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

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013
or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number 1-34736

SEMGROUP CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**20-3533152**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Two Warren Place
6120 S. Yale Avenue, Suite 700
Tulsa, OK 74136-4216
(918) 524-8100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value $0.01 per share	New York Stock Exchange
Warrants to Purchase Common Stock	New York Stock Exchange

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

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

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

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 x No o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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	o
Non-Accelerated Filer	o	(Do not check if a smaller reporting company)	Smaller Reporting Company	o

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

The aggregate market value of the registrant's Class A and Class B Common Stock held by non-affiliates at June 28, 2013, was $2,259,318,526, based on the closing price of the Class A Common Stock on the New York Stock Exchange on June 28, 2013.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No o

At January 31, 2014, there were 42,452,997 shares of Class A Common Stock and 28,235 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, in connection with the registrant's Annual Stockholders' Meeting to be held on May 15, 2014, are incorporated by reference into Part III of this Form 10-K.

SEMGROUP CORPORATION AND SUBSIDIARIES
FORM 10-K—2013 ANNUAL REPORT

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Cautionary Note Regarding Forward-Looking Statements

Certain matters contained in this Form 10-K include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical fact, included in this Form 10-K regarding the prospects of our industry, our anticipated financial performance, the anticipated performance of NGL Energy Partners LP, management’s plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions, and other matters, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as “may,” “will,” “expect,” “intend,” “estimate,” “foresee,” “project,” “anticipate,” “believe,” “plans,” “forecasts,” “continue” or “could” or the negative of these terms or variations of them or similar terms. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those discussed in Item 1A of this Form 10-K, entitled “Risk Factors,” risk factors discussed in other reports that we file with the Securities and Exchange Commission (“SEC”), and the following:

- Our ability to generate sufficient cash flow from operations to enable us to pay our debt obligations or to fund our other liquidity needs;
- Our ability to comply with the covenants contained in our credit agreements and the indenture governing our 7.5% senior notes, including requirements under our credit agreements to maintain certain financial ratios;
- The effect of our debt level on our future financial and operating flexibility, including our ability to obtain additional capital on terms that are favorable to us;
- The ability of our subsidiary, Rose Rock Midstream, L.P., to make minimum quarterly distributions to its unitholders, including us;
- The operations of NGL Energy Partners LP, which we do not control;
- Any sustained reduction in demand for the petroleum products we gather, transport, process and store;
- Our ability to obtain new sources of supply of petroleum products;
- Our failure to comply with new or existing environmental laws or regulations or cross border laws or regulations;
- The possibility that the construction or acquisition of new assets may not result in the corresponding anticipated revenue increase;
- Changes in currency exchange rates;
- The risks and uncertainties of doing business outside of the U.S., including political and economic instability and changes in local government laws, regulations and policies; and
- The possibility that our hedging activities may result in losses or may have a negative impact on our financial results.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors, may cause actual results to differ from those contained in any forward-looking statement.

Readers are cautioned not to place undue reliance on any forward-looking statements contained in this Form 10-K, which reflect management’s opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements.

