss cannot be made and therefore the Partnership has not accrued a loss contingency related to these actions. However, the ultimate resolution of these actions could have a material adverse effect on the Partnership's business, financial condition, results of operations, cash flows, ability to make distributions to its unitholders, the trading price of the Partnership's common units and its ability to conduct its business.

In March and April 2009, nine current or former executives of the Private Company and certain of its affiliates filed wage claims with the Oklahoma Department of Labor against the Partnership's general partner. Their claims arise from the Partnership's general partner's Long-Term Incentive Plan, Employee Phantom Unit Agreement ("Phantom Unit

Agreement"). Most claimants allege that phantom units previously awarded to them vested upon the Change of Control that occurred in July 2008. One claimant alleges that his phantom units vested upon his termination. The claimants contend the Partnership's general partner's failure to deliver certificates for the phantom units within 60 days after vesting has caused them to be damaged, and they seek recovery of approximately $2 million in damages and penalties. On April 30, 2009, all of the wage claims were dismissed on jurisdictional grounds by the Department of Labor. The Partnership's general partner intends to vigorously defend these claims.

The Partnership may become the subject of additional private or government actions regarding these matters in the future. Litigation may be time-consuming, expensive and disruptive to normal business operations, and the outcome of litigation is difficult to predict. The defense of these lawsuits may result in the incurrence of significant legal expense, both directly and as the result of the Partnership's indemnification obligations. The litigation may also divert management's attention from the Partnership's operations which may cause its business to suffer. An unfavorable outcome in any of these matters may have a material adverse effect on the Partnership's business, financial condition, results of operations, cash flows, ability to make distributions to its unitholders, the trading price of the Partnership's common units and its ability to conduct its business. All or a portion of the defense costs and any amount the Partnership may be required to pay to satisfy a judgment or settlement of these claims may not be covered by insurance.

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Examiner

On August 12, 2008, a motion was filed by the United States Trustee asking the Bankruptcy Court to appoint an examiner to investigate the Private Company's trading strategies as well as certain "insider transactions," including the contribution of the crude oil assets to the Partnership in connection with its initial public offering, the sale of the Acquired Asphalt Assets to the Partnership, the sale of the Acquired Pipeline Assets to the Partnership, the sale of the Acquired Storage Assets to the Partnership, and the entering into the Holdings Credit Agreements by SemGroup Holdings. On September 10, 2008, the Bankruptcy Court approved the appointment of an examiner, and on October 14, 2008, the United States Trustee appointed Louis J. Freeh, former director of the Federal Bureau of Investigation, as the examiner. On April 15, 2009, the examiner filed a report summarizing the findings of his investigation with the Bankruptcy Court (the "Examiner's Report").

The examiner was directed by the Bankruptcy Court to (i) investigate the circumstances surrounding the Private Company's trading strategy, the transfer of the New York Mercantile Exchange account, certain insider transactions, the formation of the Partnership, the potential improper use of borrowed funds and funds generated from the Private Company's operations and the liquidation of their assets to satisfy margin calls related to the trading strategy for the Private Company and certain entities owned or controlled by the Private Company's officers and directors and (ii) determine whether any directors, officers or employees of the Private Company participated in fraud, dishonesty, incompetence, misconduct, mismanagement, or irregularity in the management of the affairs of the Private Company and whether the Private Company's estates have causes of action against such persons arising from any such participation.

The Examiner's Report identified potential claims or causes of action against current officers of the Partnership's general partner who were former officers of the Private Company, including, without limitation, (i) against Kevin L. Foxx for his failure to develop a suitable risk management policy or integrate a suitable risk management policy into the Private Company's business controls, and for his failure to comply with the risk management policy that did exist, thereby subjecting the Private Company to increased risk and (ii) against Alex Stallings for his failure to stop Thomas L. Kivisto from engaging in trading activity on his own behalf through Westback Purchasing Company, L.L.C., a limited liability trading partnership which Mr. Kivisto owned and controlled, thereby subjecting the Private Company to increased risk and losses. In addition, the Examiner's Report criticized Mr. Foxx for certain conflicts of interest with entities that he or his family invested in and which had a business relationship with the Private Company. Additionally, the Examiner's Report identified a number of potential claims or causes of action against Mr. Kivisto and Gregory C. Wallace, who are former directors of the Partnership's general partner and former officers of the Private Company, including, without limitation, for negligence and mismanagement, fraud and false statements, conversion and corporate waste, unjust enrichment, breach of fiduciary duties and breach of contract.

The Examiner's Report and related exhibits are publicly available at www.kccllc.net/SemGroup.

Internal Review

As previously announced, in July 2008 the Board created an internal review subcommittee of the Board comprised of directors who are independent of management and the Private Company to determine whether the Partnership participates in businesses other than as described in its filings with the SEC and to conduct investigations into other such specific items as are deemed to be appropriate by the subcommittee. The subcommittee retained independent legal counsel to assist it in its investigations.

The subcommittee has investigated a short-term financing transaction involving two subsidiaries of the Private Company. This transaction was identified as a potential source of concern in a whistleblower report made after the

Private Company filed for bankruptcy. Although the transaction did not involve the Partnership or its subsidiaries, it was investigated because it did involve certain senior executive officers of the Partnership's general partner who were also senior executive officers of the Private Company at the time of the transaction. Based upon its investigation, counsel for the subcommittee found that, subject to the subcommittee's lack of access to Private Company documents and electronic records and witnesses, although certain irregularities occurred in the transactions, the transaction did not appear to cause the relevant officers to understand or believe that the Private Company had a lack of liquidity that imperiled the Private Company's ability to meet its obligations to the Partnership and that certain aspects of the documentation of the transaction that were out of the ordinary did not call into question the integrity of any of the relevant officers.

The subcommittee also investigated whether certain senior executive officers of the Partnership's general partner who were also senior executive officers of the Private Company knew and understood, beginning as early as July 2007 and at various times thereafter, about a lack of liquidity at the Private Company that imperiled the Private Company's ability to meet its obligations to the Partnership. Based upon this investigation, and subject to the subcommittee's lack of access to Private Company documents and electronic records and witnesses, counsel for the subcommittee found that each of the officers had access to and reviewed Private Company financial information, including information regarding the Private Company's commodity trading activities, from which they could have developed an understanding of the nature and significance of the trading activities that led to liquidity problems at the Private Company well before they say they did. While the officers each stated sincerely that they did not understand the nature or extent of the Private Company's trading-related problems until the first week of July 2008 or later, objective evidence suggests that they showed at least some indifference to known or easily discoverable facts and that they failed to adhere to procedures under the Private Company's Risk Management Policy created expressly to ensure that the Private Company's trading activities were properly monitored. Nonetheless, counsel for the subcommittee was not persuaded by the documents and other evidence it was able to access that the officers in fact knew and understood that the Private Company's liquidity or capital needs were a significant cause for alarm until, at the earliest, the second quarter of 2008. Moreover, while it appeared to counsel that the officers developed a growing awareness of the nature and severity of the Private Company's liquidity issues over the second quarter of 2008, counsel was unable to identify with any more precision the specific level of concern or understanding these individuals had prior to July 2008. While not within the scope of such counsel's investigation, counsel was requested by the subcommittee to note any information that came to counsel's attention during its investigation that suggested that the officers intended to deceive or mislead any third party. Subject to limitations described in its report, no information came to counsel's attention during its investigation that suggested to counsel that the officers intended to deceive or to mislead any third parties. In addition, in connection with the investigation, counsel for the subcommittee did not express any findings of intentional misconduct or fraud on the part of any officer or employee of the Partnership.

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After completion of the internal review, a plan was developed with the advice of the Audit Committee of the Board to further strengthen the processes and procedures at the Partnership. This plan includes, among other things, reevaluating executive officers and accounting and finance personnel (including a realignment of officers as described elsewhere in this report) and hiring, as deemed necessary, additional accounting and finance personnel or consultants; reevaluating the Partnership's internal audit function and determining whether to expand the duties and responsibilities of such group; evaluating the comprehensive training programs for all management personnel covering, among other things, compliance with controls and procedures, revising the reporting structure so that the Chief Financial Officer reports directly to the Audit Committee, and increasing the business and operational oversight role of the Audit Committee.

Equity Awards and Employment Agreements

The Change of Control constituted a change of control under the Plan, which resulted in the early vesting of all awards under the Plan. As such, the phantom units awarded to Messrs. Kevin L. Foxx, Michael J. Brochetti, Alex G. Stallings, Peter L. Schwiering and Jerry A. Parsons in the amounts of 150,000 units, 90,000 units, 75,000 units, 45,000 units and 20,000 units, respectively, are fully vested. The common units underlying such awards were issued to such individuals in August 2008. In addition, the 5,000 restricted units awarded to each of Messrs. Billings, Kosnik and Bishop for their service as independent members of the Board fully vested.

The Change of Control also resulted in a change of control under the employment agreements of Messrs. Foxx, Brochetti, Stallings, Schwiering and Parsons. If within one year after the Change of Control any such officer is terminated by the Partnership's general partner without Cause (as defined below) or such officer terminates the agreement for Good Reason (as defined below), he will be entitled to payment of any unpaid base salary and vested benefits under any incentive plans, a lump sum payment equal to 24 months of base salary and continued participation in the Partnership's general partner's welfare benefit programs for one year after termination. Upon such an event, Messrs Foxx, Brochetti, Stallings, Schwiering and Parsons would be entitled to lump sum payments of $900,000, $600,000, $550,000, $500,000 and $500,000, respectively, in addition to continued participation in the Partnership's general partner's welfare benefit programs. As of the date of the filing of this report, none of these officers is entitled to these benefits as none of them has been terminated by the Partnership's general partner without Cause or has terminated his agreement for Good Reason.

For purposes of the employment agreements:

"Cause" means (i) conviction of the executive officer by a court of competent jurisdiction of any felony or a crime involving moral turpitude; (ii) the executive officer's willful and intentional failure or willful intentional refusal to follow reasonable and lawful instructions of the Board; (iii) the executive officer's material breach or default in the performance of his obligations under the employment agreement; or (iv) the executive officer's act of misappropriation, embezzlement, intentional fraud or similar conduct involving the Partnership's general partner.

"Good Reason" means (i) a material reduction in the executive officer's base salary; (ii) a material diminution of the executive officer's duties, authority or responsibilities as in effect immediately prior to such diminution; or (iii) the relocation of the named executive officer's principal work location to a location more than 50 miles from its current location.

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SEMGROUP ENERGY PARTNERS, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Taxation as a Corporation

The anticipated after-tax economic benefit of an investment in the Partnership's common units depends largely on the Partnership being treated as a partnership for federal income tax purposes. If less than 90% of the gross income of a publicly traded partnership, such as the Partnership, for any taxable year is "qualifying income" from sources such as the transportation, marketing (other than to end users), or processing of crude oil, natural gas or products thereof, interest, dividends or similar sources, that partnership will be taxable as a corporation under Section 7704 of the Internal Revenue Code for federal income tax purposes for that taxable year and all subsequent years. In this regard, because the income the Partnership earns from the Throughput Agreement and the Terminalling Agreement with the Private Company is "qualifying income" any material reduction or elimination of that income or any amendment to the Throughput Agreement or the Terminalling Agreement which changes the nature of the services provided or the income generated thereunder, may cause the Partnership's remaining "qualifying income" to constitute less than 90% of its gross income. As a result, the Partnership could become taxable as a corporation for federal income tax purposes, unless it were to transfer the businesses that generate non-qualifying income to one or more subsidiaries taxed as corporations and pay entity level income taxes on such non-qualifying income. The IRS has not provided any ruling to the Partnership on this matter.

If the Partnership were treated as a corporation for federal income tax purposes, then it would pay federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions would generally be taxed again to unitholders as corporate distributions and none of the Partnership's income, gains, losses, deductions or credits would flow through to its unitholders. Because a tax would be imposed upon the Partnership as an entity, cash available for distribution to its unitholders would be substantially reduced. Treatment of the Partnership as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to unitholders and thus would likely result in a substantial reduction in the value of the Partnership's common units.

Other Effects

The Bankruptcy Filings have had and may in the future continue to have a number of other impacts on the Partnership's business and management. In the Amended Omnibus Agreement and other agreements with the Private Company, the Private Company agreed to indemnify the Partnership for certain environmental and other claims relating to the crude oil and liquid asphalt cement assets that have been contributed to the Partnership. In connection with the Settlement, the Partnership waived these claims and the Amended Omnibus Agreement and other relevant agreements, including the indemnification provisions therein, were rejected as part of the Bankruptcy Proceedings. If the Partnership experiences an environmental or other loss, it would experience increased losses which may have a material adverse effect on its business, financial condition, results of operations, cash flows, ability to make distributions to its unitholders, the trading price of its common units and the ability to conduct its business.

The Partnership is currently pursuing various strategic alternatives for its business and assets including the possibility of entering into storage contracts with third party customers and the sale of all or a portion of its assets. The uncertainty relating to the Bankruptcy Filings and the recent global market and economic conditions may make it more difficult to pursue merger opportunities or enter into storage contracts with third party customers.

In addition, general and administrative expenses (exclusive of non-cash compensation expense related to the vesting of the units under the Plan - see Note 9) increased by approximately $6.9 million and $7.5 million, or approximately 300% and 326%, to approximately $9.2 million for the third quarter of 2008 and $9.8 million for the fourth quarter of 2008, respectively, compared to $2.3 million in the second quarter of 2008. This increase is due to increased costs

related to legal and financial advisors as well as other related costs in connection with events related to the Bankruptcy Filings, the securities litigation and governmental investigations, and the Partnership's efforts to enter into storage contracts with third party customers and pursue merger opportunities. The Partnership expects this increased level of general and administrative expenses to continue into 2009.

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

As used in this quarterly report, unless we indicate otherwise: (1) "SemGroup Energy Partners," "our," "we," "us" and similar terms refer to SemGroup Energy Partners, L.P., together with our subsidiaries, (2) the "Private Company" refers to SemGroup, L.P. and its subsidiaries and affiliates (other than our general partner and us), and (3) "Crude Oil Business" refers to the crude oil gathering, transportation, terminalling and storage assets that were contributed to us by the Private Company. The historical financial statements for periods prior to the contribution of the operations to us by the Private Company on July 20, 2007 reflect the operations of our predecessor. The following discussion analyzes the historical financial condition and results of operations of the Partnership and should be read in conjunction with our predecessor's financial statements and notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations presented in our Annual Report on Form 10-K for the year ended December 31, 2007. The Partnership as used herein refers to the financial results and operations of our predecessor until its contribution to us, and to our financial results and operations thereafter.

Forward-Looking Statements

This report contains "forward-looking statements" intended to qualify for the safe harbors from liability established by the federal securities laws. Statements included in this quarterly report that are not historical facts (including any statements concerning the benefits of the Settlement (as defined below) or the Credit Agreement Amendment (as defined below), the impact of the Bankruptcy Filings (as defined below) and any statements regarding plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto), including, without limitation, the information set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations, are forward-looking statements. These statements can be identified by the use of forward-looking terminology including "may," "will," "should," "believe," "expect," "intend," "anticipate," "estimate," "contin other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition, or state other "forward-looking" information. We and our representatives may from time to time make other oral or written statements that are also forward-looking statements.

Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of the filing of this report. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, no assurance can be given that these expectations will prove to be correct. Important factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include, among other things, those set forth in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007, which was filed with the Securities and Exchange Commission (the "SEC") on March 6, 2008 (the "2007 Form 10-K"), and those set forth in "Item 1A. Risk Factors" of this report.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this report.

Overview

We are a publicly traded master limited partnership with operations in twenty-three states. We provide integrated terminalling, storage, gathering and transportation services for companies engaged in the production, distribution and marketing of crude oil and liquid asphalt cement. We manage our operations through two operating segments:

(i) terminalling and storage services and (ii) gathering and transportation services. We were formed in February 2007 as a Delaware master limited partnership initially to own, operate and develop a diversified portfolio of complementary midstream energy assets.

In July 2007, we issued 12,500,000 common units, representing limited partner interests, and 12,570,504 subordinated units, representing additional limited partner interests, to SemGroup Holdings, L.P., or SemGroup Holdings, and 549,908 general partner units representing a 2% general partner interest to SemGroup Energy Partners G.P., L.L.C., our general partner. SemGroup Holdings then completed a public offering of 12,500,000 common units at a price of $22 per unit. In addition, we issued an additional 1,875,000 common units to the public pursuant to the underwriters' exercise of their over-allotment option. We did not receive any proceeds from the common units sold by SemGroup Holdings. We received net proceeds of approximately $38.7 million after deducting underwriting discounts from the sale of common units in connection with the exercise of the underwriters' over-allotment option. We used these net proceeds to reduce outstanding borrowings under our credit facility. In connection with our initial public offering, we entered into a Throughput Agreement (the "Throughput Agreement") with the Private Company under which we provided crude oil gathering and transportation and terminalling and storage services to the Private Company.

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On February 20, 2008, we purchased land, receiving infrastructure, machinery, pumps and piping and 46 liquid asphalt cement and residual fuel oil terminalling and storage facilities (the "Acquired Asphalt Assets") from the Private Company for aggregate consideration of $379.5 million, including $0.7 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Asphalt Assets recorded at the historical cost of the Private Company, which was approximately $145.5 million, with the additional purchase price of $234.0 million reflected in the statement of changes in partners' capital as a distribution to the Private Company. In conjunction with the purchase of the Acquired Asphalt Assets, we amended our existing credit facility, increasing our borrowing capacity to $600 million. Concurrently, we issued 6,000,000 common units, receiving proceeds, net of underwriting discounts and offering-related costs, of $137.2 million. Our general partner also made a capital contribution of $2.9 million to maintain its 2.0% general partner interest in us. On March 5, 2008, we issued an additional 900,000 common units, receiving proceeds, net of underwriting discounts, of $20.6 million, in connection with the underwriters' exercise of their over-allotment option in full. Our general partner made a corresponding capital contribution of $0.4 million to maintain its 2.0% general partner interest in us. In connection with the acquisition of the Acquired Asphalt Assets, we entered into a Terminalling and Storage Agreement (the "Terminalling Agreement") with the Private Company and certain of its subsidiaries under which we provided liquid asphalt cement terminalling and storage and throughput services to the Private Company and the Private Company has agreed to use the our services at certain minimum levels. Our general partner's Board of Directors (the "Board") approved the acquisition of the Acquired Asphalt Assets as well as the terms of the related agreements based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Asphalt Assets was fair, from a financial point of view, to us.

On May 12, 2008, we purchased the Eagle North Pipeline System, a 130-mile, 8-inch pipeline that originates in Ardmore, Oklahoma and terminates in Drumright, Oklahoma as well as other real and personal property related to the pipeline (the "Acquired Pipeline Assets") from the Private Company for aggregate consideration of $45.1 million, including $0.1 million of acquisition-related costs. The acquisition was funded with borrowings under our revolving credit facility. We have suspended capital expenditures on this pipeline due to the continuing impact of the Bankruptcy Filings. Management currently intends to put the asset into service by late 2009 or early 2010 and is exploring various alternatives to complete the project. The Board approved the acquisition of the Acquired Pipeline Assets based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Pipeline Assets was fair, from a financial point of view, to us.

On May 30, 2008, we purchased certain land, crude oil storage and terminalling facilities with an aggregate of approximately 2.0 million barrels of storage capacity and related assets located at the Cushing Interchange from the Private Company and we assumed a take-or-pay, fee-based, third party contract through August 2010 relating to the additional 2.0 million barrels of storage capacity (the "Acquired Storage Assets") for aggregate consideration of $90.3 million, including $0.3 million of acquisition-related costs. The acquisition was funded with borrowings under our revolving credit facility. The Board approved the acquisition of the Acquired Storage Assets based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Storage Assets was fair, from a financial point of view, to us.

Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events

Due to the events related to the Bankruptcy Filings (as defined below) described herein, including the uncertainty relating to future cash flows, we face substantial doubt as to our ability to continue as a going concern. While it is not feasible to predict the ultimate outcome of the events surrounding the Bankruptcy Cases (as defined below), we have been and could continue to be materially and adversely affected by such events and we may be forced to make a bankruptcy filing or take other action that could have a material adverse effect on our business, the price of our common units and our results of operations.

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Bankruptcy Filings

On July 17, 2008, we issued a press release announcing that the Private Company was experiencing liquidity issues and was exploring various alternatives, including raising additional equity, debt capital or the filing of a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code to address these issues. We filed this press release in a Current Report on Form 8-K filed with the SEC on July 18, 2008.

On July 22, 2008, the Private Company and certain of its subsidiaries filed voluntary petitions (the "Bankruptcy Filings") for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), Case No. 08-11547-BLS. The Private Company and its subsidiaries continue to operate their businesses and own and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code (the "Bankruptcy Cases"). None of us, our general partner, our subsidiaries nor the subsidiaries of our general partner are debtors in the Bankruptcy Cases. However, because of the contractual relationships with the Private Company and certain of its subsidiaries, the Bankruptcy Filings have adversely impacted us and may in the future impact us in various ways, including the items discussed below. Our financial results as of September 30, 2008 reflect a $0.4 million allowance for doubtful accounts related to amounts due from third parties as of September 30, 2008. The allowance related to amounts due from third parties was established as a result of certain third party customers netting amounts due them from the Private Company with amounts due to us. Also, due to the change of control of our general partner related to the Private Company's liquidity issues, all outstanding awards under our general partner's long-term incentive plan (the "Plan") vested on July 18, 2008, resulting in an incremental $18.0 million in non-cash compensation expense for the three months ended September 30, 2008. In addition to the allowance for doubtful accounts and non-cash compensation expense described above, the results of operations for the three and nine months ended September 30, 2008 included in this quarterly report were affected by the Bankruptcy Filings and related events, which resulted in decreased revenues and increased general and administrative expenses as described below under "—Our Revenues," and "—Other Effects," respectively.

Board and Management Composition

On July 9, 2008, Edward F. Kosnik was appointed as an independent member of the Board. Mr. Kosnik is the chairman of the compensation committee and also serves on the audit committee and the conflicts committee of the Board. Under the provisions of the Plan, Mr. Kosnik was granted an award of 5,000 restricted common units on July 9, 2008. These restricted common units vested on July 18, 2008 in connection with the change of control of our general partner described below.

On July 18, 2008, Manchester Securities Corp. ("Manchester") and Alerian Finance Partners, LP ("Alerian"), as lenders to SemGroup Holdings, the sole member of our general partner, exercised certain rights described below under a Loan Agreement and a Pledge Agreement, each dated June 25, 2008 (the "Holdings Credit Agreements"), that were triggered by certain events of default under the Holdings Credit Agreements. On March 20, 2009, Alerian transferred its interest in the Holdings Credit Agreements to Manchester. The Holdings Credit Agreements are secured by our subordinated units and incentive distribution rights and the membership interests in our general partner owned by SemGroup Holdings. Manchester has not foreclosed on our subordinated units owned by SemGroup Holdings or the membership interests in our general partner. Manchester may in the future exercise other remedies available to them under the Holdings Credit Agreement and related loan documents, including taking action to foreclose on the collateral securing the loan. Neither us nor our general partner is a party to the Holdings Credit Agreements or the related loan documents.

On July 18, 2008, Manchester and Alerian exercised their right under the Holdings Credit Agreements to vote the membership interests of our general partner in order to reconstitute the Board (the "Change of Control"). Messrs.

Thomas L. Kivisto, Gregory C. Wallace, Kevin L. Foxx, Michael J. Brochetti and W. Anderson Bishop were removed from the Board. Mr. Bishop had served as the chairman of the audit committee and as a member of the conflicts committee and compensation committee of the Board. Messrs. Sundar S. Srinivasan, David N. Bernfeld and Gabriel Hammond (each of whom is affiliated with Manchester or Alerian) were appointed to the Board. Mr. Srinivasan was elected as Chairman of the Board. Messrs. Brian F. Billings and Edward F. Kosnik remain as independent directors of the Board and continue to serve as members of the conflicts committee, audit committee and compensation committee of the Board. In addition, Messrs. Foxx and Alex Stallings resigned the positions each officer held with SemGroup, L.P. in July 2008. Mr. Brochetti had previously resigned from his position with SemGroup, L.P. in March 2008. Messrs. Foxx, Brochetti and Stallings remain as officers of our general partner.

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On October 1, 2008, Dave Miller (who is an affiliate of Manchester) and Duke R. Ligon were appointed members of the Board. Mr. Ligon is an independent member of the Board and is the chairman of the audit committee and also serves on the compensation committee and the conflicts committee of the Board. In connection with his appointment to the Board, Mr. Ligon was granted an award of 5,000 restricted common units. The restricted common units granted to Mr. Ligon vest in one-third increments over a three-year period.

On January 9, 2009, Mr. Srinivasan resigned his positions as Chairman of the Board and as a director. Mr. Ligon was subsequently elected as Chairman of the Board.

On March 18, 2009, the Board realigned the officers of our general partner appointing Michael J. Brochetti as Executive Vice President—Corporate Development and Treasurer, Alex G. Stallings as Chief Financial Officer and Secretary, and James R. Griffin as Chief Accounting Officer. Mr. Brochetti had previously served as Chief Financial Officer, Mr. Stallings had previously served as Chief Accounting Officer and Secretary and Mr. Griffin had previously served as Controller.

Bankruptcy Court Order

On September 9, 2008, the Bankruptcy Court entered an order relating to the settlement of certain matters between us and the Private Company (the "Order") in the Bankruptcy Cases. Among other things, the Order provided that (i) the Private Company was to directly pay any utility costs attributable to the operations of the Private Company at certain shared facilities, and the Private Company was to pay us for past utility cost reimbursements that were due from the Private Company; (ii) commencing on September 15, 2008, payments under the Terminalling Agreement were netted against amounts due under the Amended Omnibus Agreement and were made on the 15th day of each month for the prior month (with a three business-day grace period); (iii) the Private Company provided us with a letter of credit in the amount of approximately $4.9 million to secure the Private Company's postpetition obligations under the Terminalling Agreement; (iv) the Private Company was to make payments under the Throughput Agreement for the month of August on September 15, 2008 (with a three business-day grace period) based upon the monthly contract minimums in the Throughput Agreement and netted against amounts due under the Amended Omnibus Agreement; (v) the Private Company was to make payments under the Throughput Agreement for the months of September and October on October 15, 2008 (with a three business-day grace period) and November 15, 2008 (with a three business-day grace period), respectively, or three business days after amounts due are determined and documentation therefore was provided and exchanged based upon actual volumes for each such month and at a rate equal to the average rate charged by us to third-party shippers in the same geographical area, with any such amounts netted against amounts due under the Amended Omnibus Agreement (as defined below); (vi) the parties were to reevaluate the Throughput Agreement and the payment terms with respect to services provided after October 2008; (vii) representatives of us and the Private Company were to meet to discuss the transition to us of certain of the Private Company's employees necessary to maintain our business, and pending agreement between the parties, the Private Company was to continue to provide services in accordance with the Amended Omnibus Agreement through at least November 30, 2008; (viii) the Private Company was to consent to an order relating a third-party storage contract which provided that we were the rightful owner of the rights in and to a certain third-party storage agreement and the corresponding amounts due thereunder; and (ix) we were to enter into a specified lease with the Private Company to permit the Private Company to construct a pipeline.

Settlement with the Private Company

On March 12, 2009, the Bankruptcy Court held a hearing and approved the transactions contemplated by a term sheet (the "Settlement Term Sheet") relating to the settlement of certain matters between the Private Company and us (the "Settlement"). The Bankruptcy Court entered an order approving the Settlement upon the terms contained in the Settlement Term Sheet on March 20, 2009. We and the Private Company executed definitive documentation, in the

form of a master agreement (the "Master Agreement"), dated April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, and certain other transaction documents to effectuate the Settlement and that superseded the Settlement Term Sheet. The Bankruptcy Court entered an order approving the Master Agreement and the Settlement on April 7, 2009. In addition, in connection with the Settlement, we and the requisite lenders under our secured credit facility entered into the Credit Agreement Amendment (as defined below) under which, among other things, the lenders consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement (as defined below) and amendments thereto.

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The Settlement provided for the following:

- we transferred certain crude oil storage assets located in Kansas and northern Oklahoma to the Private Company;
- the Private Company transferred ownership of 355,000 barrels of crude oil tank bottoms and line fill to us;
- the Private Company rejected the Throughput Agreement;
- we and one of our subsidiaries have a $20 million unsecured claim against the Private Company and certain of its subsidiaries relating to rejection of the Throughput Agreement;
- we and the Private Company entered into the New Throughput Agreement (as defined below) pursuant to which we provide certain crude oil gathering, transportation, terminalling and storage services to the Private Company;
- we offered employment to certain crude oil employees;
- the Private Company transferred its asphalt assets that are connected to our asphalt assets to us;
- the Private Company rejected the Terminalling Agreement;
- one of our subsidiaries has a $35 million unsecured claim against the Private Company and certain of its subsidiaries relating to rejection of the Terminalling Agreement;
- we and the Private Company entered into the New Terminalling Agreement (as defined below) pursuant to which we provide liquid asphalt cement terminalling and storage services for the Private Company's remaining asphalt inventory;
- the Private Company agreed to remove all of its remaining asphalt inventory from our asphalt storage facilities no later than October 31, 2009;
- the Private Company will be entitled to receive 20% of the proceeds of any sale by us of any of the asphalt assets transferred to us in connection with the Settlement that occurs prior to December 31, 2009;
- the Private Company rejected the Amended Omnibus Agreement;
- we and the Private Company entered into the Shared Services Agreement (as defined below) pursuant to which the Private Company provides certain operational services for us;
- other than as provided above, we and the Private Company entered into mutual releases of claims relating to the rejection of the Terminalling Agreement, the Throughput Agreement and the Amended Omnibus Agreement;
- certain pre-petition claims by the Private Company and us were netted and waived;
- we and the Private Company resolved certain remaining issues related to the contribution of crude oil assets to us in connection with our initial public offering, our acquisition of the Acquired Asphalt Assets, our acquisition of the Acquired Pipeline Assets and our acquisition of the Acquired Storage Assets, including the release of claims relating to such acquisitions; and
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we and the Private Company entered into the Trademark Agreement (as defined below) which provides us with a non-exclusive, worldwide license to use certain trade names, including the name “SemGroup”, and the corresponding mark until December 31, 2009, and the Private Company waived claims for infringement relating to such trade names and mark prior to the date of such license agreement.

Management is currently evaluating the accounting for the Settlement, and is obtaining independent valuations of the assets transferred. Certain terms of the transaction documents relating to the Settlement are discussed in more detail below.

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Shared Services Agreement

In connection with the Settlement, we entered into a Shared Services Agreement, dated April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "Shared Services Agreement"), with the Private Company. Pursuant to the Shared Services Agreement, the Private Company will provide certain general shared services, Cushing shared services (as described below), and SCADA services (as described below) to us.

The general shared services include crude oil movement services, Department of Transportation services, right-of-way services, environmental services, pipeline and civil structural maintenance services, safety services, pipeline truck station maintenance services, project support services and truck dispatch services. The fees for such general shared services are fixed at $125,000 for the month of April 2009 and such fixed fee may be extended by mutual agreement of the parties for one additional month. Thereafter the fees will be calculated in accordance with the formulas contained therein. The Private Company has agreed to provide the general shared services for three years (subject to earlier termination as provided therein) and the term may be extended an additional year by mutual agreement of the parties.

The Cushing shared services include operational and maintenance services related to terminals at Cushing, Oklahoma. The fees for such Cushing shared services are fixed at $20,000 for the month of April 2009 and such fixed fee may be extended by mutual agreement of the parties for one additional month. Thereafter the fees will be calculated in accordance with the formulas contained therein. The Private Company has agreed to provide the Cushing shared services for three years (subject to earlier termination as provided therein) and the term may be extended an additional year by mutual agreement of the parties.

The SCADA services include services related to the operation of the SCADA system which is used in connection with our crude oil operations. The fees for such SCADA services are fixed at $15,000 for the month of April 2009 and such fixed fee may be extended by mutual agreement of the parties for one additional month. Thereafter the fees will be calculated in accordance with the formulas contained therein. The Private Company has agreed to provide the SCADA services for five years (subject to earlier termination as provided therein) and we may elect to extend the term for two subsequent five year periods.

Transition Services Agreement

In connection with the Settlement, we entered into a Transition Services Agreement, dated April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "Transition Services Agreement"), with the Private Company. Pursuant to the Transition Services Agreement, the Private Company will provide certain corporate, crude oil and asphalt transition services, in each case for a limited amount of time, to us.

Transfer of Crude Oil Assets

In connection with the Settlement, we transferred certain crude oil assets located in Kansas and northern Oklahoma to the Private Company. These transfers included real property and associated personal property at locations where the Private Company owned the pipeline. We retained certain access and connection rights to enable us to continue to operate our crude oil trucking business in such areas. In addition, we transferred our interests in the SCADA System, a crude oil inventory tracking system, to the Private Company.

In addition, the Private Company transferred to us (i) 355,000 barrels of crude oil line fill and tank bottoms, which are necessary for us to operate our crude oil tank storage operations and our Oklahoma and Texas crude oil pipeline systems, (ii) certain personal property located in Oklahoma, Texas and Kansas used in connection with our crude oil trucking business and (iii) certain real property located in Oklahoma, Kansas, Texas and New Mexico that was

intended to be transferred in connection with our initial public offering.

Transfer of Asphalt Assets

In connection with the Settlement, the Private Company transferred certain asphalt processing assets that were connected to, adjacent to, or otherwise contiguous with our existing asphalt facilities and associated real property interests to us. The transfer of the Private Company's asphalt assets in connection with the Settlement provides us with outbound logistics for our existing asphalt assets and, therefore, allows us to provide asphalt terminalling and storage services to third parties.

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New Throughput Agreement

In connection with the Settlement, we and the Private Company entered into a Throughput Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "New Throughput Agreement"), pursuant to which we provide certain crude oil gathering, transportation, terminalling and storage services to the Private Company.

Under the New Throughput Agreement, we charge the following fees: (i) barrels gathered via gathering lines will be charged a gathering rate of $0.75 per barrel, (ii) barrels transported within Oklahoma will be charged $1.00 per barrel while barrels transported on the Masterson Mainline will be charged $0.55 per barrel, (iii) barrels transported by truck will be charged in accordance with the schedule contained therein, including a fuel surcharge, (iv) storage fees shall equal $0.50 per barrel per month for product located in storage tanks located in Cushing, Oklahoma and $0.44 per barrel per month for product not located in dedicated Cushing storage tanks, and (v) a delivery charge of $0.08 per barrel will be charged for deliveries out of the Cushing Interchange Terminal. The New Throughput Agreement has an initial term of one year with additional automatic one-month renewals unless either party terminates the agreement upon thirty-days prior notice.

New Terminalling and Storage Agreement

In connection with the Settlement, we and the Private Company entered into a Terminalling and Storage Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "New Terminalling Agreement"), pursuant to which we provide certain asphalt terminalling and storage services for the remaining asphalt inventory of the Private Company. Storage services under the New Terminalling Agreement are equal to $0.565 per barrel per month multiplied by the total shell capacity in barrels for each storage tank where the Private Company and its affiliates have product; provided that if the Private Company removes all product from a storage tank prior to the end of the month, then the storage service fees shall be pro-rated for such month based on the number of calendar days storage was actually used. Throughput fees under the New Terminalling Agreement are equal to $9.25 per ton; provided that no fees are payable for transfers of product between storage tanks located at the same or different terminals. The New Terminalling Agreement has an initial term that expires on October 31, 2009, which may be extended for one month by mutual agreement of the parties.

New Access and Use Agreement

In connection with the Settlement, we and the Private Company entered into an Access and Use Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "New Access and Use Agreement"), pursuant to which we will allow the Private Company access rights to our asphalt facilities relating to its existing asphalt inventory. The term of the Access and Use Agreement will end separately for each terminal upon the earlier of October 31, 2009 or until all of the existing asphalt inventory of the Private Company is removed from such terminal.

Trademark Agreement

In connection with the Settlement, we and the Private Company entered into a Trademark License Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009 (the "Trademark Agreement"), pursuant to which the Private Company granted us a non-exclusive, worldwide license to use certain trade names, including the name "SemGroup", and the corresponding mark until December 31, 2009, and the Private Company waived claims for infringement relating to such trade names and mark prior to the effective date of the Trademark Agreement.

Building and Office Leases

In connection with the Settlement, we leased office space in Oklahoma City, Oklahoma and certain facilities in Cushing, Oklahoma to the Private Company. The term for the leases expires on March 31, 2014.

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Easements

In connection with the Settlement, we and the Private Company granted mutual easements relating to access, facility improvements, existing and future pipeline rights and corresponding rights of ingress and egress for properties owned by the parties at Cushing, Oklahoma. In addition, we granted the Private Company certain pipeline easements at Cushing, Oklahoma, together with the corresponding rights of ingress and egress.

Partnership Revenues

For the nine months ended September 30, 2008 and the year ended December 31, 2008, we derived approximately 81% and approximately 73%, respectively, of our revenues, excluding fuel surcharge revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks, from services we provided to the Private Company and its subsidiaries. Prior to the Order and the Settlement, the Private Company was obligated to pay us minimum monthly fees totaling $76.1 million annually and $58.9 million annually in respect of the minimum commitments under the Throughput Agreement and the Terminalling Agreement, respectively, regardless of whether such services were actually utilized by the Private Company. As described above, the Order required the Private Company to make certain payments under the Throughput Agreement and Terminalling Agreement during a portion of the third quarter of 2008, including the contractual minimum payments under the Terminalling Agreement. In connection with the Settlement, we waived the fees due under the Terminalling Agreement during March 2009. In addition, the Private Company rejected the Throughput Agreement and the Terminalling Agreement and we and the Private Company entered into the New Throughput Agreement and the New Terminalling Agreement. We expect revenues from services provided to the Private Company under the New Throughput Agreement and New Terminalling Agreement to be substantially less than prior revenues from services provided to the Private Company as the new agreements are based upon actual volumes gathered, transported, terminalled and stored instead of certain minimum volumes and are at reduced rates when compared to the Throughput Agreement and Terminalling Agreement.

We have been pursuing opportunities to provide crude oil terminalling and storage services and crude oil gathering and transportation services to third parties. As a result of new crude oil third-party storage contracts, we increased our third-party terminalling and storage revenue (excluding fuel surcharge revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks) from approximately $1.0 million, or approximately 4% of total terminalling and storage revenue during the second quarter of 2008, to approximately $4.6 million and $8.4 million, or approximately 17% and 34% of total terminalling and storage revenue for the third quarter of 2008 and the fourth quarter of 2008, respectively.

In addition, as a result of new third-party crude oil transportation contracts and reduced commitments of usage by the Private Company under the Throughput Agreement, we increased our third-party gathering and transportation revenue from approximately $5.0 million, or approximately 21% of total gathering and transportation revenue during the second quarter of 2008, to approximately $10.9 million and $13.6 million, or approximately 51% and 85% of total gathering and transportation revenue for the third quarter of 2008 and the fourth quarter of 2008, respectively.

The significant majority of the increase in third party revenues results from an increase in third-party crude oil services provided and a corresponding decrease in the Private Company’s crude oil services provided due to the termination of the monthly contract minimum revenues under the Throughput Agreement in September 2008. Average rates for the new third-party crude oil terminalling and storage and transportation and gathering contracts are comparable with those previously received from the Private Company. However, the volumes being terminalled, stored, transported and gathered have decreased as compared to periods prior to the Bankruptcy Filings, which has negatively impacted total revenues. As an example, fourth quarter 2008 total revenues are approximately $8.2 million less than third quarter 2008 total revenues, in each case excluding fuel surcharge revenues related to fuel

and power consumed to operate our liquid asphalt cement storage tanks.

In addition, we have recently entered into leases and storage agreements with third parties relating to 39 of our 46 asphalt facilities.

We have entered into various crude oil transportation and storage contracts with third parties and are continuing to pursue additional contracts with third parties; however, there can be no assurance that any of these additional efforts will be successful. In addition, certain third parties may be less likely to enter into business transactions with us due to the Bankruptcy Filings. The Private Company may also choose to curtail its operations or liquidate its assets as part of the Bankruptcy Cases. As a result, unless we are able to generate additional third party revenues, we will continue to experience lower volumes in our system which could have a material adverse effect on our results of operations and cash flows.

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Asphalt Operations

Historically, we provided liquid asphalt cement terminalling and storage services to the Private Company pursuant to the Terminalling Agreement. In connection with the Settlement, the Private Company rejected the Terminalling Agreement and we and the Private Company entered into the New Terminalling Agreement whereby we provide liquid asphalt cement terminalling and storage services to the Private Company in connection with its remaining asphalt inventory. The New Terminalling Agreement has an initial term that ends on October 31, 2009 and the Private Company has agreed to remove all of its existing asphalt inventory no later than such date, and we expect that the Private Company may remove it much earlier than such date. Also in connection with the Settlement, the Private Company transferred certain asphalt assets to us that were connected to our existing asphalt assets. The transfer of the Private Company's asphalt assets in connection with the Settlement provides us with outbound logistics for our existing asphalt assets and, therefore, allows us to provide asphalt terminalling and storage services for third parties.

The asphalt industry in the United States is characterized by a high degree of seasonality. Much of this seasonality is due to the impact that weather conditions have on road construction schedules, particularly in cold weather states. Refineries produce liquid asphalt cement year round, but the peak asphalt demand season is during the warm weather months when most of the road construction activity in the United States takes place. As a result, liquid asphalt cement is typically purchased from refineries at low prices in the low demand winter months and then processed and sold at higher prices in the peak summer demand season. Any significant decrease in the amount of revenues that we receive from our liquid asphalt cement terminalling and storage operations could have a material adverse effect on our cash flows, financial condition and results of operations.

We have recently entered into leases and storage agreements with third parties relating to 39 of our 46 asphalt facilities. The revenues that we will receive pursuant to these leases and storage agreements will be less than the revenues received under the Terminalling Agreement with the Private Company. Without sufficient revenues from our asphalt assets, we may be unable to meet the covenants, including the minimum liquidity, minimum EBITDA and minimum receipt requirements, under our credit agreement.

Operation and General Administration of the Partnership

As is the case with many publicly traded partnerships, we have not historically directly employed any persons responsible for managing or operating us or for providing services relating to day-to-day business affairs. Pursuant to the Amended Omnibus Agreement, the Private Company operated our assets and performed other administrative services for us such as accounting, legal, regulatory, development, finance, land and engineering. The events related to the Bankruptcy Filings terminated the Private Company's obligations to provide services to us under the Amended Omnibus Agreement. The Private Company continued to provide such services to us until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and we and the Private Company entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services. In addition, in connection with the Settlement, we made offers of employment to certain individuals associated with our crude oil operations and expect to make additional offers of employment to certain individuals associated with our asphalt operations. The costs to directly employ these individuals as well as the costs under the Shared Services Agreement and the Transition Services Agreement may be higher than those previously paid by us under the Amended Omnibus Agreement, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and our ability to conduct our business.

In addition, in connection with the Settlement, we agreed to not solicit the Private Company's employees for a year from the time of the Settlement. In connection with the Bankruptcy Cases, the Private Company may reduce a substantial number of its employees or some of the Private Company's employees may choose to terminate their

employment with the Private Company, some of whom may currently be providing general and administrative and operating services to us under the Shared Services Agreement or the Transition Services Agreement. Any reductions in critical personnel who provide services to us and any increased costs to replace such personnel could have a material adverse effect on our ability to conduct our business and our results of operations.

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Intellectual Property Rights

Pursuant to the Amended Omnibus Agreement, we licensed the use of certain trade names and marks, including the name "SemGroup." This license terminated automatically upon the Change of Control. In connection with the Settlement, we and the Private Company entered into the Trademark Agreement, pursuant to which the Private Company granted us a non-exclusive, worldwide license to use certain trade names, including the name "SemGroup" and the corresponding mark, until December 31, 2009, and the Private Company waived claims for infringement relating to such trade names and mark prior to the effective date of such Trademark Agreement (see "—Settlement with the Private Company"). As such, we will be required to change our name and trademark upon or prior to the expiration of the Trademark Agreement. The expenses associated with such a change may be significant, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and our ability to conduct our business.

Credit Facility

As described below under "—Liquidity and Capital Resources", in connection with the events related to the Bankruptcy Filings, certain events of default occurred under our credit agreement. On September 18, 2008, we and the requisite lenders under our credit facility entered into the Forbearance Agreement relating to such events of default. On April 7, 2009, we and the requisite lenders entered into the Credit Agreement Amendment, under which the lenders consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement and amendments thereto. See "—Liquidity and Capital Resources" for more information regarding our credit facility, the Forbearance Agreement and the Credit Agreement Amendment.

Distributions to Our Unitholders

We did not make a distribution to our common unitholders, subordinated unitholders or general partner attributable to the results of operations for the quarters ended June 30, 2008, September 30, 2008, December 31, 2008 or March 31, 2009 due to the events of default under our credit agreement and the uncertainty of our future cash flows relating to the Bankruptcy Filings. Our unitholders will be required to pay taxes on their share of our taxable income even though they did not receive a cash distribution for such periods. In addition, we do not currently expect to make a distribution relating to the second quarter of 2009. We distributed approximately $14.3 million to our unitholders for the three months ended March 31, 2008. Pursuant to the Credit Agreement Amendment, we are prohibited from making distributions to our unitholders if our leverage ratio (as defined in the credit agreement) exceeds 3.50 to 1.00. As of September 30, 2008 and December 31, 2008, our leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. If our leverage ratio does not improve, we may not make quarterly distributions to our unitholders in the future.

Our partnership agreement provides that, during the subordination period, which we are currently in, our common units have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.3125 per common unit per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units.

Nasdaq Delisting

Effective at the opening of business on February 20, 2009, our common units were delisted from the Nasdaq Global Market ("Nasdaq") due to our failure to timely file this Quarterly Report as well as our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008. We filed our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 on March 23, 2009. Our common units are currently traded on the Pink Sheets, which is an over-the-counter

securities market, under the symbol SGLP.PK. The fact that our common units are not listed on a national securities exchange is likely to make trading such common units more difficult for broker-dealers, unitholders and investors, potentially leading to further declines in the price of our common units. In addition, it may limit the number of institutional and other investors that will consider investing in our common units, which may have an adverse effect on the price of our common units. It may also make it more difficult for us to raise capital in the future.

We continue to work to become compliant with our SEC reporting obligations and intend to promptly seek the relisting of our common units on Nasdaq as soon as practicable after we have become compliant with such reporting obligations. However, there can be no assurances that we will be able to relist our common units on Nasdaq or any other national securities exchange and we may face a lengthy process to relist our common units if we are able to relist them at all.

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Claims Against and By The Private Company's Bankruptcy Estate

In connection with the Settlement, we and the Private Company entered into mutual releases regarding certain claims. In addition, the Settlement provided that we have a $35 million unsecured claim against the Private Company relating to rejection of the Terminalling Agreement and a $20 million unsecured claim against the Private Company relating to rejection of the Throughput Agreement. On May 15, 2009, the Private Company filed a joint plan of reorganization. If such plan is confirmed without material amendment, our claims will be impaired. We may also have additional claims against the Private Company that were not released in connection with the Settlement, and the Private Company may also have additional claims against us that were not released in connection with the Settlement. Any claims asserted by us against the Private Company in the Bankruptcy Cases will be subject to the claim allowance procedure provided in the Bankruptcy Code and Bankruptcy Rules. If an objection is filed, the Bankruptcy Court will determine the extent to which any such claim that has been objected to is allowed and the priority of such claims.

Governmental Investigations

On July 21, 2008, we received a letter from the staff of the SEC giving notice that the SEC is conducting an inquiry relating to us and requesting, among other things, that we voluntarily preserve, retain and produce to the SEC certain documents and information relating primarily to our disclosures respecting the Private Company's liquidity issues, which were the subject of our July 17, 2008 press release. On October 22, 2008, we received a subpoena from the SEC pursuant to a formal order of investigation requesting certain documents relating to, among other things, the Private Company's liquidity issues. We have been cooperating, and intend to continue cooperating, with the SEC in its investigation.

On July 23, 2008, we and our general partner each received a Grand Jury subpoena from the United States Attorney's Office in Oklahoma City, Oklahoma, requiring, among other things, that we and our general partner produce financial and other records related to our July 17, 2008 press release. We have been informed that the U.S. Attorneys' Offices for the Western District of Oklahoma and the Northern District of Oklahoma are in discussions regarding the subpoenas, and no date has been set for a response to the subpoenas. We and our general partner intend to cooperate fully with this investigation if and when it proceeds.

Securities and Other Litigation

Please see "Part II—Item I. Legal Proceedings" for a discussion of certain securities and other litigation to which we are a party.

Examiner

On August 12, 2008, a motion was filed by the United States Trustee asking the Bankruptcy Court to appoint an examiner to investigate the Private Company's trading strategies as well as certain "insider transactions," including the contribution of the crude oil assets to us in connection with our initial public offering, the sale of the asphalt assets to us in February 2008, the sale of the Eagle North Pipeline System to us in May 2008, the sale of certain crude oil storage assets to us in May 2008, and the entering into the Holdings Credit Agreements by SemGroup Holdings. On September 10, 2008, the Bankruptcy Court approved the appointment of an examiner, and on October 14, 2008, the United States Trustee appointed Louis J. Freeh, former director of the Federal Bureau of Investigation, as the examiner. On April 15, 2009, the examiner filed a report summarizing the findings of his investigation with the Bankruptcy Court (the "Examiner's Report").

The examiner was directed by the Bankruptcy Court to (i) investigate the circumstances surrounding the Private Company's trading strategy, the transfer of the New York Mercantile Exchange account, certain insider transactions, the formation of us, the potential improper use of borrowed funds and funds generated from the Private Company's operations and the liquidation of their assets to satisfy margin calls related to the trading strategy for the Private Company and certain entities owned or controlled by the Private Company's officers and directors and (ii) determine whether any directors, officers or employees of the Private Company participated in fraud, dishonesty, incompetence, misconduct, mismanagement, or irregularity in the management of the affairs of the Private Company and whether the Private Company's estates have causes of action against such persons arising from any such participation.