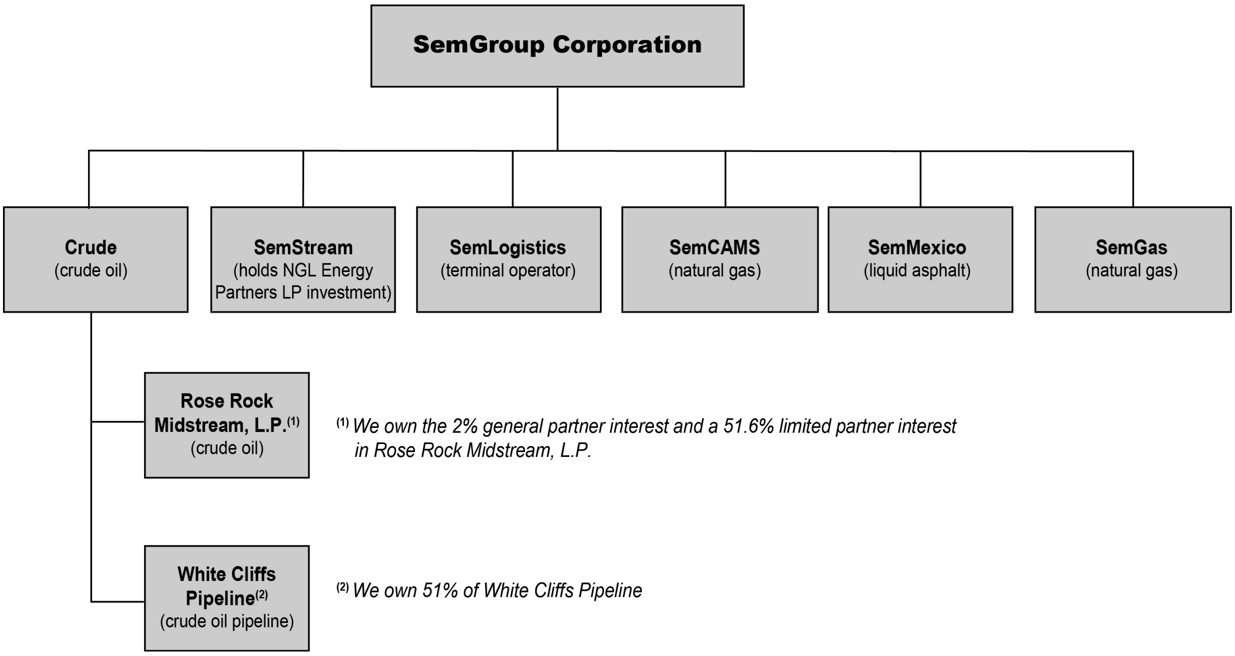
As used in this Form 10-K, and unless the context indicates otherwise, the terms the “Company,” “SemGroup,” “we,” “us,” “our,” “ours,” and similar terms refer to SemGroup Corporation, its consolidated subsidiaries, and its predecessors. We sometimes refer to crude oil, natural gas, natural gas liquids (natural gas liquids, or “NGLs,” include ethane, propane, normal butane, iso-butane, and natural gasoline), refined petroleum products, and liquid asphalt cement, collectively, as “petroleum products” or “products.”

PART I

Items 1 and 2. *Business and Properties*

Overview

Our business is to provide gathering, transportation, storage, distribution, marketing and other midstream services primarily to independent producers, refiners of petroleum products and other market participants located in the Midwest and Rocky Mountain regions of the United States of America (the "U.S.") and Canada. We, or our significant equity method investees, have an asset base consisting of pipelines, gathering systems, storage facilities, terminals, processing plants and other distribution assets located between North American production and supply areas, including the Gulf Coast, Midwest, Rocky Mountain and Western Canadian regions. We also maintain and operate storage, terminal and marine facilities at Milford Haven in the United Kingdom (the "U.K.") that enable customers to supply petroleum products to markets in the Atlantic Basin. We also operate a network of liquid asphalt cement terminals throughout Mexico. Our operations are conducted directly and indirectly through our primary operating segments. The following diagram is a simplified organizational chart of our business segments:



Company Information

Our principal executive offices are located at Two Warren Place, 6120 South Yale Avenue, Suite 700, Tulsa, OK 74136-4216, and our telephone number is (918) 524-8100. Our website is located at www.semgroupcorp.com. Our Class A common stock trades on the New York Stock Exchange under the ticker symbol "SEMG." Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements and other information we file with, or furnish to, the SEC are available free of charge on our website. We make these documents available as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The information contained on our website, or available by hyperlink from our website, is not incorporated into this Form 10-K or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on our website in the "Investor Relations" sections. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

In addition, we use social media to communicate with our investors and the public about our company, our businesses and our results of operations. The information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media and the others interested in our company to review the information we post on the social media channels listed on our investor relations website.