The Examiner's Report identified potential claims or causes of action against current officers of our general partner who were former officers of the Private Company, including, without limitation, (i) against Kevin L. Foxx for his failure to develop a suitable risk management policy or integrate a suitable risk management policy into the Private Company's business controls, and for his failure to comply with the risk management policy that did exist, thereby subjecting the Private Company to increased risk and (ii) against Alex Stallings for his failure to stop Thomas L. Kivisto from engaging in trading activity on his own behalf through Westback Purchasing Company, L.L.C., a limited liability trading partnership which Mr. Kivisto owned and controlled, thereby subjecting the Private Company to increased risk and losses. In addition, the Examiner's Report criticized Mr. Foxx for certain conflicts of interest with entities that he or his family invested in and which had a business relationship with the Private Company. Additionally, the Examiner's Report identified a number of potential claims or causes of action against Mr. Kivisto and Gregory C. Wallace, who are former directors of our general partner and former officers of the Private Company, including, without limitation, for negligence and mismanagement, fraud and false statements, conversion and corporate waste, unjust enrichment, breach of fiduciary duties and breach of contract.

The Examiner's Report and related exhibits are publicly available at www.kccllc.net/SemGroup.

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Internal Review

As previously announced, in July 2008 the Board created an internal review subcommittee of the Board comprised of directors who are independent of management and the Private Company to determine whether we participate in businesses other than as described in our filings with the SEC and to conduct investigations into other such specific items as are deemed to be appropriate by the subcommittee. The subcommittee retained independent legal counsel to assist it in its investigations.

The subcommittee has investigated a short-term financing transaction involving two subsidiaries of the Private Company. This transaction was identified as a potential source of concern in a whistleblower report made after the Private Company filed for bankruptcy. Although the transaction did not involve us or our subsidiaries, it was investigated because it did involve certain senior executive officers of our general partner who were also senior executive officers of the Private Company at the time of the transaction. Based upon its investigation, counsel for the subcommittee found that, subject to the subcommittee's lack of access to Private Company documents and electronic records and witnesses, although certain irregularities occurred in the transactions, the transaction did not appear to cause the relevant officers to understand or believe that the Private Company had a lack of liquidity that imperiled the Private Company's ability to meet its obligations to us and that certain aspects of the documentation of the transaction that were out of the ordinary did not call into question the integrity of any of the relevant officers.

The subcommittee also investigated whether certain senior executive officers of our general partner who were also senior executive officers of the Private Company knew and understood, beginning as early as July 2007 and at various times thereafter, about a lack of liquidity at the Private Company that imperiled the Private Company's ability to meet its obligations to us. Based upon this investigation, and subject to the subcommittee's lack of access to Private Company documents and electronic records and witnesses, counsel for the subcommittee found that each of the officers had access to and reviewed Private Company financial information, including information regarding the Private Company's commodity trading activities, from which they could have developed an understanding of the nature and significance of the trading activities that led to liquidity problems at the Private Company well before they say they did. While the officers each stated sincerely that they did not understand the nature or extent of the Private Company's trading-related problems until the first week of July 2008 or later, objective evidence suggests that they showed at least some indifference to known or easily discoverable facts and that they failed to adhere to procedures under the Private Company's Risk Management Policy created expressly to ensure that the Private Company's trading activities were properly monitored. Nonetheless, counsel for the subcommittee was not persuaded by the documents and other evidence it was able to access that the officers in fact knew and understood that the Private Company's liquidity or capital needs were a significant cause for alarm until, at the earliest, the second quarter of 2008. Moreover, while it appeared to counsel that the officers developed a growing awareness of the nature and severity of the Private Company's liquidity issues over the second quarter of 2008, counsel was unable to identify with any more precision the specific level of concern or understanding these individuals had prior to July 2008. While not within the scope of such counsel's investigation, counsel was requested by the subcommittee to note any information that came to counsel's attention during its investigation that suggested that the officers intended to deceive or mislead any third party. Subject to limitations described in its report, no information came to counsel's attention during its investigation that suggested to counsel that the officers intended to deceive or to mislead any third parties. In addition, in connection with the investigation, counsel for the subcommittee did not express any findings of intentional misconduct or fraud on the part of any officer or employee of us.

After completion of the internal review, a plan was developed with the advice of the Audit Committee of the Board to further strengthen our processes and procedures. This plan includes, among other things, reevaluating executive officers and accounting and finance personnel (including a realignment of officers as described elsewhere in this report) and hiring, as deemed necessary, additional accounting and finance personnel or consultants; reevaluating our internal audit function and determining whether to expand the duties and responsibilities of such group; evaluating the

comprehensive training programs for all management personnel covering, among other things, compliance with controls and procedures, revising the reporting structure so that the Chief Financial Officer reports directly to the Audit Committee, and increasing the business and operational oversight role of the Audit Committee.

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Equity Awards and Employment Agreements

The Change of Control constituted a change of control under the Plan, which resulted in the early vesting of all awards under the Plan. As such, the phantom units awarded to Messrs. Kevin L. Foxx, Michael J. Brochetti, Alex G. Stallings, Peter L. Schwiering and Jerry A. Parsons in the amounts of 150,000 units, 90,000 units, 75,000 units, 45,000 units and 20,000 units, respectively, are fully vested. The common units underlying such awards were issued to such individuals in August 2008. In addition, the 5,000 restricted units awarded to each of Messrs. Billings, Kosnik and Bishop for their service as independent members of the Board are fully vested.

The Change of Control also resulted in a change of control under the employment agreements of Messrs. Foxx, Brochetti, Stallings, Schwiering and Parsons. If within one year after the Change of Control any such officer is terminated by our general partner without Cause (as defined below) or such officer terminates the agreement for Good Reason (as defined below), he will be entitled to payment of any unpaid base salary and vested benefits under any incentive plans, a lump sum payment equal to 24 months of base salary and continued participation in the our general partner's welfare benefit programs for one year after termination. Upon such an event, Messrs Foxx, Brochetti, Stallings, Schwiering and Parsons would be entitled to lump sum payments of $900,000, $600,000, $550,000, $500,000 and $500,000, respectively, in addition to continued participation in our general partner's welfare benefit programs. As of the date of the filing of this report, none of these officers is entitled to these benefits as none of them has been terminated by our general partner without Cause or has terminated his agreement for Good Reason.

For purposes of the employment agreements:

"Cause" means (i) conviction of the executive officer by a court of competent jurisdiction of any felony or a crime involving moral turpitude; (ii) the executive officer's willful and intentional failure or willful intentional refusal to follow reasonable and lawful instructions of the Board; (iii) the executive officer's material breach or default in the performance of his obligations under the employment agreement; or (iv) the executive officer's act of misappropriation, embezzlement, intentional fraud or similar conduct involving our general partner.

"Good Reason" means (i) a material reduction in the executive officer's base salary; (ii) a material diminution of the executive officer's duties, authority or responsibilities as in effect immediately prior to such diminution; or (iii) the relocation of the named executive officer's principal work location to a location more than 50 miles from its current location.

Internal Controls

SemGroup Energy Partners G.P., L.L.C., our general partner, has sole responsibility for conducting our business and for managing our operations. Effective internal controls are necessary for our general partner, on our behalf, to provide reliable financial reports, prevent fraud and operate us successfully as a public company. If our general partner's efforts to develop and maintain its internal controls are not successful, it is unable to maintain adequate controls over our financial processes and reporting in the future or it is unable to assist us in complying with our obligations under Section 404 of the Sarbanes-Oxley Act of 2002, our operating results could be harmed or we may fail to meet our reporting obligations.

We and our general partner rely upon the Private Company for their personnel, including those related to the implementation of internal controls and disclosure controls and procedures. Staff reductions by the Private Company or other departures by the Private Company's employees that provide services to us could have a material adverse effect on internal controls and the effectiveness of disclosure controls and procedures. Ineffective internal controls could cause us to report inaccurate financial information or cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common units.

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Taxation as a Corporation

The anticipated after-tax economic benefit of an investment in our common units depends largely on us being treated as a partnership for federal income tax purposes. If less than 90% of the gross income of a publicly traded partnership, such as us, for any taxable year is "qualifying income" from sources such as the transportation, marketing (other than to end users), or processing of crude oil, natural gas or products thereof, interest, dividends or similar sources, that partnership will be taxable as a corporation under Section 7704 of the Internal Revenue Code for federal income tax purposes for that taxable year and all subsequent years. In this regard, because the income we earn from the Throughput Agreement and the Terminalling Agreement with the Private Company is "qualifying income" any material reduction or elimination of that income, or any amendment to the Throughput Agreement or the Terminalling Agreement which changes the nature of the services provided or the income generated thereunder, may cause our remaining "qualifying income" to constitute less than 90% of our gross income. As a result, we could become taxable as a corporation for federal income tax purposes, unless we were to transfer the businesses that generate non-qualifying income to one or more subsidiaries taxed as corporations and pay entity level income taxes on such non-qualifying income. The IRS has not provided any ruling to us on this matter.

If we were treated as a corporation for federal income tax purposes, then we would pay federal income tax on our income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions would generally be taxed again to unitholders as corporate distributions and none of our income, gains, losses, deductions or credits would flow through to our unitholders. Because a tax would be imposed upon us as an entity, cash available for distribution to our unitholders would be substantially reduced. Treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to unitholders and thus would likely result in a substantial reduction in the value of our common units.

Other Effects

The Bankruptcy Filings have had and may in the future continue to have a number of other impacts on our business and management. In the Amended Omnibus Agreement and other agreements with the Private Company, the Private Company agreed to indemnify us for certain environmental and other claims relating to the crude oil and liquid asphalt cement assets that have been contributed to us. In connection with the Settlement, we waived these claims and the Amended Omnibus Agreement and other relevant agreements, including the indemnification provisions therein, were rejected as part of the Bankruptcy Proceedings. If we experience an environmental or other loss, we would experience increased losses which may have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and the ability to conduct our business.

We are currently pursuing various strategic alternatives for our business and assets including the possibility of entering into additional storage contracts with third party customers and the sale of all or a portion of our assets. The uncertainty relating to the Bankruptcy Filings and the recent global market and economic conditions may make it more difficult to pursue merger opportunities or enter into storage contracts with third party customers.

In addition, events related to the Bankruptcy Filings, the securities litigation and governmental investigations, and our efforts to enter into storage contracts with third party customers and pursue merger opportunities has resulted in increased expense beginning in the third quarter of 2008 due to the costs related to legal and financial advisors as well as other related costs. General and administrative expenses (exclusive of non-cash compensation expense related to the vesting of the units under the Plan) increased by approximately $6.9 million and $7.5 million, or approximately 300% and 326%, to approximately $9.2 million for the third quarter of 2008 and $9.8 million for the fourth quarter of 2008, respectively, compared to $2.3 million in the second quarter of 2008. We expect this increased level of general and administrative expenses to continue into 2009.

Items Impacting the Comparability of Our Financial Results

- There are differences in the way our predecessor recorded revenues and the way we record revenues.

o Historically, a substantial portion of our revenues were derived from services provided to the crude oil purchasing, marketing and distribution operations of the Private Company pursuant to the Throughput Agreement. Under the Throughput Agreement, the Private Company paid us a fee for gathering, transportation, terminalling and storage services based on volume and throughput. In rendering these services, we did not take title to, or marketing responsibility for, the crude oil that we gathered, transported, terminalled or stored and, therefore, we had minimal direct exposure to changes in crude oil prices.

o The Crude Oil Business had historically been a part of the integrated operations of the Private Company, and neither the Private Company nor our predecessor recorded revenue associated with the gathering, transportation, terminalling and storage services provided on an intercompany basis. The Private Company and our predecessor recognized only the costs associated with providing such services. As such, the revenues we received under the Throughput Agreement are not reflected in the historical financial statements of our predecessor.

o Our predecessor recognized revenues from third parties for (1) crude oil storage services, (2) crude oil transportation services and (3) crude oil producer field services. Although a substantial majority of our revenues are derived from services provided to the Private Company, we also recognize revenue for gathering, transportation, terminalling and storage services provided to third parties.

- There are differences in the way general and administrative expenses were allocated to our predecessor and the way we recognize general and administrative expenses.

o General and administrative expenses include office personnel and benefit expenses, costs related to our administration facilities, and insurance, accounting and legal expenses, including costs allocated by the Private Company for centralized general and administrative services performed by the Private Company. Such costs were allocated to our predecessor based on the nature of the respective expenses and its proportionate share of the Private Company’s head count, compensation expense, net revenues or square footage as appropriate.

o We were party to an Omnibus Agreement with the Private Company. The Omnibus Agreement was amended (the "Amended Omnibus Agreement") in connection with the purchase of the Acquired Asphalt Assets to, among other things, increase the fixed administrative fee payable under such agreement from $5.0 million per year to $7.0 million per year. Pursuant to the Amended Omnibus Agreement, we were required to pay our general partner and the Private Company this fixed administrative fee for the provision by our general partner and the Private Company of various general and administrative services to us for three years following the acquisition of our asphalt assets. The events related to the Bankruptcy Filings terminated the Private Company’s obligations to provide services to us under the Amended Omnibus Agreement. The Private Company continued to provide such services to us until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and we and the Private Company entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services (see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company”). In addition, in connection with the Settlement, we made offers of employment to certain individuals associated with our crude oil operations and expect to make additional offers of employment to certain individuals associated with our asphalt operations. The costs to directly employ these individuals as well as the costs under the Shared Services Agreement and the Transition Services Agreement may be higher than those previously paid by us under the Amended Omnibus Agreement, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and our ability to

conduct our business. For a more complete description of the Omnibus Agreement, see "Item 13—Certain Relationships and Related Party Transactions, and Director Independence—Agreements Related to Our Acquisition of the Asphalt Assets —Amended Omnibus Agreement" in our 2007 Form 10-K.

- We incur incremental general and administrative expenses as a result of being a publicly traded limited partnership, including costs associated with annual and quarterly reports to unitholders, financial statement audit, tax return and Schedule K-1 preparation and distribution, investor relations activities, registrar and transfer agent fees, incremental director and officer liability insurance costs and independent director compensation. These incremental general and administrative expenditures are not reflected in the historical financial statements of our predecessor.

- With the exception of capital lease obligations and prepaid insurance, no working capital was contributed to us in connection with our initial public offering.

- Our predecessor had $31.2 million in debt payable to the Private Company which was not assumed by us in our initial public offering. We entered into a $250.0 million five-year credit facility and borrowed $137.5 million under that facility and used net proceeds of approximately $38.7 million from the issuance of 1,875,000 common units pursuant to the underwriters' exercise of their over-allotment option in our initial public offering to reduce outstanding borrowings under our credit facility. In connection with the purchase of our Acquired Asphalt Assets, we amended our credit facility to increase our borrowing capacity to $600.0 million. This borrowing capacity has subsequently been reduced as described in "—Liquidity and Capital Resources." Our credit facility matures in June 2011. As of May 22, 2009, we had $423.4 million in outstanding borrowings under our credit facility (including $23.4 million under our revolving credit facility and $400.0 million under our term loan facility) with an aggregate unused credit availability under our revolving credit facility and cash on hand of approximately $27.2 million. Pursuant to the Credit Agreement Amendment, our revolving credit facility is limited to $50.0 million. Please see "—Liquidity and Capital Resources."

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Results of Operations

The table below summarizes the financial results of the Partnership for the three and nine months ended September 30, 2007 and 2008. These financial results reflect a $0.4 million allowance for doubtful accounts related to amounts collectible from third parties as of September 30, 2008. The allowance related to amounts collectible from third parties was established as a result of certain third party customers netting amounts due them from the Private Company with amounts due to us. Also, due to the change of control of our general partner related to the Private Company's liquidity issues, all outstanding awards under our general partner's long-term incentive plan vested on July 18, 2008, resulting in an incremental $18.0 million in non-cash compensation expense for the three months ended September 30, 2008. In addition to the allowance for doubtful accounts and non-cash compensation expense described above, the results of operations for the three and nine months ended September 30, 2008 included in this quarterly report were affected by the Bankruptcy Filings and related events, which resulted in decreased revenues and increased general and administrative expenses (see "Item 2. Management's Discussion and Analysis of Financial Condition and results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Our Revenues," and "Item 2. Management's Discussion and Analysis of Financial Condition and results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Other Effects," respectively). Due to the events related to the Bankruptcy Filings, including uncertainties related to future revenues and cash flows, we do not expect our financial results for the three and nine months ended September 30, 2008 to be indicative of our future financial results. For example, since the Bankruptcy Filings we have experienced increased general and administrative expenses related to the costs of legal and financial advisors and increased interest expense related to the events of default under our credit facility and the associated Forbearance Agreement (as defined below) and amendments thereto. In addition, the volumes being terminalled, stored, transported and gathered have decreased as compared to periods prior to the Bankruptcy Filings, which has negatively impacted total revenues. As an example, fourth quarter 2008 total revenues are approximately $8.2 million less than third quarter 2008 total revenues, in each case excluding fuel surcharge revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks. Our future total revenues will be further impacted because, pursuant to the Settlement, the Private Company rejected the Terminalling Agreement and the Throughput Agreement. We entered into the New Terminalling Agreement and the New Throughput Agreement on the terms described elsewhere herein (see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company").

	Three Months ended September 30,		Nine Months ended September 30,	
	2007	2008	2007	2008
	(in thousands)			
Service revenues:				
Terminalling and storage revenues:				
Third party	$ 691	$ 4,661	$ 7,836	$ 5,674
Related party	7,245	27,555	7,245	75,434
Total terminalling and storage	7,936	32,216	15,081	81,108
Gathering and transportation revenues:				
Third party	4,181	10,910	16,011	20,548
Related party	13,163	10,668	13,286	47,628
Total gathering and transportation	17,344	21,578	29,297	68,176
Total revenues	25,280	53,794	44,378	149,284
Operating expenses:				

Terminalling and storage	1,078	11,975	3,408	29,071
Gathering and transportation	14,874	16,212	46,702	50,887
Allowance for doubtful accounts	-	(819)	-	447
Total operating expenses	15,952	27,368	50,110	80,405
General and administrative expenses:	2,525	27,177	11,015	33,244
Operating income (loss)	6,803	(751)	(16,747)	35,635
Interest expense	2,424	11,041	3,369	15,905
Income tax expense	62	59	62	227
Net income (loss)	$ 4,317	$ (11,851)	$ (20,178)	$ 19,503

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Three Months Ended September 30, 2008 Compared to the Three Months Ended September 30, 2007

Service revenues. Service revenues were $53.8 million for the three months ended September 30, 2008 compared to $25.3 million for the three months ended September 30, 2007, an increase of $28.5 million, or 113%. Service revenues include revenues from terminalling and storage services and gathering and transportation services. Terminalling and storage revenues increased by $24.3 million to $32.2 million for the three months ended September 30, 2008 compared to $7.9 million for the three months ended September 30, 2007, primarily due to revenues generated under the Terminalling Agreement (revenues of $20.9 million for the three months ended September 30, 2008). The Terminalling Agreement was entered into in February 2008 in conjunction with the purchase of the Acquired Asphalt Assets therefore it was not present in the three months ended September 30, 2007. In addition, our third party terminalling and storage revenue increased by $4.0 million due to additional volume from third party crude oil storage agreements during the three months ended September 30, 2008.

Our gathering and transportation services revenue increased by $4.3 million to $21.6 million for the three months ended September 30, 2008 compared to $17.3 million for the three months ended September 30, 2007. The increase is primarily due to third party customer revenues increasing for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. The increase in third party revenues is primarily due to the replacement of services previously provided to the Private Company with third party gathering and transportation customers due to an order of the Bankruptcy Court entered on September 9, 2008, that stated the Private Company would no longer make minimum payments under the Throughput Agreement but instead pay a market rate based upon the Private Company's actual usage. Historically, our Predecessor was a part of the integrated operations of the Private Company, and neither the Private Company nor the Predecessor recorded revenue associated with the terminalling and storage and gathering and transportation services provided on an intercompany basis. Accordingly, revenues reflected for all periods prior to the contribution of the assets, liabilities and operations to the Partnership by the Private Company on July 20, 2007 are substantially services provided to third parties.

Operating expenses. Operating expenses increased by $11.4 million, or 71%, to $27.4 million for the three months ended September 30, 2008 compared to $16.0 million for the three months ended September 30, 2007. Our fuel expenses increased by $5.5 million to $8.0 million for the three months ended September 30, 2008 compared to $2.5 million for the three months ended September 30, 2007. The increase in our fuel costs is attributable to the increase in number of transport trucks we operated for the respective periods and the rising price of diesel fuel during the comparative periods. The Throughput Agreement provides for a fuel surcharge, recorded in revenue, which offsets increases in fuel expenses related to either rising diesel prices or force majeure events. Also included in fuel expense for the three months ended September 30, 2008 is $4.7 million of fuel and power expense associated with the boiler systems utilized to heat our liquid asphalt cement storage tanks that were acquired in February 2008. Under the Terminalling Agreement, this component of fuel expense is passed through to the Private Company. As a result of this agreement, we have recorded $4.7 million in fuel surcharge revenues in relation to fuel and power consumed to operate our liquid asphalt cement storage tanks for the three months ended September 30, 2008.

Compensation expense increased by $1.8 million to $7.3 million for the three months ended September 30, 2008 primarily as a result of the purchase of our Acquired Asphalt Assets in February 2008. Our repair and maintenance expenses decreased by $0.8 million to $1.2 million for the three months ended September 30, 2008 compared to $2.0 million for the three months ended September 30, 2007, primarily due to the timing of routine maintenance in our gathering and transportation segment. Lease expense related to crude oil tanker trucks increased by $0.3 million to $0.8 million for the three months ended September 30, 2008. This increase is attributable to the replacement of crude oil transport vehicles that were historically financed through capital leases. As a result of the growth in our property and equipment, our property taxes increased by $0.7 million to $0.9 million for the three months ended September 30, 2008 compared to $0.2 million for the three months ended September 30, 2007.

Outside services expenses increased by $0.2 million to $0.8 million for the three months ended September 30, 2008 compared to $0.6 million for the three months ended September 30, 2007, primarily due to an increase in third party transportation costs resulting from increased volumes gathered in our gathering and transportation segment.

Depreciation expense increased by $3.4 million to $5.7 million for the three months ended September 30, 2008 compared to $2.3 million for the three months ended September 30, 2007, primarily as a result of capital expenditures in our terminalling and storage segment and as a result of the purchase of our Acquired Asphalt Assets in February 2008.

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The three months ended September 30, 2008 includes a decrease of $0.9 million in our allowance for doubtful accounts for amounts due from the Private Company that had been reserved as of June 30, 2008. Pursuant to the Settlement, our pre-petition claims have been netted against pre-petition claims by the Private Company and waived. The three months ended September 30, 2008 also includes an allowance for doubtful accounts increase of $0.1 million for services provided to certain third parties as of September 30, 2008. The allowance related to amounts due from third parties increased as a result of certain third party customers netting amounts due them from the Private Company with amounts due to us.

General and administrative expenses. General and administrative expenses increased by $24.7 million, or 988%, to $27.2 million for the three months ended September 30, 2008 compared to $2.5 million for the three months ended September 30, 2007. Due to the change of control of our general partner related to the Private Company's liquidity issues, all awards outstanding under our long-term incentive plan as of June 30, 2008 vested on July 18, 2008. As a result, general and administrative expenses for the three months ended September 30, 2008 included $18.0 million in non-cash, equity-based compensation recognized under our long-term incentive plan. General and administrative expenses (exclusive of non-cash compensation expense related to the vesting of the units under the Plan) increased by approximately $6.9 million and $7.5 million, or approximately 300% and 326%, to approximately $9.2 million for the third quarter of 2008 and $9.8 million for the fourth quarter of 2008, respectively, compared to $2.3 million in the second quarter of 2008. We expect this increased level of general and administrative expenses to continue into 2009. This increase is due to increased costs related to legal and financial advisors as well as other related costs in connection with events related to the Bankruptcy Filings, the securities litigation and governmental investigations, and our efforts to enter into storage contracts with third party customers and pursue other strategic opportunities. We expect this increased level of general and administrative expenses to continue into 2009.

Interest expense. Interest expense represents interest on capital lease obligations and long-term borrowings under our credit facility and the impact of our interest rate swap agreements. Interest expense increased by $8.6 million to $11.0 million interest expense for the three months ended September 30, 2008 compared to $2.4 million interest expense for the three months ended September 30, 2007. The increase was primarily due to an increase in the average long-term borrowings outstanding during the three months ended September 30, 2008 compared to the three months ended September 30, 2007, which accounted for approximately $7.8 million of an increase in interest expense, net of capitalized interest. In addition, the two interest rate swap agreements entered into during the third quarter of 2007 and the three additional interest rate swap agreements entered into in February 2008 resulted in $0.6 million in interest expense for the three months ended September 30, 2008. Due to events related to the Bankruptcy Filings, all of these interest rate swap positions were terminated in the third quarter of 2008, and we have recorded a $1.5 million liability as of September 30, 2008 with respect to these positions.