Industry Overview

We move petroleum products throughout the U.S., Canada, Mexico and the U.K. We provide gathering, transportation, storage, distribution, marketing and other midstream services to producers and refiners of petroleum products. The market we serve, which begins at the point of purchase at the source of production and extends to the point of distribution to the end-user customer, is commonly referred to as the "midstream" market. The midstream market acts as a bridge between energy producers and energy end-users. We focus on providing these services, using our asset base and distribution, processing and marketing expertise to provide our customers with a stable source of supply and market access for their petroleum products.

Crude Oil Midstream Market

Our crude oil business operates primarily in Colorado, Kansas, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas and Wyoming where there is extensive crude oil production. Our assets include gathering systems in and around producing fields and transportation pipelines and trucks carrying crude oil to logistic hubs, such as the Cushing Interchange, where we have terminalling and storage facilities that our customers use to manage the delivery of crude oil.

Gathering and Transportation

Pipeline transportation is generally the lowest cost method for shipping crude oil from the wellhead to logistic hubs or refineries. Crude oil gathering assets generally consist of a network of smaller diameter pipelines that are connected directly to the well site or central receipt points delivering into larger diameter trunk lines. Logistic hubs, like the Cushing Interchange, provide storage and connections to other pipeline systems and modes of transportation, such as railroads, trucks and barges. Trucking complements pipeline gathering systems by gathering crude oil from operators at remote wellhead locations not served by pipeline gathering systems. Trucking is generally limited to low volume, short haul movements because trucking costs escalate sharply with distance, making trucking the most expensive mode of crude oil transportation.

Storage Terminals and Supply

Storage terminals complement the crude oil pipeline gathering and transportation systems and address a fundamental imbalance in the energy industry: crude oil is generally produced in different locations and at different times than it is ultimately consumed.

Terminals are facilities in which crude oil is transferred to or from a storage facility or transportation system, such as a gathering pipeline, to another transportation system, such as trucks or another pipeline. Terminals play a key role in moving crude oil to end-users, such as refineries, by providing the following services:

- inventory management;
- distribution; and
- blending to achieve marketable grades or qualities of crude oil.

Overview of Cushing Interchange

The Cushing Interchange is one of the largest crude oil marketing hubs in the U.S. and is the designated point of delivery specified in all NYMEX crude oil futures contracts. As the NYMEX delivery point and a cash market hub, the Cushing Interchange serves as a significant source of refinery feedstock for Midwest refiners and plays an important role in establishing and maintaining markets for many varieties of crude oil.

The Cushing Interchange has multiple inbound and outbound pipeline interconnections. The following major pipeline projects are expected to increase takeaway capacity:

- *Seaway Pipeline Reversal*—In May 2012, Enterprise Products Partners L.P. and Enbridge Inc. reversed the flow of the Seaway Pipeline to allow it to transport crude oil from Cushing to the U.S. Gulf Coast. The initial capacity was 150,000 barrels per day. In January 2013, the capacity was increased to 400,000 barrels per day. Construction of a twin loop of the Seaway Pipeline is expected to more than double Seaway's capacity to 850,000 barrels per day, following its anticipated completion in the first half of 2014.
- *TransCanada's Keystone Cushing MarketLink Project* —The Cushing MarketLink Project provides facilities to transport U.S. crude oil production from Cushing, Oklahoma to the U.S. Gulf Coast with a capacity of 150,000 barrels per day. This pipeline was placed in service in January 2014.

We cannot provide any assurances regarding these pipeline projects or the actual effect that they may have on crude oil prices at Cushing.

Natural Gas Midstream Market

We operate gathering and processing natural gas assets in the U.S. and Canada. The natural gas gathering process begins after a well has been completed and the well has been connected to a gathering system. Gathering systems typically consist of a network of small diameter pipelines and compression systems that collect natural gas from producing wells and transport it to larger pipelines for further transmission to a gas processing plant.

Wellhead gas is often saturated with water vapor. This water vapor must be removed from the gas stream to prevent formation of hydrates and condensation of free water in downstream facilities, to prevent corrosion and to meet downstream pipeline quality specifications. Dehydration is generally performed along the gathering system using either a glycol absorption process or a solid desiccant adsorption process.