Nine months Ended September 30, 2008 Compared to the Nine months Ended September 30, 2007

Service revenues. Service revenues were $149.3 million for the nine months ended September 30, 2008 compared to $44.4 million for the nine months ended September 30, 2007, an increase of $104.9 million, or 236%. Service revenues include revenues from terminalling and storage services and gathering and transportation services. Terminalling and storage revenues increased by $66.0 million to $81.1 million for the nine months ended September 30, 2008 compared to $15.1 million for the nine months ended September 30, 2007, primarily due to revenues generated under both the Throughput Agreement (revenues of $26.3 million for the nine months ended September 30, 2008 compared to revenues of $7.2 million for the nine months ended September 30, 2007) and the Terminalling Agreement (revenues of $49.1 million for the nine months ended September 30, 2008). The Terminalling Agreement was entered into in February 2008 in conjunction with the purchase of the Acquired Asphalt Assets therefore it was not present in the nine months ended September 30, 2007. Historically, our Predecessor was a part of the integrated operations of the Private Company, and neither the Private Company nor the Predecessor recorded revenue associated with the terminalling and storage and gathering and transportation services provided on an intercompany basis.

Accordingly, revenues reflected for all periods prior to the contribution of the crude oil assets, liabilities and operations to the Partnership by the Private Company on July 20, 2007 are substantially services provided to third parties.

Our gathering and transportation services revenue increased by $38.9 million to $68.2 million for the nine months ended September 30, 2008 compared to $29.3 million for the nine months ended September 30, 2007. This increase is primarily due to revenues generated under the Throughput Agreement subsequent to the closing of our initial public offering. Historically, our Predecessor was a part of the integrated operations of the Private Company, and neither the Private Company nor the Predecessor recorded revenue associated with the terminalling and storage and gathering and transportation services provided on an intercompany basis. Accordingly, revenues reflected for all periods prior to the contribution of the crude oil assets, liabilities and operations to the Partnership by the Private Company on July 20, 2007 are substantially services provided to third parties.

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Operating expenses. Operating expenses increased by $30.3 million, or 60%, to $80.4 million for the nine months ended September 30, 2008 compared to $50.1 million for the nine months ended September 30, 2007. Our fuel expenses increased by $13.1 million to $20.5 million for the nine months ended September 30, 2008 compared to $7.4 million for the nine months ended September 30, 2007. The increase in our fuel costs is attributable to the increase in number of transport trucks we operated for the respective periods and the rising price of diesel fuel during the comparative periods. The Throughput Agreement provides for a fuel surcharge, recorded in revenue, which offsets increases in fuel expenses related to either rising diesel prices or force majeure events. Also included in fuel expense for the nine months ended September 30, 2008 is $10.8 million of fuel and power expense associated with the boiler systems utilized to heat our liquid asphalt cement storage tanks that were acquired in February 2008. Under the Terminalling Agreement, this component of fuel expense is passed through to the Private Company. As a result of this agreement, we have recorded $10.8 million in fuel surcharge revenues in relation to fuel and power consumed to operate our liquid asphalt cement storage tanks for the nine months ended September 30, 2008.

Compensation expense increased by $4.7 million to $21.6 million for the nine months ended September 30, 2008 primarily as a result of the purchase of our Acquired Asphalt Assets in February 2008. Our repair and maintenance expenses decreased by $1.5 million to $5.0 million for the nine months ended September 30, 2008 compared to $6.5 million for the nine months ended September 30, 2007, primarily due to the timing of routine maintenance in our gathering and transportation segment. Lease expense related to crude oil tanker trucks increased by $0.9 million to $2.0 million for the nine months ended September 30, 2008. This increase is attributable to the replacement of crude oil transport vehicles that were historically financed through capital leases. As a result of the growth in our property and equipment, our property taxes increased by $1.7 million to $2.3 million for the nine months ended September 30, 2008 compared to $0.6 million for the nine months ended September 30, 2007.

Outside services expenses increased by $1.6 million to $3.2 million for the nine months ended September 30, 2008 compared to $1.6 million for the nine months ended September 30, 2007, primarily due to an increase in third party transportation costs resulting from increased volumes gathered in our gathering and transportation segment. In addition, our utilities expenses increased by $0.4 million to $1.7 million for the nine months ended September 30, 2008 compared to $1.3 million for the nine months ended September 30, 2007, primarily due to growth in our gathering and transportation segment.

Depreciation expense increased by $8.8 million to $15.3 million for the nine months ended September 30, 2008 compared to $6.5 million for the nine months ended September 30, 2007, primarily as a result of capital expenditures in our terminalling and storage segment and as a result of the purchase of our Acquired Asphalt Assets in February 2008.

The nine months ended September 30, 2008 reflects a $0.4 million allowance for doubtful accounts related to amounts due from third parties as of September 30, 2008. The allowance related to amounts due from third parties was established as a result of certain third party customers netting amounts due them from the Private Company with amounts due to us.

General and administrative expenses. General and administrative expenses increased by $22.2 million, or 202%, to $33.2 million for the nine months ended September 30, 2008 compared to $11.0 million for the nine months ended September 30, 2007. Due to the change of control of our general partner related to the Private Company's liquidity issues, all awards outstanding under our long-term incentive plan as of June 30, 2008 vested on July 18, 2008. As a result, general and administrative expenses for the nine months ended September 30, 2008 included $19.4 million in non-cash, equity-based incentive compensation recognized under our long-term incentive plan. General and administrative expenses (exclusive of non-cash compensation expense related to the vesting of the units under the Plan) increased by approximately $6.9 million and $7.5 million, or approximately 300% and 326%, to approximately $9.2 million for the third quarter of 2008 and $9.8 million for the fourth quarter of 2008, respectively, compared to

$2.3 million in the second quarter of 2008. This increase is due to increased costs related to legal and financial advisors as well as other related costs in connection with events related to the Bankruptcy Filings, the securities litigation and governmental investigations, and our efforts to enter into storage contracts with third party customers and pursue other strategic opportunities. We expect this increased level of general and administrative expenses to continue into 2009.

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Interest expense. Interest expense represents interest on capital lease obligations and long-term borrowings under our credit facility and the impact of our interest rate swap agreements. Interest expense increased by $12.5 million to $15.9 million for the nine months ended September 30, 2008 compared to $3.4 million for the nine months ended September 30, 2007. The increase was primarily due to an increase in the average long-term borrowings outstanding during the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007, which accounted for approximately $14.1 million of an increase in interest expense, net of capitalized interest. This increase was partially offset by the two interest rate swap agreements entered into during the third quarter of 2007 and three additional interest rate swap agreements entered into in February 2008, the fair value accounting of which resulted in $2.1 million in interest income for the nine months ended September 30, 2008. Due to events related to the Bankruptcy Filings, all of these interest rate swap positions were terminated in the third quarter of 2008, and we have recorded a $1.5 million liability as of September 30, 2008 with respect to these positions.

Effects of Inflation

In recent years, inflation has been modest and has not had a material impact upon the results of the Partnership's operations.

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Liquidity and Capital Resources

Cash Flows and Capital Expenditures

Cash generated from operations and borrowings under our credit facility have historically been the primary sources of our liquidity. Due to the events related to the Bankruptcy Filings, including uncertainties related to future revenues and cash flows, we do not expect our historical cash flows to be indicative of our future financial cash flows. As of May 22, 2009, we had $423.4 million in outstanding borrowings under our credit facility (including $23.4 million under our revolving credit facility and $400.0 million under our term loan facility) with an aggregate unused credit availability under our revolving credit facility and cash on hand of approximately $27.2 million. Pursuant to the Credit Agreement Amendment (as defined below), our revolving credit facility is limited to $50.0 million. If we are unable to sustain our sources of revenue generation and reestablish our relationships within the credit markets, this cash position may not be sufficient to operate our business over the long-term.

Historically, our predecessor's sources of liquidity included cash generated from operations and funding from the Private Company. The following table summarizes our sources and uses of cash for the nine months ended September 30, 2007 and 2008:

	Nine Months Ended September 30,	
	2007	2008
	(in millions)	
Net cash provided by (used in) operating activities	(11.7)	42.9
Net cash used in investing activities	(18.6)	(519.8)
Net cash provided by financing activities	31.5	493.0

Operating Activities. Net cash provided by operating activities was $42.9 million for the nine months ended September 30, 2008 as compared to the $11.7 million used in operating activities for the nine months ended September 30, 2007. The increase in net cash provided by operating activities is primarily due to a $39.7 million increase in our net income for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007. In addition, cash provided by our operating activities increased due to a $8.8 million increase in depreciation and amortization, a $17.4 million increase in equity based incentive compensation and a $0.5 million increase in allowance for doubtful accounts. The increase was offset by a decrease in our cash provided by changes in working capital of $9.4 million, a decrease in our interest rate swap liability of $2.2 million and a decrease in our unrealized loss related to interest rate swap agreements of $0.6 million.

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Investing Activities. Net cash used in investing activities was $519.8 million for the nine months ended September 30, 2008 compared to $18.6 million for the nine months ended September 30, 2007. This increase is primarily attributable to the purchase of our Acquired Asphalt Assets in February 2008 for approximately $380 million, our purchase of our Acquired Storage Assets in May 2008 for approximately $90 million, and our purchase of our Acquired Pipeline Assets in May 2008 for approximately $45 million. The increase due to the above mentioned purchases were offset by a reduction in capital expenditures primarily resulting from the timing of construction projects in our terminalling and storage segment and gathering and transportation segment.

Financing Activities. Net cash provided by financing activities was $493.0 million for the nine months ended September 30, 2008 as compared to $31.5 million for the nine months ended September 30, 2007. Net cash provided by financing activities for the nine months ended September 30, 2008 is primarily comprised of the change in our net borrowings under our credit facility of $266.0 million and proceeds from the February 2008 public offering, net of offering fees, of $161.2 million, and is offset by distributions paid of $23.7 million for the nine months ended September 30, 2008. Prior to our initial public offering our net cash provided by financing activities primarily comprised of capital contributions received from the Private Company. The capital contributions served to fund our working capital needs and both maintenance and expansion capital expenditure projects that are reflected in net cash used in investing activities for the nine months ended September 30, 2007.

Our Liquidity and Capital Resources

Cash flow from operations and our credit facility are our primary sources of liquidity. At September 30, 2008, we had approximately $101.9 million of availability under our revolving credit facility. As of May 22, 2009, we had an aggregate unused credit availability under our revolving credit facility and cash on hand of approximately $27.2 million. Usage of our revolving credit facility is subject to ongoing compliance with covenants. If we are unable to sustain our sources of revenue generation and reestablish our relationships within the credit markets, this cash position may not be sufficient to operate our business over the long-term. Historically, we have derived a substantial majority of our revenues from services provided to the Private Company, and as such, our liquidity was affected by the liquidity and credit risk of the Private Company. Due to the events related to the Bankruptcy Filings described herein, including the uncertainty relating to future cash flows, we face substantial doubt as to our ability to continue as a going concern.

Capital Requirements. Our operations are capital intensive, requiring significant investment to maintain and upgrade existing operations. Our capital requirements consist of the following:

- maintenance capital expenditures, which are capital expenditures made to maintain the existing integrity and operating capacity of our assets and related cash flows further extending the useful lives of the assets; and

- expansion capital expenditures, which are capital expenditures made to expand or to replace partially or fully depreciated assets or to expand the operating capacity or revenue of existing or new assets, whether through construction, acquisition or modification.

No assurance can be given that we will not be required to restrict our operations because of possible limitations on our ability to obtain financing for our maintenance capital expenditures and our expansion capital expenditures due to restrictions under our credit agreement and the uncertainty related to the Bankruptcy Filings. For example, due to the continuing impact of the Bankruptcy Filing discussed below, we have suspended capital expenditures related to Acquired Pipeline Assets and are evaluating future use of such pipeline.

Our Ability to Grow Depends on Our Ability to Access External Expansion Capital. Our partnership agreement provides that we distribute all of our available cash to our unitholders. Available cash is reduced by cash reserves

established by our general partner to provide for the proper conduct of our business (including for future capital expenditures) and to comply with the provisions of our credit facility. However, we expect that we will continue to rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, rather than cash reserves established by our general partner, to fund our acquisitions and expansion capital expenditures that we may make in the future. We do not expect to make acquisitions or expansion capital expenditures in the near term. Capital expenditures are limited under our credit agreement to $12.5 million in 2009, $8.0 million in 2010 and $4.0 million in 2011. To the extent we are unable to finance growth externally and we are unwilling to establish cash reserves to fund future acquisitions, our cash distribution policy will significantly impair our ability to grow. In addition, because we distribute all of our available cash, we may not grow as quickly as businesses that reinvest their available cash to expand ongoing operations. Pursuant to the Credit Agreement Amendment, we are prohibited from making distributions to our unitholders if our leverage ratio (as defined in the credit agreement) exceeds 3.50 to 1.00. As of September 30, 2008 and December 31, 2008, our leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. If our leverage ratio does not improve, we may not make quarterly distributions to our unitholders in the future. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level, which in turn may impact the available cash that we have to distribute on each unit. There are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to the common units.

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Description of Credit Facility. In July 2007 we entered into a $250.0 million five-year credit facility with a syndicate of financial institutions. In connection with our acquisition of our asphalt assets, we amended this credit facility to increase the total amount we may borrow to $600.0 million.

The credit facility is available for general partnership purposes, including working capital, capital expenditures, distributions and repayment of indebtedness that is assumed in connection with acquisitions. Due to events related to the Bankruptcy Filings, events of default occurred under our credit agreement. Effective on September 18, 2008, we and the requisite lenders under our credit facility entered into a Forbearance Agreement and Amendment to Credit Agreement (the "Forbearance Agreement") under which the lenders agreed, subject to specified limitations and conditions, to forbear from exercising their rights and remedies arising from the defaults and events of default described therein for the period commencing on September 18, 2008 and ending on the earliest of (i) December 11, 2008, (ii) the occurrence of any default or event of default under the credit agreement other than certain defaults and events of default indicated in the Forbearance Agreement, or (iii) the failure of us to comply with any of the terms of the Forbearance Agreement (the "Forbearance Period"). On December 11, 2008, the lenders agreed to extend the Forbearance Period until December 18, 2008 pursuant to a First Amendment to Forbearance Agreement and Amendment to Credit Agreement (the "First Forbearance Amendment"), on December 18, 2008, the lenders agreed to extend the Forbearance Period until March 18, 2009 pursuant to a Second Amendment to Forbearance Agreement and Amendment to Credit Agreement (the "Second Forbearance Amendment"), and on March 18, 2009, the lenders agreed to further extend the Forbearance Period until April 8, 2009 pursuant to a Third Amendment to Forbearance Agreement and Amendment to Credit Agreement (the "Third Forbearance Amendment").

We, our subsidiaries that are guarantors of the obligations under the credit facility, Wachovia Bank, National Association, as Administrative Agent, and the requisite lenders under our credit agreement entered into the Consent, Waiver and Amendment to Credit Agreement (the "Credit Agreement Amendment"), dated as of April 7, 2009, under which, among other things, the lenders consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement and amendments thereto.

Prior to the execution of the Forbearance Agreement, the credit agreement was comprised of a $350 million revolving credit facility and a $250 million term loan facility. The Forbearance Agreement permanently reduced our revolving credit facility under the credit agreement from $350 million to $300 million and prohibited us from borrowing additional funds under our revolving credit facility during the Forbearance Period. Under the Forbearance Agreement, we agreed to pay the lenders executing the Forbearance Agreement a fee equal to 0.25% of the aggregate commitments under the credit agreement after giving effect to the above described commitment reduction. The Second Forbearance Amendment further permanently reduced our revolving credit facility under the credit agreement from $300 million to $220 million. In addition, under the Second Forbearance Amendment, we agreed to pay the lenders executing the Second Forbearance Amendment a fee equal to 0.375% of the aggregate commitments under the credit agreement after the above described commitment reduction. Under the Third Forbearance Amendment, we agreed to pay a fee equal to 0.25% of the aggregate commitments under the credit agreement after the above described commitment reduction. The amendments to the Forbearance Agreement prohibited us from borrowing additional funds under our revolving credit facility during the extended Forbearance Period.

The Credit Agreement Amendment subsequently further permanently reduced our revolving credit facility under the credit agreement from $220 million to $50 million, and increased the term loan facility from $250 million to $400 million. Upon the execution of the Credit Agreement Amendment, $150 million of our outstanding revolving loans were converted to term loans and we became able to borrow additional funds under our revolving credit facility. Pursuant to the Credit Agreement Amendment, the credit facility and all obligatinos thereunder will mature on June 30, 2011. Under the Credit Agreement Amendment, we agreed to pay the lenders executing the Credit Agreement Amendment a fee equal to 2.00% of the aggregate commitments under the credit agreement after the above described commitment reduction, offset by the fee paid pursuant to the Third Forbearance Amendment. As of

May 22, 2009, we had $423.4 million in outstanding borrowings under our credit facility (including $23.4 million under our revolving credit facility and $400.0 million under our term loan facility) with an aggregate unused credit availability under our revolving credit facility and cash on hand of approximately $27.2 million. Pursuant to the Credit Agreement Amendment, our revolving credit facility is limited to $50.0 million. If any of the financial institutions that support our revolving credit facility were to fail, we may not be able to find a replacement lender, which could negatively impact our ability to borrow under our revolving credit facility. For instance, Lehman Brothers Commercial Bank is one of the lenders under our $50.0 million revolving credit facility, and Lehman Brothers Commercial Bank has agreed to fund approximately $2.5 million (approximately 5%) of the revolving credit facility. On several occasions Lehman Brothers Commercial Bank has failed to fund revolving loan requests under our revolving credit facility, effectively limiting the aggregate amount of our revolving credit facility to $47.5 million.

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Prior to the events of default, indebtedness under the credit agreement bore interest at our option, at either (i) the higher of the administrative agent's prime rate or the federal funds rate plus 0.5% (the "Base rate"), plus an applicable margin that ranges from 0.50% to 1.75%, depending on our total leverage ratio and senior secured leverage ratio, or (ii) LIBOR plus an applicable margin that ranges from 1.50% to 2.75%, depending upon our total leverage ratio and senior secured leverage ratio. During the Forbearance Period indebtedness under the credit agreement bore interest at our option, at either (i) the Base rate, plus an applicable margin that ranges from 2.75% to 3.75%, depending upon our total leverage ratio, or (ii) LIBOR plus an applicable margin that ranges from 4.25% to 5.25%, depending upon our total leverage ratio. Pursuant to the Second Forbearance Amendment, commencing on December 12, 2008, indebtedness under the credit agreement bore interest at our option, at either (i) the Base rate plus 5.0% per annum, with a Base rate floor of 4.0% per annum, or (ii) LIBOR plus 6.0% per annum, with a LIBOR floor of 3.0% per annum.

After giving effect to the Credit Agreement Amendment, amounts outstanding under our credit facility bear interest at either the LIBOR rate plus 6.50% per annum, with a LIBOR floor of 3.00%, or the Base rate plus 5.50% per annum, with a Base rate floor of 4.00% per annum. We now pay a fee of 1.50% on unused commitments under our revolving credit facility. After giving effect to the Credit Agreement Amendment, interest on amounts outstanding under our credit facility must be paid monthly. Our credit facility, as amended by the Credit Agreement Amendment, now requires us to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively.

During the three months ended September 30, 2008, the weighted average interest rate incurred by us was 7.04% resulting in interest expense of approximately $8.2 million. During the three months ended December 31, 2008, the weighted average interest rate incurred by us was 7.72% resulting in interest expense of approximately $8.9 million.

Among other things, our credit facility, as amended by the Credit Agreement Amendment, now requires us to make (i) minimum quarterly amortization payments on March 31, 2010 in the amount of $2.0 million, June 30, 2010 in the amount of $2.0 million, September 30, 2010 in the amount of $2.5 million, December 31, 2010 in the amount of $2.5 million and March 31, 2011 in the amount of $2.5 million, (ii) mandatory prepayments of amounts outstanding under the revolving credit facility (with no commitment reduction) whenever cash on hand exceeds $15.0 million, (iii) mandatory prepayments with 100% of asset sale proceeds, (iv) mandatory prepayment with 50% of the proceeds raised through equity sales and (v) annual prepayments with 50% of excess cash flow (as defined in the Credit Agreement Amendment). Our credit facility, as amended by the Credit Agreement Amendment, prohibits us from making draws under the revolving credit facility if we would have more than $15.0 million of cash on hand after making the draw and applying the proceeds thereof.

Under the credit agreement, we are subject to certain limitations, including limitations on our ability to grant liens, incur additional indebtedness, engage in a merger, consolidation or dissolution, enter into transactions with affiliates, sell or otherwise dispose of our assets (other than the sale or other disposition of the assets of the asphalt business, provided that such disposition is at arm's length to a non-affiliate for fair market value in exchange for cash and the proceeds of the disposition are used to pay down outstanding loans), businesses and operations, materially alter the character of our business, and make acquisitions, investments and capital expenditures. The credit agreement prohibits us from making distributions of available cash to our unitholders if any default or event of default (as defined in the credit agreement) exists. The credit agreement, as amended by the Credit Agreement Amendment, requires us to maintain a leverage ratio (the ratio of our consolidated funded indebtedness to our consolidated adjusted EBITDA, in each case as defined in the credit agreement), determined as of the last day of each month for the twelve month period ending on the date of determination, that ranges on a monthly basis from not more than 5.50 to 1.00 to not more than 9.75 to 1.00. In addition, pursuant to the Credit Agreement Amendment, our ability to make acquisitions and investments in unrestricted subsidiaries is limited and we may only make distributions if our leverage

ratio is less than 3.50 to 1.00 and certain other conditions are met. As of September 30, 2008 and December 31, 2008, our leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. If our leverage ratio does not improve, we may not make quarterly distributions to our unitholders in the future.

The credit agreement, as amended by the Credit Agreement Amendment, also requires us to maintain an interest coverage ratio (the ratio of our consolidated EBITDA to our consolidated interest expense, in each case as defined in the credit agreement) that ranges on a monthly basis from not less than 2.50 to 1.00 to not less than 1.00 to 1.00. As of September 30, 2008 and December 31, 2008, our interest coverage ratio was 4.95 to 1.00 and 3.60 to 1.00, respectively.

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Further, we are required to maintain a minimum monthly consolidated adjusted EBITDA for the prior twelve months ranging from $45.4 million to $82.9 million as determined at the end of each month. In addition, capital expenditures are limited to $12.5 million in 2009, $8.0 million in 2010 and $4.0 million in the six months ending June 30, 2011.

The credit agreement specifies a number of events of default (many of which are subject to applicable cure periods), including, among others, failure to pay any principal when due or any interest or fees within three business days of the due date, failure to perform or otherwise comply with the covenants in the credit agreement, failure of any representation or warranty to be true and correct in any material respect, failure to pay debt, a change of control of us or our general partner, and other customary defaults. In addition, it is an event of default under the credit agreement if we do not file our delinquent quarterly and annual reports with the SEC by September 30, 2009, unless we retain new auditors, in which case such deadline is extended to December 31, 2009. If an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity of the credit agreement and exercise other rights and remedies, including taking available cash in our bank accounts. If an event of default exists and we are unable to obtain forbearance from our lenders or a waiver of the events of default under our credit agreement, we may be forced to sell assets, make a bankruptcy filing or take other action that could have a material adverse effect on our business, the price of our common units and our results of operations. We are also prohibited from making cash distributions to our unitholders while the events of default exist.

Contractual Obligations. In addition to the credit facility described above, we entered into the Amended Omnibus Agreement with the Private Company pursuant to which the Private Company provided all employees and support services necessary to run our business prior to the Settlement. The services included, without limitation, operations, marketing, maintenance and repair, legal, accounting, treasury, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes and engineering. The events related to the Bankruptcy Filings terminated the Private Company's obligations to provide services to us under the Amended Omnibus Agreement. The Private Company continued to provide such services to us until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and we and the Private Company entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services (see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company"). In addition, in connection with the Settlement, we made offers of employment to certain individuals associated with our crude oil operations and expect to make additional offers of employment to certain individuals associated with our asphalt operations. The costs to directly employ these individuals as well as the costs under the Shared Services Agreement, the Transition Services Agreement may be higher than those previously paid by us under the Amended Omnibus Agreement, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and our ability to conduct our business.

A summary of our contractual cash obligations over the next several fiscal years, as of September 30, 2008, was as follows:

		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
			(in millions)		
Omnibus Agreement obligations (1)	$ 1.2	$ 1.2	$ -	$ -	$ -
Debt obligations (2)	448.1	-	448.1	-	-
Capital lease obligations	1.4	1.0	0.4	-	-
Operating lease obligations	13.4	3.9	6.5	2.7	0.3

(1) As of September 30, 2008, the Private Company still provided services to us under the Amended Omnibus Agreement and we still paid our general partner and the Private Company a fixed administrative fee, in the amount of $7.0 million per year, for the provision by our general partner and the Private Company of various general and administrative services pursuant to the Amended Omnibus Agreement. The events related to the Bankruptcy Filings terminated the Private Company's obligations to provide services to us under the Amended Omnibus Agreement. The Private Company continued to provide such services to us until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and we and the Private Company entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services (see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company").

(2) Represents required future principal repayments of borrowings under our credit facility, all of which is variable rate debt. All amounts outstanding under the credit facility mature in June 2011. See Note 4 of the Notes to the Consolidated Financial Statements included in Item 1 of this Quarterly Report.

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Recent Accounting Pronouncements

For information regarding recent accounting developments that may affect our future financial statements, see Note 12 of the Notes to the Consolidated Financial Statements included in Item 1 of this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk due to variable interest rates under our credit facility.

As of May 22, 2009 we had $423.4 million outstanding under our credit facility that was subject to a variable interest rate. Interest rate swap agreements were used to manage a portion of the exposure related to changing interest rates by converting floating-rate debt to fixed-rate debt. In August 2007 we entered into interest rate swap agreements with an aggregate notional value of $80.0 million that mature on August 20, 2010. Under the terms of the interest rate swap agreements, we were to pay fixed rates of 4.9% and receive three-month LIBOR with quarterly settlement. In March 2008 we entered into interest rate swap agreements with an aggregate notional value of $100.0 million that mature on March 31, 2011. Under the terms of the interest rate swap agreements, we were to pay fixed rates of 2.6% to 2.7% and receive three-month LIBOR with quarterly settlement. The interest rate swaps do not receive hedge accounting treatment under Statement of Financial Accounting Standard ("SFAS") SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). Changes in the fair value of the interest rate swaps are recorded in interest expense in the statements of operations. In addition, the interest rate swap agreements contain cross-default provisions to events of default under the credit agreement. Due to events related to the Bankruptcy Filings, all of these interest rate swap positions were terminated in the third quarter of 2008, and we have recorded a $1.5 million liability as of September 30, 2008 with respect to these positions.

Prior to the events of default, indebtedness under the credit agreement bore interest at our option, at either (i) the Base rate, plus an applicable margin that ranges from 0.50% to 1.75%, depending on our total leverage ratio and senior secured leverage ratio, or (ii) LIBOR plus an applicable margin that ranges from 1.50% to 2.75%, depending upon our total leverage ratio and senior secured leverage ratio. During the Forbearance Period indebtedness under the credit agreement bore interest at our option, at either (i) the Base rate, plus an applicable margin that ranges from 2.75% to 3.75%, depending upon our total leverage ratio, or (ii) LIBOR plus an applicable margin that ranges from 4.25% to 5.25%, depending upon our total leverage ratio. Pursuant to the Second Forbearance Amendment, commencing on December 12, 2008, indebtedness under the credit agreement bore interest at our option, at either (i) the Base rate plus 5.0% per annum, with a Base rate floor of 4.0% per annum, or (ii) LIBOR plus 6.0% per annum, with a LIBOR floor of 3.0% per annum.

After giving effect to the Credit Agreement Amendment, amounts outstanding under our credit facility bear interest at either the LIBOR rate plus 6.50% per annum, with a LIBOR floor of 3.00%, or the Base rate plus 5.50% per annum, with a Base rate floor of 4.00% per annum. We now pay a fee of 1.50% on unused commitments under our revolving credit facility. After giving effect to the Credit Agreement Amendment, interest on amounts outstanding under our credit facility must be paid monthly. Our credit facility, as amended by the Credit Agreement Amendment, now requires us to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively.

During the three months ended September 30, 2008, the weighted average interest rate incurred by us was 7.04% resulting in interest expense of approximately $8.2 million. During the three months ended December 31, 2008, the weighted average interest rate incurred by us was 7.72% resulting in interest expense of approximately $8.9 million.

Due to the Forbearance Agreement, the Second Forbearance Amendment and the Credit Agreement Amendment, we expect our interest expense to continue to increase as compared to our interest expense prior to the Bankruptcy Filings. Changes in economic conditions could result in higher interest rates, thereby increasing our interest expense and reducing our funds available for capital investment, operations or distributions to our unitholders. Additionally, if domestic interest rates continue to increase, the interest rates on any of our future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. Based on current borrowings, an increase or decrease of 100 basis points in the interest rate will result in increased or decreased, respectively, annual interest expenses of $4.2 million.

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Item 4T. Controls and Procedures

Evaluation of disclosure controls and procedures. Our general partner's management, including the Chief Executive Officer and Chief Financial Officer of our general partner, evaluated as of the end of the period covered by this report, the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of our general partner concluded that our disclosure controls and procedures, as of September 30, 2008, were effective.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. However, since the beginning of the third quarter of 2008, the Private Company has made the Bankruptcy Filings, and a subcommittee of our Board conducted an internal review, both as discussed elsewhere in this report. One of the findings by counsel for such subcommittee was that certain senior executive officers of our general partner, who were also senior executive officers of the Private Company, showed at least some indifference to known or easily discoverable facts and had access to and reviewed financial information from which they could have developed an earlier understanding of the nature and significance of the trading activities that led to the Private Company's liquidity problems. For a discussion of the internal review, please see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events – Internal Review."

After completion of the internal review, a plan was developed with the advice of the Audit Committee of the Board to further strengthen our processes and procedures. This plan includes, among other things, reevaluating executive officers and accounting and finance personnel (including a realignment of officers as described elsewhere in this report) and hiring, as deemed necessary, additional accounting and finance personnel or consultants; reevaluating our internal audit function and determining whether to expand the duties and responsibilities of such group; evaluating the comprehensive training programs for all management personnel covering, among other things, compliance with controls and procedures, revising the reporting structure so that the Chief Financial Officer reports directly to the Audit Committee, and increasing the business and operational oversight role of the Audit Committee.

We and our general partner rely upon the Private Company for our personnel, including those related to designing and implementing internal controls and disclosure controls and procedures. Staff reductions by the Private Company or other departures by the Private Company's employees that provide services to us could have a material adverse effect on internal controls and the effectiveness of disclosure controls and procedures. Management is in the process of evaluating any such potential impact and is preparing a transition plan that may include, among other items, hiring additional personnel and the redesign and implementation of internal controls and disclosure controls and procedures as needed.

Pursuant to the Amended Omnibus Agreement with the Private Company, the Private Company operated our assets and performed other administrative services for us such as accounting, legal, regulatory, development, finance, land and engineering. The events related to the Bankruptcy Filings terminated the Private Company's obligations to provide services to us under the Amended Omnibus Agreement. The Private Company continued to provide such services to us until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and we and the Private Company entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services. If the Private Company stops providing these services we may incur increased costs to replace these services and our financial results may suffer. In addition, in connection with the Settlement, we made offers of employment to certain individuals associated with our crude oil operations and expect to make additional offers of employment to certain individuals associated with our asphalt operations. The costs to directly employ these individuals as well as the costs under the Shared Services Agreement and the Transition Services Agreement may be higher than those previously paid by us under the Amended Omnibus Agreement, which

could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and our ability to conduct our business.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On July 21, 2008, we received a letter from the staff of the SEC giving notice that the SEC is conducting an inquiry relating to us and requesting, among other things, that we voluntarily preserve, retain and produce to the SEC certain documents and information relating primarily to our disclosures respecting the Private Company's liquidity issues, which were the subject of our July 17, 2008 press release. On October 22, 2008, we received a subpoena from the SEC pursuant to a formal order of investigation requesting certain documents relating to, among other things, the Private Company's liquidity issues. We have been cooperating, and intend to continue cooperating, with the SEC in its investigation.

On July 23, 2008, we and our general partner each received a Grand Jury subpoena from the United States Attorney's Office in Oklahoma City, Oklahoma, requiring, among other things, that we and our general partner produce financial and other records related to our July 17, 2008 press release. We have been informed that the U.S. Attorneys' Offices for the Western District of Oklahoma and the Northern District of Oklahoma are in discussions regarding the subpoenas, and no date has been set for a response to the subpoenas. We and our general partner intend to cooperate fully with this investigation if and when it proceeds.

Between July 21, 2008 and September 4, 2008, the following class action complaints were filed:

1. Poelman v. SemGroup Energy Partners, L.P., et al., Civil Action No. 08-CV-6477, in the United States District Court for the Southern District of New York (filed July 21, 2008). The plaintiff voluntarily dismissed this case on August 26, 2008;

2. Carson v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-425, in the Northern District of Oklahoma (filed July 22, 2008);

3. Charles D. Maurer SIMP Profit Sharing Plan f/b/o Charles D. Maurer v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-6598, in the United States District Court for the Southern District of New York (filed July 25, 2008);

4. Michael Rubin v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7063, in the United States District Court for the Southern District of New York (filed August 8, 2008);

5. Dharam V. Jain v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7510, in the United States District Court for the Southern District of New York (filed August 25, 2008); and

6. William L. Hickman v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7749, in the United States District Court for the Southern District of New York (filed September 4, 2008).

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Pursuant to a motion filed with the MDL Panel, the Maurer case has been transferred to the Northern District of Oklahoma and consolidated with the Carson case. The Rubin, Jain, and Hickman cases have also been transferred to the Northern District of Oklahoma.

A hearing on motions for appointment as lead plaintiff was held in the Carson case on October 17, 2008. At that hearing, the court granted a motion to consolidate the Carson and Maurer cases for pretrial proceedings, and the consolidated litigation is now pending as In Re: SemGroup Energy Partners, L.P. Securities Litigation, Case No. 08-CV-425-GKF-PJC. The court entered an order on October 27, 2008, granting the motion of Harvest Fund Advisors LLC to be appointed lead plaintiff in the consolidated litigation. On January 23, 2009, the court entered a Scheduling Order providing, among other things, that the lead plaintiff may file a consolidated amended complaint within 70 days of the date of the order, and that defendants may answer or otherwise respond within 60 days of the date of the filing of a consolidated amended complaint. On January 30, 2009, the lead plaintiff filed a motion to modify the stay of discovery provided for under the Private Securities Litigation Reform Act. The court granted Plaintiff's motion, and we and certain other defendants filed a Petition for Writ of Mandamus in the Tenth Circuit Court of Appeals that was denied after oral argument on April 24, 2009.

The lead plaintiff obtained an extension to file its consolidated amended complaint until May 4, 2009; defendants have 60 days from that date to answer or otherwise respond to the complaint.

The lead plaintiff filed a consolidated amended complaint on May 4, 2009. In that complaint, filed as a putative class action on behalf of all purchasers of our units from July 17, 2007 to July 17, 2008 (the “class period”), lead plaintiff asserts claims under the federal securities laws against us, our general partner, certain of our current and former officers and directors, certain underwriters in our initial and secondary public offerings, and certain entities who were investors in the Private Company and their individual representatives who served on the Private Company’s management committee. Among other allegations, the amended complaint alleges that our financial condition throughout the class period was dependent upon speculative commodities trading by the Private Company and its Chief Executive Officer, Thomas L. Kivisto, and that Defendants negligently and intentionally failed to disclose this speculative trading in our public filings during the class period. Specifically, the amended complaint alleges claims for violations of sections 11, 12(a)(2), and 15 of the Securities Act of 1933 for damages and rescission with respect to all persons who purchased our units in the initial and secondary offerings, and also asserts claims under section 10b, Rule 10b-5, and section 20(a) of the Securities and Exchange Act of 1934. The amended complaint seeks certification as a class action under the Federal Rules of Civil Procedure, compensatory and rescissory damages for class members, pre-judgment interest, costs of court, and attorneys’ fees.

We intend to vigorously defend these actions. There can be no assurance regarding the outcome of the litigation. An estimate of possible loss, if any, or the range of loss cannot be made and therefore we have not accrued a loss contingency related to these actions. However, the ultimate resolution of these actions could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of the our common units and our ability to conduct our business.

In March and April 2009, nine current or former executives of the Private Company and certain of its affiliates filed wage claims with the Oklahoma Department of Labor against our general partner. Their claims arise from our general partner’s Long-Term Incentive Plan, Employee Phantom Unit Agreement (“Phantom Unit Agreement”). Most claimants allege that phantom units previously awarded to them vested upon the Change of Control that occurred in July 2008. One claimant alleges that his phantom units vested upon his termination. The claimants contend our general partner’s failure to deliver certificates for the phantom units within 60 days after vesting has caused them to be damaged, and they seek recovery of approximately $2 million in damages and penalties. On April 30, 2009, all of the wage claims were dismissed on jurisdictional grounds by the Department of Labor. Our general partner intends to vigorously defend these claims.

We may become the subject of additional private or government actions regarding these matters in the future. Litigation may be time-consuming, expensive and disruptive to normal business operations, and the outcome of litigation is difficult to predict. The defense of these lawsuits may result in the incurrence of significant legal expense, both directly and as the result of our indemnification obligations. The litigation may also divert management's attention from our operations which may cause our business to suffer. An unfavorable outcome in any of these matters may have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of the our common units and our ability to conduct our business. All or a portion of the defense costs and any amount we may be required to pay to satisfy a judgment or settlement of these claims may not be covered by insurance.

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Item 1A. Risk Factors

Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. You should carefully consider the following risk factors together with all of the other information included in this report. If any of the following risks were actually to occur, our business, financial condition, or results of operations could be materially adversely affected. In that case, we might not be able to pay distributions on our common units, the trading price of our common units could decline and our unitholders could lose all or part of their investment.

Risks Related to the Bankruptcy Filings

The Bankruptcy Filings may have a material adverse effect on our results of operations and our ability to make distributions to our unitholders.

On July 22, 2008, the Private Company made the Bankruptcy Filings. The Private Company and its subsidiaries continue to operate their businesses and own and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. None of we, our general partner, our subsidiaries nor our general partner's subsidiaries are debtors in the Bankruptcy Cases.

As of the date of the Bankruptcy Filings, we were party to various agreements with the Private Company and its subsidiaries, including subsidiaries that are debtors in the Bankruptcy Cases. Under the Throughput Agreement, we provided certain crude oil gathering, transportation, terminalling and storage services to a subsidiary of the Private Company that is a debtor in the Bankruptcy Cases. Under the Terminalling Agreement, we provided certain liquid asphalt cement terminalling and storage services to a subsidiary of the Private Company that is a debtor in the Bankruptcy Cases. For the nine months ended September 30, 2008 and the year ended December 31, 2008, we derived approximately 81% and approximately 73%, respectively, of our revenues, excluding fuel surcharge revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks, from services we provided to the Private Company and its subsidiaries. Prior to the Order and the Settlement, the Private Company was obligated to pay us minimum monthly fees totaling $76.1 million annually and $58.9 million annually in respect of the minimum commitments under the Throughput Agreement and the Terminalling Agreement, respectively, regardless of whether such services were actually used by the Private Company. The Order required the Private Company to make certain payments under the Throughput Agreement and Terminalling Agreement during a portion of the third quarter of 2008, including the contractual minimum payments under the Terminalling Agreement. In connection with the Settlement, we waived the fees due under the Terminalling Agreement during March 2009. In addition, the Private Company rejected the Throughput Agreement and the Terminalling Agreement and we and the Private Company entered into the New Throughput Agreement and the New Terminalling Agreement. We expect revenues from services provided to the Private Company under the New Throughput Agreement and New Terminalling Agreement to be substantially less than prior revenues from services provided to the Private Company as the new agreements are based upon actual volumes gathered, transported, terminalled and stored instead of certain minimum volumes and are at reduced rates when compared to the Throughput Agreement and Terminalling Agreement. See " The Private Company has rejected certain contracts it has with us as part of the Bankruptcy Cases, which could have a material adverse effect on our results of operations, cash flows and ability to make distributions to our unitholders."

We have been pursuing opportunities to provide crude oil terminalling and storage services and crude oil gathering and transportation services to third parties. Although average rates for the new third-party crude oil terminalling and storage and transportation and gathering contracts are comparable with those previously received from the Private Company, the volumes being terminalled, stored, transported and gathered have decreased as compared to periods prior to the Bankruptcy Filings, which has negatively impacted total revenues. As an example, fourth quarter 2008

total revenues are approximately $8.2 million less than third quarter 2008 total revenues, in each case excluding fuel surcharge revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks. In addition, we have recently entered into leases and storage agreements with third parties relating to certain of our asphalt facilities. The revenues that we will receive pursuant to these leases and storage agreements will be less than the revenues received under the Terminalling Agreement with the Private Company.

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There can be no assurance that our efforts to increase the third party revenue will be successful. In addition, certain third parties may be less likely to enter into business transactions with us due to the Bankruptcy Filings. The Private Company may also choose to curtail its operations or liquidate its assets as part of the Bankruptcy Cases. As a result, unless we are able to generate additional third party revenues, we will continue to experience lower volumes in our system which could have a material adverse effect on our results of operations and cash flows.

We may not be able to continue as a going concern.

The financial statements included in this Form 10-Q have been prepared assuming we will continue as a going concern, though such an assumption may not be true. We earned 81% of our revenues, excluding fuel surcharge revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks, for the nine months ended September 30, 2008 from the Private Company, which commenced the Bankruptcy Cases in July 2008, the effects of which are more fully described herein. The Bankruptcy Cases, as well as other events and uncertainties related to the Bankruptcy Filings, raise substantial doubt about our ability to continue as a going concern. While it is not feasible to predict the ultimate outcome of the events surrounding the Bankruptcy Cases, we have been and could continue to be materially and adversely affected by such events and we may be forced to make a bankruptcy filing or take other action that could have a material adverse effect on our business, the price of our common units and our results of operations. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 2 to the unaudited consolidated financial statements.

The Private Company has rejected certain contracts it has with us as part of the Bankruptcy Cases, which could have a material adverse effect on our results of operations, cash flows and ability to make distributions to our unitholders.

In connection with the Settlement, among other things, the Private Company rejected certain agreements, including the Terminalling Agreement, the Throughput Agreement and the Amended Omnibus Agreement (see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company”). We may not be able to replace the volumes provided by the Private Company under these agreements and any contracts we make with third parties may be for prices that are less than those charged the Private Company under the Throughput Agreement and the Terminalling Agreement, which could have a material adverse effect on our results of operations, cash flows and ability to make distributions to our unitholders.

We have recently entered into leases and storage agreements with third parties relating to 39 of our 46 asphalt facilities. The revenues that we will receive pursuant to these leases and storage agreements will be less than the revenues received under the Terminalling Agreement with the Private Company. Without sufficient revenues from our asphalt assets, we may be unable to meet the covenants, including the minimum liquidity, minimum EBITDA and minimum receipt requirements, under our credit agreement. Any significant decrease in the amount of revenues that we receive from our liquid asphalt cement terminalling and storage operations could have a material adverse effect on our cash flows, financial condition and results of operations.

The Private Company may assert claims against us in the Bankruptcy Cases which could have a material adverse effect on our cash flows and ability to make distributions to our unitholders.

Pursuant to the Settlement, the Private Company released certain of its claims against us. However, there may be other claims against us, that have not been released in connection with the Settlement. If claims are identified, such claims may prompt the filing of lawsuits in the Bankruptcy Cases to seek monetary damages or to challenge or to seek to unwind transactions with us under the bankruptcy laws. Such litigation may be expensive and, if successful, would have a material adverse effect on our business, financial condition, results of operations, ability to make distributions to our unitholders and the trading price of our common units.

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We did not make a distribution for the second quarter, third quarter or fourth quarter of 2008 and the first quarter of 2009, do not expect to make a distribution for the second quarter of 2009 at this time and may not make distributions in the future.

We did not make a distribution to our common unitholders, subordinated unitholders or general partner attributable to the results of operations for the quarters ended June 30, 2008, September 30, 2008, December 31, 2008 or March 31, 2009 due to the events of default under our credit agreement and the uncertainty of our future cash flows relating to the Bankruptcy Filings. Our unitholders will be required to pay taxes on their share of our taxable income even though they did not receive a cash distribution for such periods. In addition, we do not currently expect to make a distribution relating to the second quarter of 2009. See "—Tax Risks to Common Unitholders—Our unitholders have been and will be required to pay taxes on their share of our taxable income even if they have not or do not receive any cash distributions from us." We distributed approximately $14.3 million to our unitholders for the three months ended March 31, 2008. Pursuant to the Credit Agreement Amendment, we are prohibited from making distributions to our unitholders if our leverage ratio (as defined in the credit agreement) exceeds 3.50 to 1.00. As of September 30, 2008 and December 31, 2008, our leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. We are uncertain as to when, if ever, our leverage ratio will be below 3.50 to 1.00 and therefore we are uncertain as to when or if we may again make distributions to our unitholders. Our partnership agreement provides that, during the subordination period, which we are currently in, our common units have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.3125 per common unit per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units.

We are exposed to the credit risk of the Private Company and the material nonperformance by the Private Company could reduce our ability to make distributions to our unitholders.

In connection with the Settlement we entered into the New Terminalling Agreement, the New Throughput Agreement, the Shared Services Agreement and the Transition Services Agreement. Pursuant to such agreements we continue to rely upon the Private Company for a portion of our revenues and to perform certain operational and administrative services for us. The Private Company has defaulted under its credit facilities and its indenture relating to its senior notes. Moody's and Fitch Ratings have withdrawn their ratings of the Private Company due to the Bankruptcy Filings. Any material nonperformance under the New Throughput Agreement, the New Terminalling Agreement, the Shared Services Agreement or the Transition Services Agreement by the Private Company could materially and adversely impact our results of operations and our ability to operate and make distributions to our unitholders. See " The Private Company has rejected certain contracts it has with us as part of the Bankruptcy Cases, which could have a material adverse effect on our results of operations, cash flows and ability to make distributions to our unitholders."

Though we have no indebtedness rated by any credit rating agency, we may have rated debt in the future. Credit rating agencies such as Moody's and Fitch Ratings may consider the Private Company's debt ratings when assigning ours, because of the Private Company's ownership interest in us, the strong operational links between the Private Company and us, and our reliance on the Private Company for a portion of our revenues. Due to the Private Company's default of its indebtedness and the uncertainty related to the Bankruptcy Filings, we could experience an increase in our borrowing costs or difficulty accessing capital markets if we are able to access them at all. Such a development could adversely affect our ability to grow our business and to make distributions to unitholders.

Prior to the Settlement, we did not have employees and relied solely on the employees of the Private Company. We continue to rely upon the Private Company for certain operational and administrative services and may experience increased costs as we begin employing individuals directly associated with our operations.

As is the case with many publicly traded partnerships, we have not historically directly employed any persons responsible for managing or operating us or for providing services relating to day-to-day business affairs. Pursuant to the Amended Omnibus Agreement, the Private Company operated our assets and performed other administrative services for us such as accounting, legal, regulatory, development, finance, land and engineering. The events related to the Bankruptcy Filings terminated the Private Company's obligations to provide services to us under the Amended Omnibus Agreement. The Private Company continued to provide such services to us until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and we and the Private Company entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services. In addition, in connection with the Settlement, we made offers of employment to certain individuals associated with our crude oil operations and expect to make additional offers of employment to certain individuals associated with our asphalt operations. The costs to directly employ these individuals as well as the costs under the Shared Services Agreement and the Transition Services Agreement may be higher than those previously paid by us under the Amended Omnibus Agreement, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and our ability to conduct our business.

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In addition, in connection with the Settlement, we agreed to not solicit the Private Company's employees for a year from the time of the Settlement. In connection with the Bankruptcy Cases, the Private Company may reduce a substantial number of its employees or some of the Private Company's employees may choose to terminate their employment with the Private Company, some of whom may currently be providing general and administrative and operating services to us under the Shared Services Agreement or the Transition Services Agreement. Any reductions in critical personnel who provide services to us and any increased costs to replace such personnel could have a material adverse effect on our ability to conduct our business and our results of operations.

Certain of our officers are also officers of the Private Company.

Prior to the events surrounding the Bankruptcy Filings, the officers of our general partner were also employees and officers or directors of the Private Company. Messrs. Foxx and Stallings resigned the positions each officer held with SemGroup, L.P. in July 2008. Mr. Brochetti had previously resigned from his position with SemGroup, L.P. in March 2008. Mr. Parsons left the employment of SemGroup, L.P. in March 2009. Messrs. Foxx, Brochetti, Stallings, and Parsons remain as officers of our general partner. Mr. Schwiering continues to serve as an officer of the Private Company and may have conflicts of interest and may favor the Private Company's interests over our interests when conducting our operations.

Our interests may be adverse to the Private Company's interests due to the Bankruptcy Filings.

If the Private Company fails to make its payments under the New Throughput Agreement or the New Terminalling Agreement or otherwise fails to perform under the contracts we have with the Private Company, we may have potential claims against the Private Company's bankruptcy estate. In addition, we may also have additional claims against the Private Company that were not released in connection with the Settlement. Any claims made by us against the Private Company in the Bankruptcy Cases will be subject to the claim allowance procedure provided in the Bankruptcy Code and Bankruptcy Rules. If an objection is filed, the Bankruptcy Court would determine the extent to which any claim that is objected to is allowed and the priority of such claims. We are uncertain regarding the ultimate amount of any potential damages for breaches of contract or other claims that we may be able to establish in the bankruptcy proceedings and we cannot predict the amounts, if any, that we will collect or the timing of any such collection, but such losses could be substantial and could have a material adverse effect on our ability to conduct our business and our results of operations.

In connection with the Settlement, the Private Company has rejected the Terminalling Agreement and the Throughput Agreement. We have a $35 million unsecured claim relating to rejection of the Terminalling Agreement in the Bankruptcy Cases. In addition, we have a $20 million unsecured claim against the Private Company relating to rejection of the Throughput Agreement (see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company").

As a result of these items, our interests may be adverse to the Private Company's interests. The Private Company provides various administrative and operational services for us pursuant to the Shared Services Agreement and the Transition Services Agreement. In addition, we rely upon the Private Company's personnel for the implementation of certain of our internal controls. The progress of the Bankruptcy Cases may influence the Private Company's decision to continue providing any of these services, which could have a material adverse effect on our ability to conduct our business and results of operations.

We may experience significant costs in changing our name and trademark.

In connection with the Settlement, we and the Private Company entered into the Trademark Agreement, pursuant to which the Private Company granted us a non-exclusive, worldwide license to use certain trade names, including the name "SemGroup" and the corresponding mark, until December 31, 2009, and the Private Company waived claims for infringement relating to such trade names and mark prior to the effective date of such Trademark Agreement (see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company"). As such, we will be required to change our name and trademark upon or prior to the expiration of the Trademark Agreement. The expenses associated with such a change may be significant, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and our ability to conduct our business.

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Without sufficient revenues from our asphalt assets, we may be unable to meet the covenants under our credit agreement.

Historically, we provided liquid asphalt cement terminalling and storage services to the Private Company pursuant to the Terminalling Agreement. In connection with the Settlement, the Private Company rejected the Terminalling Agreement and we and the Private Company entered into the New Terminalling Agreement whereby we provide liquid asphalt cement terminalling and storage services to the Private Company in connection with its remaining asphalt inventory. The New Terminalling Agreement has an initial term that ends on October 31, 2009 and the Private Company has agreed to remove all of its existing asphalt inventory no later than such date, and we expect that the Private Company may remove it much earlier than such date. Also in connection with the Settlement, the Private Company transferred certain asphalt assets to us that were connected to our existing asphalt assets.

The asphalt industry in the United States is characterized by a high degree of seasonality. Much of this seasonality is due to the impact that weather conditions have on road construction schedules, particularly in cold weather states. Refineries produce liquid asphalt cement year round, but the peak asphalt demand season is during the warm weather months when most of the road construction activity in the United States takes place. As a result, liquid asphalt cement is typically purchased from refineries at low prices in the low demand winter months and then processed and sold at higher prices in the peak summer demand season. Any significant decrease in the amount of revenues that we receive from our liquid asphalt cement terminalling and storage operations could have a material adverse effect on our cash flows, financial condition and results of operations.

We have recently entered into leases and storage agreements with third parties relating to certain of our asphalt facilities. The revenues that we will receive pursuant to these leases and storage agreements will be less than the revenues received under the Terminalling Agreement with the Private Company. Without sufficient revenues from our asphalt assets, we may be unable to meet the covenants, including the minimum liquidity, minimum EBITDA and minimum receipt requirements, under our credit agreement (see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company”).

Our future operations and cash flows are uncertain and may cause events of default under our credit agreement.

Our future operations and cash flows, especially those related to our asphalt operations, are uncertain. The covenants and other requirements under our credit facility were designed using certain projections and assumptions relating to revenues, EBITDA and cash flows. In addition, our interest expense has increased due to our entering into the Forbearance Agreement, as amended, and the Credit Agreement Amendment. For example, the weighted average interest rate incurred by us during the three months ended September 30, 2008 was 7.04% resulting in interest expense of approximately $8.2 million as compared to a weighted average interest rate incurred by us of 7.72% during the three months ended December 31, 2008 resulting in interest expense of approximately $8.9 million. This increased interest expense may have a material adverse effect on our cash flows and results of operations. In addition, it is an event of default under the credit agreement if we do not file our delinquent quarterly and annual reports with the SEC by September 30, 2009, unless we retain new auditors, in which case such deadline is extended to December 31, 2009.

If an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity of the credit agreement and exercise other rights and remedies, including taking the available cash in our bank accounts. If an event of default exists and we are unable to obtain forbearance from our lenders or a waiver of the events of default under our credit agreement, we may be forced to sell assets, make a bankruptcy filing or take other action that could have a material adverse effect on our business, the price of our common units and our results of operations. We are also prohibited from making cash distributions to our unitholders while the events of default exist. Certain lenders under our credit facility are also lenders under the Private Company’s credit facility. The progress of the Private

Company’s bankruptcy proceedings may influence the decisions of these lenders relating to our credit facility which could adversely affect us.

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We are subject to an SEC inquiry and a Federal Grand Jury subpoena.

On July 21, 2008, we received a letter from the staff of the SEC giving notice that the SEC is conducting an inquiry relating to us and requesting, among other things, that we voluntarily preserve, retain and produce to the SEC certain documents and information relating primarily to our disclosures respecting the Private Company's liquidity issues, which were the subject of our July 17, 2008 press release. On October 22, 2008, we received a subpoena from the SEC pursuant to a formal order of investigation requesting certain documents relating to, among other things, the Private Company's liquidity issues. We have been cooperating, and intend to continue cooperating, with the SEC in its investigation.

On July 23, 2008, we and our general partner each received a Grand Jury subpoena from the United States Attorney's Office in Oklahoma City, Oklahoma, requiring, among other things, that we and our general partner produce financial and other records related to our July 17, 2008 press release. We have been informed that the U.S. Attorneys' Offices for the Western District of Oklahoma and the Northern District of Oklahoma are in discussions regarding the subpoenas, and no date has been set for a response to the subpoenas. We and our general partner intend to cooperate fully with this investigation if and when it proceeds.

In the event that either the SEC inquiry or the Grand Jury investigation leads to action against any of our current or former directors or officers, or the Partnership itself, the trading price of our common units may be adversely impacted. In addition, the SEC inquiry and the Grand Jury investigation may result in the incurrence of significant legal expense, both directly and as the result of our indemnification obligations. These matters may also divert management's attention from our operations which may cause our business to suffer. If we are subject to adverse findings in either of these matters, we could be required to pay damages or penalties or have other remedies imposed upon us which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make distributions to our unitholders. All or a portion of the defense costs and any amount we may be required to pay in connection with the resolution of these matters may not be covered by insurance.

We have been named as a party in lawsuits and may be named in additional litigation in the future, all of which could result in an unfavorable outcome and have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and our ability to conduct our business.

Between July 21, 2008 and September 4, 2008, the following class action complaints were filed:

1. Poelman v. SemGroup Energy Partners, L.P., et al., Civil Action No. 08-CV-6477, in the United States District Court for the Southern District of New York (filed July 21, 2008). The plaintiff voluntarily dismissed this case on August 26, 2008;

2. Carson v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-425, in the Northern District of Oklahoma (filed July 22, 2008);

3. Charles D. Maurer SIMP Profit Sharing Plan f/b/o Charles D. Maurer v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-6598, in the United States District Court for the Southern District of New York (filed July 25, 2008);

4. Michael Rubin v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7063, in the United States District Court for the Southern District of New York (filed August 8, 2008);

5. Dharam V. Jain v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7510, in the United States District Court for the Southern District of New York (filed August 25, 2008); and

6. William L. Hickman v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7749, in the United States District Court for the Southern District of New York (filed September 4, 2008).

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Pursuant to a motion filed with the MDL Panel, the Maurer case has been transferred to the Northern District of Oklahoma and consolidated with the Carson case. The Rubin, Jain, and Hickman cases have also been transferred to the Northern District of Oklahoma.

A hearing on motions for appointment as lead plaintiff was held in the Carson case on October 17, 2008. At that hearing, the court granted a motion to consolidate the Carson and Maurer cases for pretrial proceedings, and the consolidated litigation is now pending as In Re: SemGroup Energy Partners, L.P. Securities Litigation, Case No. 08-CV-425-GKF-PJC. The court entered an order on October 27, 2008, granting the motion of Harvest Fund Advisors LLC to be appointed lead plaintiff in the consolidated litigation. On January 23, 2009, the court entered a Scheduling Order providing, among other things, that the lead plaintiff may file a consolidated amended complaint within 70 days of the date of the order, and that defendants may answer or otherwise respond within 60 days of the date of the filing of a consolidated amended complaint. On January 30, 2009, the lead plaintiff filed a motion to modify the stay of discovery provided for under the Private Securities Litigation Reform Act. The court granted Plaintiff's motion, and we and certain other defendants filed a Petition for Writ of Mandamus in the Tenth Circuit Court of Appeals that was denied after oral argument on April 24, 2009.

The lead plaintiff obtained an extension to file its consolidated amended complaint until May 4, 2009; defendants have 60 days from that date to answer or otherwise respond to the complaint.

The lead plaintiff filed a consolidated amended complaint on May 4, 2009. In that complaint, filed as a putative class action on behalf of all purchasers of our units from July 17, 2007 to July 17, 2008 (the “class period”), lead plaintiff asserts claims under the federal securities laws against us, our general partner, certain of our current and former officers and directors, certain underwriters in our initial and secondary public offerings, and certain entities who were investors in the Private Company and their individual representatives who served on the Private Company’s management committee. Among other allegations, the amended complaint alleges that our financial condition throughout the class period was dependent upon speculative commodities trading by the Private Company and its Chief Executive Officer, Thomas L. Kivisto, and that Defendants negligently and intentionally failed to disclose this speculative trading in our public filings during the class period. Specifically, the amended complaint alleges claims for violations of sections 11, 12(a)(2), and 15 of the Securities Act of 1933 for damages and rescission with respect to all persons who purchased our units in the initial and secondary offerings, and also asserts claims under section 10b, Rule 10b-5, and section 20(a) of the Securities and Exchange Act of 1934. The amended complaint seeks certification as a class action under the Federal Rules of Civil Procedure, compensatory and rescissory damages for class members, pre-judgment interest, costs of court, and attorneys’ fees.

We intend to vigorously defend these actions. There can be no assurance regarding the outcome of the litigation.

In March and April 2009, nine current or former executives of the Private Company and certain of its affiliates filed wage claims with the Oklahoma Department of Labor against our general partner. Their claims arise from our general partner’s Long-Term Incentive Plan, Employee Phantom Unit Agreement (“Phantom Unit Agreement”). Most claimants allege that phantom units previously awarded to them vested upon the Change of Control that occurred in July 2008. One claimant alleges that his phantom units vested upon his termination. The claimants contend our general partner’s failure to deliver certificates for the phantom units within 60 days after vesting has caused them to be damaged, and they seek recovery of approximately $2 million in damages and penalties. On April 30, 2009, all of the wage claims were dismissed on jurisdictional grounds by the Department of Labor. Our general partner intends to vigorously defend these claims.

We may become the subject of additional private or government actions regarding these matters in the future. Litigation may be time-consuming, expensive and disruptive to normal business operations, and the outcome of litigation is difficult to predict. The defense of these lawsuits may result in the incurrence of significant legal

expense, both directly and as the result of our indemnification obligations. The litigation may also divert management's attention from our operations which may cause our business to suffer. An unfavorable outcome in any of these matters may have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of the our common units and our ability to conduct our business. All or a portion of the defense costs and any amount we may be required to pay to satisfy a judgment or settlement of these claims may not be covered by insurance.

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We may experience increased losses as a result of waivers relating to the Private Company's indemnification obligations.

In the Amended Omnibus Agreement and other agreements with the Private Company, the Private Company agreed to indemnify us for certain environmental and other claims relating to the crude oil and liquid asphalt cement assets that have been contributed to us. In connection with the Settlement, we waived these claims and the Amended Omnibus Agreement and other relevant agreements, including the indemnification provisions therein, were rejected as part of the Bankruptcy Proceedings. If we experience an environmental or other loss, we would experience increased losses which may have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to make distributions to our unitholders, the trading price of our common units and the ability to conduct our business.

Our common units were delisted from the Nasdaq and are currently quoted on the Pink Sheets, which may make buying or selling our common units more difficult.

Effective at the opening of business on February 20, 2009, our common units were delisted from Nasdaq due to our failure to timely file this Quarterly Report as well as our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008. We filed our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 on March 23, 2008. Our common units are currently traded on the Pink Sheets, which is an over-the-counter securities market, under the symbol SGLP.PK. The fact that our common units are not listed on a national securities exchange is likely to make trading such common units more difficult for broker-dealers, unitholders and investors, potentially leading to further declines in the price of our common units. In addition, it may limit the number of institutional and other investors that will consider investing in our common units, which may have an adverse effect on the price of our common units. It may also make it more difficult for us to raise capital in the future.

We continue to work to become compliant with our SEC reporting obligations and intend to promptly seek the relisting of our common units on Nasdaq as soon as practicable after we have become compliant with such reporting obligations. However, there can be no assurances that we will be able to relist our common units on Nasdaq or any other national securities exchange and we may face a lengthy process to relist our common units if we are able to relist them at all.

If our general partner fails to develop or maintain an effective system of internal controls, then we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential unitholders could lose confidence in our financial reporting, which would harm our business and the trading price of our common units.

SemGroup Energy Partners G.P., L.L.C., our general partner, has sole responsibility for conducting our business and for managing our operations. Effective internal controls are necessary for our general partner, on our behalf, to provide reliable financial reports, prevent fraud and operate us successfully as a public company. If our general partner's efforts to develop and maintain its internal controls are not successful, it is unable to maintain adequate controls over our financial processes and reporting in the future or it is unable to assist us in complying with our obligations under Section 404 of the Sarbanes-Oxley Act of 2002, our operating results could be harmed or we may fail to meet our reporting obligations.

We and our general partner rely upon the Private Company for our personnel, including those related to implementation of ceratin of our internal controls and our disclosure controls and procedures. Staff reductions by the Private Company or other departures by the Private Company's employees that provide services to us could have a material adverse effect on internal controls and the effectiveness of our disclosure controls and procedures. Ineffective internal controls could cause us to report inaccurate financial information or cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common units.

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We may incur substantial costs as a result of events related to the Bankruptcy Filings and we may be unsuccessful in our efforts in effecting a sale of all or a portion of our assets.

Events related to the Bankruptcy Filings, the securities litigation and governmental investigations, and our efforts to enter into storage contracts with third party customers and pursue other strategic opportunities has resulted in increased expense and we expect it to continue to result in increased expense due to the costs related to legal and financial advisors as well as other related costs. General and administrative expenses (exclusive of non-cash compensation expense related to the vesting of the units under the Plan) increased by approximately $6.9 million and $7.5 million, or approximately 300% and 326%, to approximately $9.2 million for the third quarter of 2008 and $9.8 million for the fourth quarter of 2008, respectively, compared to $2.3 million in the second quarter of 2008. We expect this increased level of general and administrative expenses to continue into 2009. These increased costs may be substantial and could have a material adverse effect on our cash flows and results of operations.

In addition, we are currently pursuing various strategic alternatives for our business and assets including the possibility of entering into storage contracts with third party customers and the sale of all or a portion of our assets. The uncertainty relating to the Bankruptcy Filings and the recent global market and economic conditions may make it more difficult to pursue other strategic opportunities or enter into storage contracts with third party customers. If we are unable to contract with third parties or if our efforts to sell all or a portion of our assets are unsuccessful, it could have a material adverse effect on our cash flows, results of operations and ability to conduct our business.

We may not be able to raise sufficient capital to operate or grow our business.

As of May 22, 2009, we had an aggregate unused credit availability under our revolving credit facility and cash on hand of approximately $27.2 million. Pursuant to the Credit Agreement Amendment, our revolving credit facility is limited to $50.0 million. In addition, if any of the financial institutions that support our revolving credit facility were to fail, we may not be able to find a replacement lender, which could negatively impact our ability to borrow under our revolving credit facility. For instance, Lehman Brothers Commercial Bank is one of the lenders under our $50.0 million revolving credit facility, and Lehman Brothers Commercial Bank has agreed to fund approximately $2.5 million (approximately 5%) of the revolving credit facility. On several occasions Lehman Brothers Commercial Bank has failed to fund revolving loan requests under our revolving credit facility, effectively limiting the aggregate amount of our revolving credit facility to $47.5 million. Our ability to access capital markets may also be limited due to the Bankruptcy Filings and the related uncertainty of our future cash flows. In addition, we may have difficulty obtaining a credit rating or any credit rating that we do obtain may be lower that it otherwise would be due to our relationships with the Private Company. The lack of a credit rating or a low credit rating may also adversely impact our ability to access capital markets. If we fail to raise additional capital or an event of default exists under our credit agreement, we may be forced to sell assets, make a bankruptcy filing or take other action that could have a material adverse effect on our business, the price of our common units and our results of operations. In addition, if we are unable to access the capital markets for acquisitions or expansion projects, it will have a material adverse effect on our results of operations and ability to conduct our business and may adversely effect the trading price of our common units.

We are not fully insured against all risks incident to our business, and could incur substantial liabilities as a result.

We may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of changing market conditions, premiums and deductibles for certain of our insurance policies may increase substantially in the future. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial position and ability to make distributions to unitholders.

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Risks Related to Our Business

We depend upon the Private Company for a portion of our revenues and are therefore indirectly subject to the business risks of the Private Company.

Because we depend upon the Private Company for a portion of our revenues, we are indirectly subject to the business risks of the Private Company, many of which are similar to the business risks we face. In particular, these business risks include the following:

- the inability of the Private Company to generate adequate gross margins from the purchase, transportation, storage and marketing of petroleum products;
- material reductions in the supply of crude oil, liquid asphalt cement and petroleum products;
- a material decrease in the demand for crude oil, finished asphalt and petroleum products in the markets served by the Private Company;
- the inability of the Private Company to manage its commodity price risk resulting from its ownership of crude oil, liquid asphalt cement and petroleum products;
- contract non-performance by the Private Company's customers; and
- various operational risks to which the Private Company's business is subject.

In addition, as a result of the Bankruptcy Filings, we are also currently subject to the risks described above under "—Risks Related to the Bankruptcy Filings."

We may not be able to obtain funding or obtain funding on acceptable terms because of the deterioration of the credit and capital markets. This may hinder or prevent us from meeting our future capital needs.

Global financial markets and economic conditions have been, and continue to be, disrupted and volatile. The debt and equity capital markets have been exceedingly distressed. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions have made, and will likely continue to make, it difficult to obtain funding.

In particular, the cost of raising money in the debt and equity capital markets has increased substantially while the availability of funds from those markets generally has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity at all or on terms similar to our current debt and reduced and, in some cases, ceased to provide funding to borrowers. These factors may have a material adverse effect on our ability to refinance our outstanding debt or, in the event we fail to comply with the covenants of the credit facility, to obtain a waiver of events of default under our credit agreement or to negotiate forbearance with our lenders.

Due to these factors, we cannot be certain that funding will be available if needed and to the extent required, on acceptable terms or at all. If funding is not available when needed, or is available only on unfavorable terms, we may be unable to operate or grow our existing business, make future acquisitions, or otherwise take advantage of business opportunities or respond to competitive pressures any of which could have a material adverse effect on our financial

condition and results of operations. In addition, such financing, if available, may be at higher interest rates or result in substantial equity dilution.

We require a significant amount of cash to service our indebtedness. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness and to fund any future capital expenditures depends on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that we will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit agreement or otherwise at all or in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

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We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to make cash distributions to holders of our common units and subordinated units.

Pursuant to the Credit Agreement Amendment, we are prohibited from making distributions to our unitholders if our leverage ratio (as defined in the credit agreement) exceeds 3.50 to 1.00. As of September 30, 2008 and December 31, 2008, our leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. If our leverage ratio does not improve, we may not make quarterly distributions to our unitholders in the future. Even if we are permitted to make distributions under our credit agreement, we may not have sufficient available cash from operating surplus each quarter to enable us to make cash distributions. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things, the risks described in this section, including the Bankruptcy Filings.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, including:

- the level of capital expenditures we make;
- the cost of acquisitions;
- our debt service requirements and other liabilities;
- fluctuations in our working capital needs;
- our ability to borrow funds and access capital markets;
- restrictions contained in our credit facility or other debt agreements, including the ability to make distributions while events of default exist under our credit facility; and
- the amount of cash reserves established by our general partner.

The amount of cash we have available for distribution to holders of our common units and subordinated units depends primarily on our cash flow and not solely on earnings reflected in our financial statements. Consequently, even if we are profitable, we may not be able to make cash distributions to holders of our common units and subordinated units.

Our unitholders should be aware that the amount of cash we have available for distribution depends primarily upon our cash flow and not solely on earnings reflected in our financial statements, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record losses for financial accounting purposes and may not make cash distributions during periods when we record net earnings for financial accounting purposes.

A significant decrease in demand for crude oil and/or finished asphalt products in the areas served by our storage facilities and pipelines could reduce our ability to make distributions to our unitholders.

A sustained decrease in demand for crude oil and/or finished asphalt products in the areas served by our storage facilities and pipelines could significantly reduce our revenues and, therefore, reduce our ability to make or increase distributions to our unitholders. Factors that could lead to a decrease in market demand for crude oil and finished asphalt products include:

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lower demand by consumers for refined products, including finished asphalt products, as a result of recession or other adverse economic conditions or due to high prices caused by an increase in the market price of crude oil or higher fuel taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of gasolines or other refined products;

- a shift by consumers to more fuel-efficient or alternative fuel vehicles or an increase in fuel economy of vehicles, whether as a result of technological advances by manufacturers, governmental or regulatory actions or otherwise; and

- fluctuations in demand for crude oil, such as those caused by refinery downtime or shutdowns, could also significantly reduce our revenues and, therefore, reduce our ability to make distributions to our unitholders.

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Certain of our field and pipeline operating costs and expenses are fixed and do not vary with the volumes we gather and transport. These costs and expenses may not decrease ratably or at all should we experience a reduction in our volumes gathered or transmitted by our gathering and transportation operations. As a result, we may experience declines in our margin and profitability if our volumes decrease. Due to events related to the Bankruptcy Filings, the volumes being terminalled, stored, transported and gathered have decreased as compared to periods prior to the Bankruptcy Filings, which has negatively impacted total revenues. As an example, fourth quarter 2008 total revenues are approximately $8.2 million less than third quarter 2008 total revenues, in each case excluding fuel surcharge revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks. Our future total revenues may be further impacted because, in connection with the Settlement, the Private Company rejected the Terminalling Agreement and the Throughput Agreement and we and the Private Company entered into the New Throughput Agreement and the New Terminalling Agreement. We expect revenues from services provided to the Private Company under the New Throughput Agreement and New Terminalling Agreement to be substantially less than prior revenues from services provided to the Private Company as the new agreements are based upon actual volumes gathered, transported, terminalled and stored instead of certain minimum volumes and are at reduced rates when compared to the Throughput Agreement and Terminalling Agreement (see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Settlement with the Private Company”).

A material decrease in the production of crude oil from the oil fields served by our pipelines could materially reduce our ability to make distributions to our unitholders.

The throughput on our crude oil pipelines depends on the availability of attractively priced crude oil produced from the oil fields served by such pipelines, or through connections with pipelines owned by third parties. Crude oil production may decline for a number of reasons, including natural declines due to depleting wells, a material decrease in the price of crude oil, or the inability of producers to obtain necessary drilling or other permits from applicable governmental authorities. If we are unable to replace volumes lost due to a temporary or permanent material decrease in production from the oil fields served by our crude oil pipelines, our throughput could decline, reducing our revenue and cash flow and adversely affecting our ability to make distributions to our unitholders. The Private Company may also have difficulty attracting producers while it is in bankruptcy. In addition, it is difficult to attract producers to a new gathering system if the producer is already connected to an existing system. As a result, the Private Company or third-party shippers on our pipeline systems may experience difficulty acquiring crude oil at the wellhead in areas where there are existing relationships between producers and other gatherers and purchasers of crude oil.

A material decrease in the production of liquid asphalt cement could materially reduce our ability to make distributions to our unitholders.

The throughput at our liquid asphalt cement terminalling and storage facilities depends on the availability of attractively priced liquid asphalt cement produced from the various liquid asphalt cement producing refineries. Liquid asphalt cement production may decline for a number of reasons, including refiners processing more light, sweet crude oil or refiners installing coker units that further refine heavy residual fuel oil bottoms such as liquid asphalt cement. If we are unable to replace volumes lost due to a temporary or permanent material decrease in production from the suppliers of liquid asphalt cement, our throughput could decline, reducing our revenue and cash flow and adversely affecting our ability to make distributions to our unitholders.

Our debt levels under the credit agreement may limit our ability to make distributions and our flexibility in obtaining additional financing and in pursuing other business opportunities.

Our level of debt under the credit facility could have important consequences for us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;

- we will need a substantial portion of our cash flow to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and distributions to unitholders;

- our debt level will make us more vulnerable to competitive pressures or a downturn in our business or the economy generally; and

    - our debt level may limit our flexibility in responding to changing business and economic conditions.

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Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Our ability to service debt under our credit facility also will depend on market interest rates, since the interest rates applicable to our borrowings will fluctuate with the London Interbank Offered Rate, or LIBOR, or the prime rate, and are higher due to the Forbearance Agreement, as amended, and the Credit Agreement Amendment. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital. We may not be able to effect any of these actions on satisfactory terms, or at all.

Restrictions in our credit facility may prevent us from engaging in some beneficial transactions or paying distributions to our unitholders.

Our credit facility contains covenants limiting our ability to make distributions to unitholders so long as an event of default exists under the credit agreement or if our leverage ratio exceeds 3.50 to 1.00. In addition, our credit facility contains various covenants that limit, among other things, our ability to incur indebtedness, make capital expenditures, grant liens or enter into a merger, consolidation or sale of assets. Furthermore, our credit facility contains covenants requiring us to maintain certain financial ratios and tests. Any subsequent refinancing of our current debt may have similar or greater restrictions. Please see "—Risks Related to the Bankruptcy Filings— Our future operations and cash flows are uncertain and may cause events of default under our credit agreement" and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

If we borrow funds to make our quarterly distributions, our ability to pursue acquisitions and other business opportunities may be limited and our operations may be materially and adversely affected.

Available cash for the purpose of making distributions to unitholders includes working capital borrowings. If we borrow funds to pay one or more quarterly distributions, such amounts will incur interest and must be repaid in accordance with the terms of our credit facility. Currently we are prohibited from paying distributions to our unitholders due to our failure to maintain a leverage ratio that is less than 3.50 to 1.00, as required by our credit agreement. In addition, any amounts borrowed for distributions to our unitholders will reduce the funds available to us for other purposes under our credit facility, including amounts available for use in connection with acquisitions and other business opportunities. If we are unable to pursue our growth strategy due to our limited ability to borrow funds, our operations may be materially and adversely affected.

We face intense competition in our gathering, transportation, terminalling and storage activities. Competition from other providers of crude oil gathering, transportation, terminalling and storage services that are able to supply our customers with those services at a lower price could reduce our ability to make distributions to our unitholders.

We are subject to competition from other crude oil gathering, transportation, terminalling and storage operations that may be able to supply the Private Company and our other customers with the same or comparable services on a more competitive basis. We compete with national, regional and local gathering, storage, terminalling and pipeline companies, including the major integrated oil companies, of widely varying sizes, financial resources and experience. Some of these competitors are substantially larger than us, have greater financial resources, and control substantially greater storage capacity than we do. With respect to our gathering and transportation services, these competitors include TEPPCO Partners, L.P., Plains All American Pipeline, L.P., ConocoPhillips, Sunoco Logistics Partners L.P. and National Cooperative Refinery Association, among others. With respect to our storage and terminalling services, these competitors include BP plc, Enbridge Energy Partners, L.P. and Plains All American Pipeline, L.P. Several of our competitors conduct portions of their operations through publicly traded partnerships with structures similar to ours, including Plains All American Pipeline, L.P., TEPPCO Partners, L.P., Sunoco Logistics Partners L.P. and

Enbridge Energy Partners, L.P. Our ability to compete could be harmed by numerous factors, including:

- price competition;
- the perception that another company can provide better service,
- the uncertainty relating to the Private Company having filed bankruptcy; and
- the availability of alternative supply points, or supply points located closer to the operations of the Private Company's customers.

In addition, the Private Company owns midstream assets and may engage in competition with us. If we are unable to compete with services offered by other midstream enterprises, including the Private Company, our ability to make distributions to our unitholders may be adversely affected.

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Some of our pipeline systems are dependent upon their interconnections with other crude oil pipelines to reach end markets.

Some of our pipeline systems are dependent upon their interconnections with other crude oil pipelines to reach end markets. Reduced throughput on these interconnecting pipelines as a result of testing, line repair, reduced operating pressures or other causes could result in reduced throughput on our pipeline systems that would adversely affect our revenue and cash flow and our ability to make distributions to our unitholders.

Prior to the Bankruptcy Filings, a principal focus of our business strategy was to grow and expand our business through acquisitions. If we are able to pursue this strategy in the future but are unable to make acquisitions on economically acceptable terms, our future growth may be limited.

Prior to the Bankruptcy Filings, a principal focus of our business strategy was to grow and expand our business through acquisitions. If we are able to stabilize our business, we may be able to again pursue this strategy. Our ability to grow depends, in part, on our ability to make acquisitions that result in an increase in the cash generated per unit from operations. If we are unable to make these accretive acquisitions, either because we are (1) unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them, (2) unable to obtain financing for these acquisitions on economically acceptable terms or (3) outbid by competitors, then our future growth and ability to increase distributions will be limited. Furthermore, even if we do make acquisitions that we believe will be accretive, these acquisitions may nevertheless result in a decrease in the cash generated from operations per unit.

Any acquisition involves potential risks, including, among other things:

- mistaken assumptions about volumes, revenues and costs, including synergies;
- an inability to integrate successfully the businesses we acquire;
- an inability to hire, train or retain qualified personnel to manage and operate our business and assets;
- the assumption of unknown liabilities;
- limitations on rights to indemnity from the seller;
- mistaken assumptions about the overall costs of equity or debt;
- the diversion of management’s and employees’ attention from other business concerns;
- unforeseen difficulties operating in new product areas or new geographic areas; and
- customer or key employee losses at the acquired businesses.

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If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and our unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

Our acquisition strategy is based, in part, on our expectation of ongoing divestitures of energy assets by industry participants. A material decrease in such divestitures would limit our opportunities for future acquisitions and could adversely affect our operations and cash flows available for distribution to our unitholders.

Prior to the Bankruptcy Filings, our growth strategy included acquiring midstream entities or assets that are distinct and separate from our existing terminalling, storage, gathering and transportation operations. If we are able to pursue this strategy in the future, it could subject us to additional business and operating risks.

We may acquire midstream assets that have operations in new and distinct lines of business from our crude oil or our liquid asphalt cement operations. Integration of a new business is a complex, costly and time-consuming process. Failure to timely and successfully integrate acquired entities' new lines of business with our existing operations may have a material adverse effect on our business, financial condition or results of operations. The difficulties of integrating a new business with our existing operations include, among other things:

- operating distinct businesses that require different operating strategies and different managerial expertise;
- the necessity of coordinating organizations, systems and facilities in different locations;
- integrating personnel with diverse business backgrounds and organizational cultures; and
- consolidating corporate and administrative functions.

In addition, the diversion of our attention and any delays or difficulties encountered in connection with the integration of a new business, such as unanticipated liabilities or costs, could harm our existing business, results of operations, financial conditions and prospects. Furthermore, new lines of business will subject us to additional business and operating risks. For example, we may in the future determine to acquire businesses that are subject to significant risks due to fluctuations in commodity prices. These new business and operating risks could have a material adverse effect on our financial condition or results of operations.

Expanding our business by constructing new assets subjects us to risks that projects may not be completed on schedule, and that the costs associated with projects may exceed our expectations, which could cause our cash available for distribution to our unitholders to be less than anticipated.

The construction of additions or modifications to our existing assets, and the construction of new assets, involves numerous regulatory, environmental, political, legal and operational uncertainties and requires the expenditure of significant amounts of capital. If we undertake these types of projects, they may not be completed on schedule or at all or at the budgeted cost. In addition, our revenues may not increase immediately upon the expenditure of funds on a particular project. Moreover, we may construct facilities to capture anticipated future growth in demand in a market in which such growth does not materialize. We acquired certain pipeline and related assets, including a 130-mile, 8-inch pipeline that originates in Ardmore, Oklahoma and terminates in Drumright, Oklahoma from the Private Company in May 2008. We have suspended capital expenditures on this pipeline due to the continuing impact of the Bankruptcy Filings. Management currently intends to put the asset into service by late 2009 or early 2010 and is exploring various alternatives to complete the project.

We are exposed to the credit risks of our third-party customers in the ordinary course of our gathering activities. Any material nonpayment or nonperformance by our third-party customers could reduce our ability to make distributions to our unitholders.

In addition to our dependence on the Private Company, we are subject to risks of loss resulting from nonpayment or nonperformance by our third-party customers. Some of our customers may be highly leveraged and subject to their own operating and regulatory risks. In addition, any material nonpayment or nonperformance by our customers could require us to pursue substitute customers for our affected assets or provide alternative services. Any such efforts may not be successful or may not provide similar fees. These events could reduce our ability to make distributions to our unitholders.

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Our revenues from third-party customers are generated under contracts that must be renegotiated periodically and that allow the customer to reduce or suspend performance in some circumstances, which could cause our revenues from those contracts to decline and reduce our ability to make distributions to our unitholders.

Some of our contract-based revenues from customers are generated under contracts with terms which allow the customer to reduce or suspend performance under the contract in specified circumstances, such as the occurrence of a catastrophic event to our or the customer's operations. The occurrence of an event which results in a material reduction or suspension of our customer's performance could reduce our ability to make distributions to our unitholders.

Many of our contracts with customers for producer field services have terms of one year or less. As these contracts expire, they must be extended and renegotiated or replaced. We may not be able to extend, renegotiate or replace these contracts when they expire, and the terms of any renegotiated contracts may not be as favorable as the contracts they replace. In particular, our ability to extend or replace contracts could be harmed by numerous competitive factors, such as those described above under "—We face intense competition in our gathering, transportation, terminalling and storage activities. Competition from other providers of crude oil gathering, transportation, terminalling and storage services that are able to supply our customers with those services at a lower price could reduce our ability to make distributions to our unitholders." Additionally, we may incur substantial costs if modifications to our terminals are required in order to attract substitute customers or provide alternative services. If we cannot successfully renew significant contracts or must renew them on less favorable terms, or if we incur substantial costs in modifying our terminals, our revenues from these arrangements could decline and our ability to make distributions to our unitholders could suffer.

We may incur significant costs and liabilities as a result of pipeline integrity management program testing and any necessary pipeline repair, or preventative or remedial measures, which could have a material adverse effect on our results of operations.

The DOT has adopted regulations requiring pipeline operators to develop integrity management programs for transportation pipelines located where a leak or rupture could do the most harm in "high consequence areas", including high population areas, areas that are sources of drinking water, ecological resource areas that are unusually sensitive to environmental damage from a pipeline release and commercially navigable waterways, unless the operator effectively demonstrates by risk assessment that the pipeline could not affect the area. The regulations require operators of covered pipelines to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize threats to pipeline segments that could impact a high consequence area;
- improve data collection, integration and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventive and mitigating actions.

In addition to these adopted regulations, in September 2006, the DOT proposed amendment of existing pipeline safety standards including its integrity management programs to broaden the scope of coverage to include certain rural onshore hazardous liquid and low-stress pipeline systems found near "unusually sensitive areas," including non-populated areas requiring extra protection because of the presence of sole source drinking water resources, endangered species, or other ecological resources. Also, in December 2006, the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006 was enacted. This act reauthorizes and amends the DOT's pipeline safety

programs and includes a provision eliminating the regulatory exemption for hazardous liquid pipelines operated at low stress. Adoption of new or more stringent pipeline safety regulations affecting our gathering or low-stress pipelines could result in more rigorous and costly integrity management planning requirements being imposed on those lines, which could have a material adverse effect on our results of operations. Please read “Item 1. Business—Regulation—Pipeline Safety” in our 2007 Form 10-K for more information.

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Our operations are subject to environmental and worker safety laws and regulations that may expose us to significant costs and liabilities. Failure to comply with these laws and regulations could adversely affect our ability to make distributions to our unitholders.

Our midstream crude oil gathering, transportation, terminalling and storage operations, together with the liquid asphalt cement terminalling and storage assets that we acquired from the Private Company, are subject to stringent federal, state and local laws and regulations relating to the protection of the environment. Various governmental authorities, including the EPA, have the power to enforce compliance with these laws and regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Joint and several strict liability may be incurred without regard to fault or the legality of the original conduct under CERCLA, RCRA and analogous state laws for the remediation of contaminated areas. Private parties, including the owners of properties located near our terminalling and storage facilities or through which our pipeline systems pass, also may have the right to pursue legal actions to enforce compliance, as well as seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. Moreover, new stricter laws, regulations or enforcement policies could be implemented that significantly increase our compliance costs and the cost of any remediation that may become necessary, some of which may be material.

In performing midstream operations and liquid asphalt cement terminalling services, we incur environmental costs and liabilities in connection with the handling of hydrocarbons and solid wastes. We currently own, operate or lease properties that for many years have been used for midstream activities, including properties in and around the Cushing Interchange, and with respect to our asphalt assets, for liquid asphalt cement terminalling and storage activities. Activities by us or prior owners, lessees or users of these properties over whom we had no control may have resulted in the spill or release of hydrocarbons or solid wastes on or under them. Additionally, some sites we own or operate are located near current or former storage, terminal and pipeline operations, and there is a risk that contamination has migrated from those sites to ours. Increasingly strict environmental laws, regulations and enforcement policies as well as claims for damages and other similar developments could result in significant costs and liabilities, and our ability to make distributions to our unitholders could suffer as a result. Please see “Item 1—Business—Regulation” in our 2007 Form 10-K for more information.

In addition, the workplaces associated with the storage facilities and pipelines we operate are subject to OSHA requirements and comparable state statutes that regulate the protection of the health and safety of workers. The OSHA hazard communication standard requires that we maintain information about hazardous materials used or produced in our operations and that we provide this information to employees, state and local government authorities, and local residents. Failure to comply with OSHA requirements, including general industry standards, recordkeeping requirements and monitoring of occupational exposure to regulated substances, could subject us to fines or significant compliance costs and adversely affect our ability to make distributions to our unitholders.

Our business involves many hazards and operational risks, including adverse weather conditions, which could cause us to incur substantial liabilities.

Our operations are subject to the many hazards inherent in the transportation and storage of crude oil and the storage of liquid asphalt cement, including:

- explosions, fires, accidents, including road and highway accidents involving our tanker trucks;
- extreme weather conditions, such as hurricanes which are common in the Gulf Coast and tornadoes and flooding which are common in the Midwest;
- damage to our pipelines, storage tanks, terminals and related equipment;

- leaks or releases of crude oil into the environment; and

- acts of terrorism or vandalism.

If any of these events were to occur, we could suffer substantial losses because of personal injury or loss of life, severe damage to and destruction of property and equipment, and pollution or other environmental damage resulting in curtailment or suspension of our related operations. In addition, mechanical malfunctions, faulty measurement or other errors may result in significant costs or lost revenues.

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We do not own all of the land on which our pipelines and facilities are located, which could disrupt our operations.

We do not own all of the land on which our pipelines and facilities have been constructed, and we are therefore subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if we do not have valid rights-of-way or if such rights-of-way or any material real property leases lapse or terminate. We obtain the rights to construct and operate our pipelines and some of our terminals and storage facilities on land owned by third parties and governmental agencies for a specific period of time. Our loss of these rights, through our inability to renew leases, right-of-way contracts or otherwise, could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions to you.

Terrorist attacks, and the threat of terrorist attacks, have resulted in increased costs to our business. Continued hostilities in the Middle East or other sustained military campaigns may adversely impact our results of operations.

The long-term impact of terrorist attacks, such as the attacks that occurred on September 11, 2001, and the threat of future terrorist attacks on our industry in general, and on us in particular, is not known at this time. Increased security measures taken by us as a precaution against possible terrorist attacks have resulted in increased costs to our business. Uncertainty surrounding continued hostilities in the Middle East or other sustained military campaigns may affect our operations in unpredictable ways, including disruptions of crude oil supplies and markets for our services, and the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror.

Changes in the insurance markets attributable to terrorist attacks may make certain types of insurance more difficult for us to obtain. Moreover, the insurance that may be available to us may be significantly more expensive than our existing insurance coverage. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital.

Risks Inherent in an Investment in Us

Some of our general partner’s directors are affiliates of certain creditors of the Private Company; therefore, such creditors may have different business interests than the common unitholders.

Manchester is a creditor under a loan agreement with SemGroup Holdings, which is a subsidiary of the Private Company. This loan is secured by our subordinated units and incentive distribution rights and the membership interests in our general partner, owned by SemGroup Holdings. On July 18, 2008, Manchester and Alerian declared an event of default under the loan agreement and exercised their right under a pledge agreement with SemGroup Holdings to direct the vote of the membership interests of our general partner. Manchester and Alerian exercised these voting rights to reconstitute our general partner’s board of directors. On March 20, 2009, Alerian transferred its interest in the Holdings Credit Agreements to Manchester. Manchester may have business interests that are different from the business interests of our common unitholders.

Our general partner has sole responsibility for conducting our business and managing our operations. Our general partner has conflicts of interest with us and limited fiduciary duties, which may permit it to favor its own interests to the detriment of our unitholders.

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Conflicts of interest may arise between our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving those conflicts of interest, our general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. Although the conflicts committee of our general partner's board of directors may review such conflicts of interest, our general partner's board of directors is not required to submit such matters to the conflicts committee. These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires the general partner or any person who controls the general partner to pursue a business strategy that favors us. Such persons may make these decisions in their best interest, which may be contrary to our interests;

- our general partner is allowed to take into account the interests of parties other than us, such as creditors and the Private Company and their affiliates, in resolving conflicts of interest;

- if we do not have sufficient available cash from operating surplus, our general partner could cause us to use cash from non-operating sources, such as asset sales, issuances of securities and borrowings, to pay distributions, which means that we could make distributions that deteriorate our capital base and that our general partner could receive distributions on its subordinated units and incentive distribution rights to which it would not otherwise be entitled if we did not have sufficient available cash from operating surplus to make such distributions;

- our general partner has limited its liability and reduced its fiduciary duties, and has also restricted the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty;

- our general partner determines the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities and reserves, each of which can affect the amount of cash that is distributed to unitholders;

- our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is a maintenance capital expenditure, which reduces operating surplus, or an expansion capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders and the ability of the subordinated units to convert to common units;

- our general partner may make a determination to receive a quantity of our Class B units in exchange for resetting the target distribution levels related to its incentive distribution rights without the approval of the conflicts committee of our general partner or our unitholders;

- our general partner determines which costs incurred by it and its affiliates are reimbursable by us and the Private Company determines the allocation of shared overhead expenses;

- our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf;

- our general partner intends to limit its liability regarding our contractual and other obligations and, in some circumstances, is entitled to be indemnified by us;

- our general partner may exercise its limited right to call and purchase common units if it and its affiliates own more than 80% of the common units;

- our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates; and

- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

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Our partnership agreement limits our general partner's fiduciary duties to holders of our common units and subordinated units and restricts the remedies available to holders of our common units and subordinated units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that reduce the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty laws. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its right to receive a quantity of our Class B units in exchange for resetting the target distribution levels related to its incentive distribution rights, the exercise of its limited call right, the exercise of its rights to transfer or vote the units it owns, the exercise of its registration rights and its determination whether or not to consent to any merger or consolidation of the partnership or amendment to the partnership agreement;

- provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith, meaning it believed the decision was in the best interests of our partnership;

- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of our general partner acting in good faith and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or must be "fair and reasonable" to us, as determined by our general partner in good faith. In determining whether a transaction or resolution is "fair and reasonable," our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us;

- provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and

- provides that in resolving conflicts of interest, it will be presumed that in making its decision the general partner acted in good faith, and in any proceeding brought by or on behalf of any limited partner or us, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

By purchasing a common unit, a common unitholder will become bound by the provisions in the partnership agreement, including the provisions discussed above.

The Private Company may compete with us, which could adversely affect our existing business and limit our ability to acquire additional assets or businesses.

Neither our partnership agreement nor any other agreement with the Private Company prohibits the Private Company or any successor to the Private Company or acquirer of its assets from owning assets or engaging in businesses that compete directly or indirectly with us. In addition, the Private Company or any successor to the Private Company or acquirer of its assets may acquire, construct or dispose of additional midstream or other assets in the future, without any obligation to offer us the opportunity to purchase or construct any of those assets. As a result, competition from

the Private Company or any successor to the Private Company or acquirer of its assets could adversely impact our results of operations and cash available for distribution.

Cost reimbursements due to our general partner and its affiliates for services provided, which are determined by our general partner, may be substantial and will reduce our cash available for distribution to our unitholders.

Pursuant to our partnership agreement, the Private Company receives reimbursement for the payment of operating expenses related to our operations and for the provision of various general and administrative services for our benefit. Payments for these services may be substantial and reduce the amount of cash available for distribution to unitholders. In addition, under Delaware partnership law, our general partner has unlimited liability for our obligations, such as our debts and environmental liabilities, except for our contractual obligations that are expressly made without recourse to our general partner. To the extent our general partner incurs obligations on our behalf, we are obligated under our partnership agreement to reimburse or indemnify our general partner. If we are unable or unwilling to reimburse or indemnify our general partner, our general partner may take actions to cause us to make payments of these obligations and liabilities. Any such payments would reduce the amount of cash otherwise available for distribution to our unitholders. Please see “Item 13—Certain Relationships and Related Party Transactions, and Director Independence—Agreements Related to Our Acquisition of the Asphalt Assets—Amended Omnibus Agreement” in our 2007 Form 10-K.

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Holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders did not elect our general partner or our general partner's board of directors, and have no right to elect our general partner or our general partner's board of directors on an annual or other continuing basis. The present board of directors of our general partner was chosen by Manchester pursuant to its rights under the Holdings Credit Agreements to direct the vote of the membership interests of our general partner. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they have little ability to remove our general partner. Amendments to our partnership agreement may be proposed only by or with the consent of our general partner. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

Removal of our general partner without its consent will dilute and adversely affect our common unitholders.

If our general partner is removed without cause during the subordination period and units held by our general partner and its affiliates are not voted in favor of that removal, all remaining subordinated units will automatically convert into common units and any existing arrearages on our common units will be extinguished. A removal of our general partner under these circumstances would adversely affect our common units by prematurely eliminating their distribution and liquidation preference over our subordinated units, which would otherwise have continued until we had met certain distribution and performance tests. Cause is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding the general partner liable for actual fraud or willful or wanton misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor management of the business, so the removal of the general partner because of the unitholders' dissatisfaction with our general partner's performance in managing our partnership will most likely result in the termination of the subordination period and conversion of all subordinated units to common units.

Control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, our partnership agreement does not restrict the ability of the Private Company, the owner of our general partner, from transferring all or a portion of its ownership interest in our general partner to a third party, or Manchester from transferring all or a portion of its loan interest voting rights in the general partner, to a third party. The new owner of our general partner would then be in a position to replace the board of directors and officers of our general partner with its own choices and thereby influence the decisions made by the board of directors and officers.

We may issue additional units without approval of our unitholders, which would dilute our unitholders' ownership interests.

Our partnership agreement does not limit the number or price of additional limited partner interests (including any securities of equal or senior rank to our common units, and options, rights, warrants and appreciation rights relating to any such securities) that we may issue at any time without the approval of our unitholders. In addition, because we are a limited partnership, we will not be subject to the shareholder approval requirements relating to the issuance of securities contained in Nasdaq Marketplace Rule 4350(i). The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders' proportionate ownership interest in us will decrease;

- the amount of cash available for distribution on each unit may decrease;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

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Our partnership agreement restricts the voting rights of unitholders, other than our general partner and its affiliates, including the Private Company, owning 20% or more of our common units.

Unitholders' voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions.

Affiliates of our general partner may sell common units in the public markets, which sales could have an adverse impact on the trading price of the common units.

Executive officers and directors of our general partner beneficially own an aggregate of 575,970 common units and the Private Company indirectly owns 12,570,504 subordinated units, although such units are collateral to a loan between SemGroup Holdings and Manchester. All of the subordinated units will convert into common units at the end of the subordination period and may convert earlier. The sale of these units in the public markets could have an adverse impact on the price of the common units or on any trading market that may develop.

Our general partner has a limited call right that may require our unitholders to sell their common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, our unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Our unitholders also may incur a tax liability upon a sale of their units. At the end of the subordination period, assuming no additional issuances of common units and no sales of subordinated units, our general partner and its affiliates will own 36.8% of the common units.

Common units held by persons who are not Eligible Holders will be subject to the possibility of redemption.

The Longview system is, and any additional interstate pipelines that we acquire or construct may be, subject to the rate regulation of the FERC. Our general partner has the right under our partnership agreement to institute procedures, by giving notice to each of our unitholders, that would require transferees of common units and, upon the request of our general partner, existing holders of our common units to certify that they are Eligible Holders. The purpose of these certification procedures would be to enable us to utilize a federal income tax expense as a component of the pipeline's cost of service upon which tariffs may be established under FERC rate-making policies applicable to entities that pass through their taxable income to their owners. Eligible Holders are individuals or entities subject to United States federal income taxation on the income generated by us or entities not subject to United States federal income taxation on the income generated by us, so long as all of the entity's owners are subject to such taxation. If these tax certification procedures are implemented, we will have the right to redeem the common units held by persons who are not Eligible Holders at the lesser of the holder's purchase price and the then-current market price of the units. The redemption price would be paid in cash or by delivery of a promissory note, as determined by our general partner.

Our unitholders' liability may not be limited if a court finds that unitholder action constitutes control of our business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law and we conduct business in a number of other states. The limitations on

the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business.

Our unitholders could be liable for our obligations as if they were a general partner if:

- a court or government agency determined that we were conducting business in a state but had not complied with that particular state's partnership statute; or

- a unitholder's right to act with other unitholders to remove or replace the general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute "control" of our business.

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Unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 and 17-804 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the substituted limited partner at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interests and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

Tax Risks to Common Unitholders

Our unitholders have been and will be required to pay taxes on their share of our taxable income even if they have not or do not receive any cash distributions from us.

Because our unitholders are treated as partners to whom we will allocate taxable income which could be different in amount than the cash we distribute, they will be required to pay any federal income taxes and, in some cases, state and local income taxes on their share of our taxable income, even if our unitholders receive no cash distributions from us. In this regard, we did not pay a distribution to our unitholders for the quarters ended June 30, 2008, September 30, 2008, December 31, 2008 or March 31, 2009. In addition, we do not expect to make a distribution relating to the second quarter of 2009 and may not be able to make distributions in the future. Thus, our unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from their share of our taxable income.

Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to a material amount of entity-level taxation by individual states. If the IRS were to treat us as a corporation or if we were to become subject to a material amount of entity-level taxation for state tax purposes, then our cash available for distribution to our unitholders would be substantially reduced.

The anticipated after-tax economic benefit of an investment in our common units depends largely on us being treated as a partnership for federal income tax purposes. If less than 90% of the gross income of a publicly traded partnership, such as us, for any taxable year is “qualifying income” from sources such as the transportation, marketing (other than to end users), or processing of crude oil, natural gas or products thereof, interest, dividends or similar sources, that partnership will be taxable as a corporation under Section 7704 of the Internal Revenue Code for federal income tax purposes for that taxable year and all subsequent years. In this regard, because the income we earn from the Private Company is “qualifying income” any material reduction or elimination of that income, or any amendment to certain contracts with the Private Company which change the nature of the services provided or the income generated thereunder, may cause our remaining “qualifying income” to constitute less than 90% of our gross income. As a result, we could become taxable as a corporation for federal income tax purposes, unless we were to transfer the businesses that generate non-qualifying income to one or more subsidiaries taxed as corporations and pay entity level income taxes on such non-qualifying income. The IRS has not provided any ruling to us on this matter.

If we were treated as a corporation for federal income tax purposes, then we would pay federal income tax on our income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions would generally be taxed again to unitholders as corporate distributions and none of our income, gains, losses, deductions or credits would flow through to our unitholders. Because a tax would be imposed

upon us as an entity, cash available for distribution to our unitholders would be substantially reduced. Treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to unitholders and thus would likely result in a substantial reduction in the value of our common units.

Current law may change, so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, beginning in 2008 we will be required to pay annually a Texas franchise tax at a maximum effective rate of 0.7% of our gross income apportioned to Texas with respect to the prior year. As of September 30, 2008, we paid $141,000 representing our estimated tax liability related to our 2007 gross income apportioned to Texas. Imposition of such a tax on us by Texas and, if applicable, by any other state will reduce the cash available for distribution to our unitholders. The partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts will be adjusted to reflect the impact of that law on us.

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The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, members of Congress are considering substantive changes to the existing federal income tax laws that affect certain publicly traded partnerships. Any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively. Although the currently proposed legislation would not appear to affect our tax treatment as a partnership, we are unable to predict whether any of these changes, or other proposals, will ultimately be enacted. Any such changes could negatively impact the value of an investment in our common units.

If the IRS contests any of the federal income tax positions we take, the market for our common units may be adversely affected, and the costs of any contest will reduce our cash available for distribution to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel's conclusions or the positions we take. A court may not agree with some or all of our counsel's conclusions or the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, the costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

Tax gain or loss on the disposition of our common units could be more or less than expected.

If our unitholders sell their common units, they will recognize a gain or loss equal to the difference between the amount realized and their tax basis in those common units. Prior distributions to our unitholders in excess of the total net taxable income our unitholders were allocated for a common unit, which decreased their tax basis in that common unit, will, in effect, become taxable income to our unitholders if the common unit is sold at a price greater than their tax basis in that common unit, even if the price our unitholders receive is less than their original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income. In addition, if our unitholders sell their units, they may incur a tax liability in excess of the amount of cash our unitholders receive from the sale.

Tax-exempt entities, regulated investment companies and foreign persons face unique tax issues from owning common units that may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, such as individual retirement accounts (known as IRAs), regulated investment companies (known as mutual funds), and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file United States federal income tax returns and pay tax on their share of our taxable income. If a potential unitholder is a tax-exempt entity or a foreign person, it should consult its tax advisor before investing in our common units.

We will treat each purchaser of units as having the same tax benefits without regard to the units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units and because of other reasons, we will adopt depreciation and/or amortization positions that may not conform with all aspects of existing Treasury regulations and, as a result, our counsel, Baker Botts L.L.P., is unable to opine as to the validity of these positions. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain from their sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to our unitholders' tax returns.

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The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have terminated for federal income tax purposes if there are one or more transfers of interests in our partnership that together represent a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For these purposes,

- multiple transfers of the same interest within a twelve month period will be counted only once;
- if the Private Company sells or exchanges its interests in SemGroup Holdings or our general partner, the interests held by SemGroup Holdings or our general partner, as the case may be, in us will be deemed to have been sold or exchanged; and
- if 50% or more of the total interests in the Private Company's capital and profits are sold or exchanged within a twelve month period, the Private Company, SemGroup Holdings and the general partner will be deemed to have sold or exchanged all of their interests in us.

Our termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders could receive two Schedules K-1) for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred.

Our unitholders likely will be subject to state and local taxes and return filing or withholding requirements as a result of investing in our common units.

In addition to federal income taxes, our unitholders will likely be subject to other taxes, such as state and local income taxes, unincorporated business taxes and estate, inheritance, or intangible taxes that are imposed by the various jurisdictions in which we do business or own property. Our unitholders likely will be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. We own property and conduct business in Texas, Oklahoma, Kansas, Colorado, New Mexico, Arkansas, California, Georgia, Idaho, Illinois, Indiana, Missouri, Michigan, Montana, Nebraska, Nevada, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Utah, Virginia and Washington. Of these states, Texas does not currently impose a state income tax on individuals. We may own property or conduct business in other states or foreign countries in the future. It is each unitholder's responsibility to file all federal, state and local tax returns. Under the tax laws of some states where we will conduct business, we may be required to withhold a percentage from amounts to be distributed to a unitholder who is not a resident of that state. For example, in the case of Oklahoma, we are required to either report detailed tax information about our non-Oklahoma resident unitholders with an income in Oklahoma in excess of $500 to the taxing authority, or withhold an amount equal to 5% of the portion of our distributions to unitholders which is deemed to be the Oklahoma share of our income. Similarly, we are required to withhold Kansas income tax at a rate of 6.45% on each non-Kansas resident unitholder's share of our taxable income that is attributable to Kansas (regardless of whether such income is distributed), unless the non-Kansas resident unitholder files a tax reporting affidavit with us which we, in turn, are required to file with the Kansas Department of Revenue. Our counsel has not rendered an opinion on the state and local tax consequences of an investment in our common units.

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We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations, and, accordingly, our counsel is unable to opine as to the validity of this method. If the IRS were to challenge this method or new Treasury regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

A unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of those units. If so, he would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition.

Because a unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of the loaned units, he may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Our counsel has not rendered an opinion regarding the treatment of a unitholder where common units are loaned to a short seller to cover a short sale of common units; therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

We will adopt certain valuation methodologies that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common units.

When we issue additional units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. Because the determination of value and the allocation of value are factual matters, rather than legal matters, our counsel is unable to opine as to these matters. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

Item 3. Defaults Upon Senior Securities

Due to events related to the Bankruptcy Filings, events of default occurred under our credit agreement. Effective on September 18, 2008, we and the requisite lenders under our credit facility entered into the Forbearance under which the lenders agreed, subject to specified limitations and conditions, to forbear from exercising their rights and remedies arising from the defaults and events of default described therein for the Forbearance Period, which was subsequently extended pursuant to the First Forbearance Amendment, the Second Forbearance Amendment and the Third Forbearance Amendment.

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We, our subsidiaries that are guarantors of the obligations under the credit facility, Wachovia Bank, National Association, as Administrative Agent, and the requisite lenders under our credit agreement entered into the Credit Agreement Amendment under which, among other things, the lenders consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement and amendments thereto.

Prior to the execution of the Forbearance Agreement, the credit agreement was comprised of a $350 million revolving credit facility and a $250 million term loan facility. The Forbearance Agreement permanently reduced our revolving credit facility under the credit agreement from $350 million to $300 million and prohibited us from borrowing additional funds under our revolving credit facility during the Forbearance Period. Under the Forbearance Agreement, we agreed to pay the lenders executing the Forbearance Agreement a fee equal to 0.25% of the aggregate commitments under the credit agreement after giving effect to the above described commitment reduction. The Second Forbearance Amendment further permanently reduced our revolving credit facility under the credit agreement from $300 million to $220 million. In addition, under the Second Forbearance Amendment, we agreed to pay the lenders executing the Second Forbearance Amendment a fee equal to 0.375% of the aggregate commitments under the credit agreement after the above described commitment reduction. Under the Third Forbearance Amendment, we agreed to pay a fee equal to 0.25% of the aggregate commitments under the credit agreement after the above described commitment reduction. The amendments to the Forbearance Agreement prohibited us from borrowing additional funds under our revolving credit facility during the extended Forbearance Period.

The Credit Agreement Amendment subsequently further permanently reduced our revolving credit facility under the credit agreement from $220 million to $50 million, and increased the term loan facility from $250 million to $400 million. Upon the execution of the Credit Agreement Amendment, $150 million of our outstanding revolving loans were converted to term loans and we became able to borrow additional funds under our revolving credit facility. Pursuant to the Credit Agreement Amendment, the credit facility and all obligations thereunder will mature on June 30, 2011. Under the Credit Agreement Amendment, we agreed to pay the lenders executing the Credit Agreement Amendment a fee equal to 2.00% of the aggregate commitments under the credit agreement after the above described commitment reduction, offset by the fee paid pursuant to the Third Forbearance Amendment. As of May 22, 2009, we had $423.4 million in outstanding borrowings under our credit facility (including $23.4 million under our revolving credit facility and $400.0 million under our term loan facility) with an aggregate unused credit availability under our revolving credit facility and cash on hand of approximately $27.2 million. Pursuant to the Credit Agreement Amendment, our revolving credit facility is limited to $50.0 million. If any of the financial institutions that support our revolving credit facility were to fail, we may not be able to find a replacement lender, which could negatively impact our ability to borrow under our revolving credit facility. For instance, Lehman Brothers Commercial Bank is one of the lenders under our $50.0 million revolving credit facility, and Lehman Brothers Commercial Bank has agreed to fund approximately $2.5 million (approximately 5%) of the revolving credit facility. On several occasions Lehman Brothers Commercial Bank has failed to fund revolving loan requests under our revolving credit facility, effectively limiting the aggregate amount of our revolving credit facility to $47.5 million.

Prior to the events of default, indebtedness under the credit agreement bore interest at our option, at either (i) the higher of the Base rate, plus an applicable margin that ranges from 0.50% to 1.75%, depending on our total leverage ratio and senior secured leverage ratio, or (ii) LIBOR plus an applicable margin that ranges from 1.50% to 2.75%, depending upon our total leverage ratio and senior secured leverage ratio. During the Forbearance Period indebtedness under the credit agreement bore interest at our option, at either (i) the Base rate, plus an applicable margin that ranges from 2.75% to 3.75%, depending upon our total leverage ratio, or (ii) LIBOR plus an applicable margin that ranges from 4.25% to 5.25%, depending upon our total leverage ratio. Pursuant to the Second Forbearance Amendment, commencing on December 12, 2008, indebtedness under the credit agreement bore interest at our option, at either (i) the Base rate plus 5.0% per annum, with a Base rate floor of 4.0% per annum, or (ii) LIBOR plus 6.0% per annum, with a LIBOR floor of 3.0% per annum.

After giving effect to the Credit Agreement Amendment, amounts outstanding under our credit facility bear interest at either the LIBOR rate plus 6.50% per annum, with a LIBOR floor of 3.00%, or the base rate plus 5.50% per annum, with a base rate floor of 4.00% per annum. We now pay a fee of 1.50% on unused commitments under our revolving credit facility. After giving effect to the Credit Agreement Amendment, interest on amounts outstanding under our credit facility must be paid monthly. Our credit facility, as amended by the Credit Agreement Amendment, now requires us to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively.

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During the three months ended September 30, 2008, the weighted average interest rate incurred by us was 7.04% resulting in interest expense of approximately $8.2 million. During the three months ended December 31, 2008, the weighted average interest rate incurred by us was 7.72% resulting in interest expense of approximately $8.9 million.

Among other things, our credit facility, as amended by the Credit Agreement Amendment, now requires us to make (i) minimum quarterly amortization payments on March 31, 2010 in the amount of $2.0 million, June 30, 2010 in the amount of $2.0 million, September 30, 2010 in the amount of $2.5 million, December 31, 2010 in the amount of $2.5 million and March 31, 2011 in the amount of $2.5 million, (ii) mandatory prepayments of amounts outstanding under the revolving credit facility (with no commitment reduction) whenever cash on hand exceeds $15.0 million, (iii) mandatory prepayments with 100% of asset sale proceeds, (iv) mandatory prepayment with 50% of the proceeds raised through equity raises and (v) annual prepayments with 50% of excess cash flow. Our credit facility, as amended by the Credit Agreement Amendment, prohibits us from making draws under the revolving credit facility if we would have more than $15.0 million of cash on hand after making the draw and applying the proceeds thereof.

Under the credit agreement, we are subject to certain limitations, including limitations on our ability to grant liens, incur additional indebtedness, engage in a merger, consolidation or dissolution, enter into transactions with affiliates, sell or otherwise dispose of our assets (other than the sale or other disposition of the assets of the asphalt business, provided that such disposition is at arm's length to a non-affiliate for fair market value in exchange for cash and the proceeds of the disposition are used to pay down outstanding loans), businesses and operations, materially alter the character of our business, and make acquisitions, investments and capital expenditures. The credit agreement prohibits us from making distributions of available cash to our unitholders if any default or event of default (as defined in the credit agreement) exists. The credit agreement, as amended by the Credit Agreement Amendment, requires us to maintain a leverage ratio (the ratio of our consolidated funded indebtedness to our consolidated adjusted EBITDA, in each case as defined in the credit agreement), determined as of the last day of each month for the twelve month period ending on the date of determination, that ranges on a monthly basis from not more than 5.50 to 1.00 to not more than 9.75 to 1.00. In addition, pursuant to the Credit Agreement Amendment, our ability to make acquisitions and investments in unrestricted subsidiaries is limited and we may only make distributions if our leverage ratio is less than 3.50 to 1.00 and certain other conditions are met. As of September 30, 2008 and December 31, 2008, our leverage ratio was 4.34 to 1.00 and 4.83 to 1.00, respectively. If our leverage ratio does not improve, we may not make quarterly distributions to our unitholders in the future.

The credit agreement, as amended by the Credit Agreement Amendment, also requires us to maintain an interest coverage ratio (the ratio of our consolidated EBITDA to our consolidated interest expense, in each case as defined in the credit agreement) that ranges on a monthly basis from not less than 2.50 to 1.00 to not less than 1.00 to 1.00. As of September 30, 2008 and December 31, 2008, our interest coverage ratio was 4.95 to 1.00 and 3.60 to 1.00, respectively.

Further, we are required to maintain a minimum monthly consolidated adjusted EBITDA for the prior twelve months ranging from $45.4 million to $82.9 million as determined at the end of each month. In addition, capital expenditures are limited to $12.5 million in 2009, $8.0 million in 2010 and $4.0 million in the six months ending June 30, 2011.

The credit agreement specifies a number of events of default (many of which are subject to applicable cure periods), including, among others, failure to pay any principal when due or any interest or fees within three business days of the due date, failure to perform or otherwise comply with the covenants in the credit agreement, failure of any representation or warranty to be true and correct in any material respect, failure to pay debt, a change of control of us or our general partner, and other customary defaults. In addition, it is an event of default under the credit agreement if we do not file our delinquent quarterly and annual reports with the SEC by September 30, 2009, unless we retain new auditors, in which case such deadline is extended to December 31, 2009. If an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity of the credit agreement and exercise other rights and

remedies, including taking available cash in our bank accounts. If an event of default exists and we are unable to obtain forbearance from our lenders or a waiver of the events of default under our credit agreement, we may be forced to sell assets, make a bankruptcy filing or take other action that could have a material adverse effect on our business, the price of our common units and our results of operations. We are also prohibited from making cash distributions to our unitholders while the events of default exist.

We used interest rate swap agreements to manage a portion of the exposure related to changing interest rates by converting floating-rate debt to fixed-rate debt. See Note 4 of the Notes to the Consolidated Financial Statements included in Item 1 of this Quarterly Report for a description of these interest rate swaps. The interest rate swap agreements contain cross-default provisions to events of default under the credit agreement. Due to events related to the Bankruptcy Filings, all of these interest rate swap positions were terminated in the third quarter of 2008, and we have recorded a $1.5 million liability as of September 30, 2008 with respect to these positions.

Item 6. Exhibits

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this quarterly report and is incorporated herein by reference.

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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.

	SemGroup Energy Partners, L.P.	
	By:	SemGroup Energy Partners G.P., L.L.C. its General Partner
Date: May 27, 2009	By:	/s/ Alex G. Stallings Alex G. Stallings Chief Financial Officer and Secretary
Date: May 27, 2009	By:	/s/ James R. Griffin James R. Griffin Chief Accounting Officer

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INDEX TO EXHIBITS

Exhibit Number	Exhibit Name
3.1	Certificate of Limited Partnership of SemGroup Energy Partners, L.P. (the "Partnership"), dated February 22, 2007 (filed as Exhibit 3.1 to the Partnership's Registration Statement on Form S-1 (Reg. No. 333-141196), filed March 9, 2007, and incorporated herein by reference).
3.2	First Amended and Restated Agreement of Limited Partnership of the Partnership, dated July 20, 2007 (filed as Exhibit 3.1 to the Partnership's Current Report on Form 8-K, filed July 25, 2007, and incorporated herein by reference).
3.3	Amendment No. 1 to First Amended and Restated Agreement of Limited Partnership of the Partnership, effective as of July 20, 2007 (filed as Exhibit 3.1 to the Partnership's Current Report on Form 8-K, filed on April 14, 2008, and incorporated herein by reference).
3.4	Amendment No. 2 to First Amended and Restated Agreement of Limited Partnership of the Partnership, dated June 25, 2008 (filed as Exhibit 3.1 to the Partnership's Current Report on Form 8-K, filed on June 30, 2008, and incorporated herein by reference).
3.5	Certificate of Formation of SemGroup Energy Partners G.P., L.L.C. (the "General Partner"), dated February 22, 2007 (filed as Exhibit 3.3 to the Partnership's Registration Statement on Form S-1 (Reg. No. 333-141196), filed March 9, 2007, and incorporated herein by reference).
3.6	Amended and Restated Limited Liability Company Agreement of the General Partner, dated July 20, 2007 (filed as Exhibit 3.2 to the Partnership's Current Report on Form 8-K, filed July 25, 2007, and incorporated herein by reference).
3.7	Amendment No. 1 to Amended and Restated Limited Liability Company Agreement of the General Partner, dated June 25, 2008 (filed as Exhibit 3.2 to the Partnership's Current Report on Form 8-K, filed on June 30, 2008, and incorporated herein by reference).
3.8	Amendment No. 2 to Amended and Restated Limited Liability Company Agreement of the General Partner, dated July 18, 2008 (filed as Exhibit 3.1 to the Partnership's Current Report on Form 8-K, filed on July 22, 2008, and incorporated herein by reference).
4.1	Specimen Unit Certificate (included in Exhibit 3.2).
10.1	

	Agreed Order of the United States Bankruptcy Court for the District of Delaware Regarding Motion by SemGroup Energy Partners, L.P. (i) to Compel Debtors to Provide Adequate Protection and (ii) to Modify the Automatic Stay (filed as Exhibit 99.1 to the Partnership's Current Report on Form 8-K, filed on September 9, 2008, and incorporated herein by reference).
10.2	Forbearance Agreement and Amendment to Credit Agreement, dated September 12, 2008 but effective as of September 18, 2008, by and among SemGroup Energy Partners, L.P., Wachovia Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender, and the Lenders party thereto (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on September 22, 2008, and incorporated herein by reference).
10.3	First Amendment to Forbearance Agreement and Amendment to Credit Agreement, dated as of December 11, 2008, by and among SemGroup Energy Partners, L.P., Wachovia Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender, and the Lenders party thereto (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on December 12, 2008, and incorporated herein by reference).
10.4	Second Amendment to Forbearance Agreement and Amendment to Credit Agreement, dated as of December 18, 2008, by and among SemGroup Energy Partners, L.P., Wachovia Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender, and the Lenders party thereto (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on December 19, 2008, and incorporated herein by reference).
10.5	Third Amendment to Forbearance Agreement and Amendment to Credit Agreement, dated as of March 17, 2009, by and among SemGroup Energy Partners, L.P., Wachovia Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender, and the Lenders party thereto (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on March 19, 2009, and incorporated herein by reference).
10.6	Consent, Waiver and Amendment to Credit Agreement, dated as of April 7, 2009, by and among SemGroup Energy Partners, L.P., as Borrower, SemGroup Energy Partners G.P., L.L.C., SemGroup Energy Partners Operating, L.L.C., SemMaterials Energy Partners, L.L.C., SemGroup Energy Partners, L.L.C., SemGroup Crude Storage, L.L.C., SemPipe, L.P., SemPipe G.P., L.L.C. and SGLP Management, Inc., as Guarantors, Wachovia Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender, and the Lenders party thereto (filed as Exhibit 10.14 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.7	

	Amendment to the SemGroup Energy Partners G.P., L.L.C. Long Term Incentive Plan (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on December 23, 2008, and incorporated herein by reference).
10.8	Form of Director Restricted Common Unit Agreement (filed as Exhibit 10.2 to the Partnership's Current Report on Form 8-K, filed on December 23, 2008, and incorporated herein by reference).
10.9	Form of Director Restricted Subordinated Unit Agreement (filed as Exhibit 10.3 to the Partnership's Current Report on Form 8-K, filed on December 23, 2008, and incorporated herein by reference).
10.10	Term Sheet, dated as of March 6, 2009 (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on March 10, 2009, and incorporated herein by reference).
10.11	Master Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and among by and among SemGroup, L.P., SemManagement, L.L.C., SemOperating G.P., L.L.C., SemMaterials, L.P., K.C. Asphalt, L.L.C., SemCrude, L.P., Eaglwing, L.P., SemGroup Holdings, L.P., SemGroup Energy Partners, L.P., SemGroup Energy Partners G.P., L.L.C., SemGroup Energy Partners Operating, L.L.C., SemGroup Energy Partners, L.L.C., SemGroup Crude Storage, L.L.C., SemPipe, L.P., SemPipe G.P., L.L.C., SGLP Management, Inc. and SemMaterials Energy Partners, L.L.C. (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.12	Shared Services Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and among SemGroup Energy Partners, L.P., SemGroup Energy Partners, L.L.C., SemGroup Crude Storage, L.L.C., SemPipe G.P., L.L.C., SemPipe, L.P., SemCrude, L.P. and SemManagement, L.L.C. (filed as Exhibit 10.2 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.13	Transition Services Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and among SemGroup Energy Partners, L.P., SemGroup Energy Partners, L.L.C., SemGroup Crude Storage, L.L.C., SemPipe G.P., L.L.C., SemPipe, L.P., SemMaterials Energy Partners, L.L.C., SGLP Asphalt L.L.C., SemCrude, L.P., SemGroup, L.P., SemMaterials, L.P. and SemManagement, L.L.C. (filed as Exhibit 10.3 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.14	Contribution, Conveyance, Assignment and Assumption Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and among SemMaterials, L.P., K.C. Asphalt, L.L.C., SGLP Asphalt, L.L.C. and SemMaterials Energy Partners, L.L.C. (filed as Exhibit 10.4 to the Partnership's Current Report on Form 8-K, filed on

	April 10, 2009, and incorporated herein by reference).
10.15	Membership Interest Transfer Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and between SemMaterials, L.P. and SemMaterials Energy Partners, L.L.C. (filed as Exhibit 10.5 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.16	Throughput Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and among SemGroup Energy Partners, L.L.C. and SemCrude, L.P. (filed as Exhibit 10.6 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.17	Terminalling and Storage Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and between SemMaterials Energy Partners, L.L.C. and SemMaterials, L.P. (filed as Exhibit 10.7 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.18	Access and Use Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and between SemMaterials, L.P. and SemMaterials Energy Partners, L.L.C. (filed as Exhibit 10.8 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.19	Trademark License Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and among SemGroup, L.P., SemMaterials, L.P. and SemGroup Energy Partners, L.P. (filed as Exhibit 10.9 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.20	Office Lease, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and between SemGroup Energy Partners, L.L.C. and SemCrude, L.P. (filed as Exhibit 10.10 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.21	Building Lease, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and between SemGroup Energy Partners, L.L.C. and SemCrude, L.P. (filed as Exhibit 10.11 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.22	Mutual Easement Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, among SemCrude, L.P., SemGroup Energy Partners, L.L.C., and SemGroup Crude Storage, L.L.C. (filed as Exhibit 10.12 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
10.23	

	Pipeline Easement Agreement, dated as of April 7, 2009 to be effective as of 11:59 PM CDT March 31, 2009, by and among White Cliffs Pipeline, L.L.C., SemGroup Energy Partners, L.L.C., and SemGroup Crude Storage, L.L.C. (filed as Exhibit 10.13 to the Partnership's Current Report on Form 8-K, filed on April 10, 2009, and incorporated herein by reference).
31.1*	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551, this Exhibit is furnished to the SEC and shall not be deemed to be "filed."
*	Filed herewith.