In addition to water vapor, wellhead gas may contain impurities such as carbon dioxide, nitrogen, hydrogen sulfide, helium, oxygen and other inert components. These impurities must be removed from the gas stream to protect downstream equipment, prevent corrosion and meet downstream pipeline quality specifications. They are removed through a variety of processes using chemical reaction, absorption, adsorption or permeation.

As natural gas is processed to remove unwanted elements that interfere with pipeline transportation, higher value natural gas liquids known as NGLs and condensate are separated from the raw natural gas stream. NGLs include ethane, propane, normal butane, iso-butane and natural gasoline. These products are used as petrochemical feedstock, heating and transportation fuels and refinery feedstock. Condensate is a mixture of petroleum products consisting primarily of pentanes and heavier liquids. It is used as refinery feedstock and as a diluent used to dilute crude bitumen so that it can be transported by pipeline or railcar.

Mexican Asphalt Industry

Mexico has a large and diverse road network in place. Mexico’s land transportation network is one of the most extensive in Latin America with over 360,000 kilometers of roads, with one third paved. Roads are a critically important component of Mexico’s transportation infrastructure.

Mexico’s highway infrastructure is comprised of three main components: the federal network (which includes both toll and toll-free roads), the regional network and the rural network. The federal road system is the responsibility of the Mexican Transport and Communications Ministry ("SCT"), while the regional network of roads is the responsibility of state government. Rural and state roads and low-volume roads are also improved by state government. These networks help establish the annual demand for asphalt. Asphalt demand can increase, or decline, at a pace comparable to the level of on-going highway expansion and/or maintenance projects. Such projects rely on the availability of government concessions, continued public-private partnership undertakings and locally funded ventures.

The SCT announced that it will tender 258 highway projects in 2014. In December 2013, the SCT opened the bidding process for up to 25 billion pesos for new highway and port infrastructure projects scheduled for 2014, while ongoing highway infrastructure projects that require multi-year budgets are set to receive 972 million pesos.

Petroleum Products Storage Industry in the U.K.

Storage for refined products and crude oil is critical to the economy of the U.K. Fluctuations in demand for crude oil and fuels, combined with changing flows of petroleum product production and refining capacity, means storage is necessary to balance supply and demand. Additionally, the possibility of disruptions due to weather, industry upsets, political tensions and terrorism have led industry participants to appreciate the significance of access to storage.

The independent storage industry has experienced fluctuating demand for its services over recent years from major oil companies, oil traders and strategic storage agencies (government entities that store fuel to protect against significant fluctuations in supply or demand). The construction of new tank storage facilities has historically been restricted, resulting in a supply shortage. However, high crude oil prices and backwardated market conditions (i.e., prices for future deliveries are lower than current prices) have had a negative effect on storage economics. As a result, demand for such storage facilities is currently weak.

Our Property, Plant and Equipment

Assets include:

- the 2% general partner interest and a 51.6% limited partner interest in Rose Rock Midstream, L.P. ("Rose Rock"), a publicly traded master limited partnership, which owns an approximately 624-mile crude oil pipeline network in Kansas and Oklahoma and a crude oil storage facility in Cushing, Oklahoma with a capacity of 7.35 million barrels and an additional 250,000 barrels placed in service in January 2014 for crude oil operations;

- a 51% ownership interest (17% directly and 34% indirectly, through our interest in Rose Rock) in White Cliffs Pipeline, L.L.C ("White Cliffs"), which owns a 527-mile crude oil pipeline running from Platteville, Colorado to Cushing, Oklahoma (the "White Cliffs Pipeline"), that Crude operates;
- a 50% interest in Glass Mountain Pipeline which owns a 210-mile crude oil pipeline in western and north central Oklahoma. Construction of this pipeline was completed in January 2014. The pipeline is operated by Rose Rock;
- 9.1 million common units of NGL Energy Partners LP ("NGL Energy") and an 11.78% interest in NGL Energy Holdings LLC, the general partner of NGL Energy;
- approximately 1,900 miles of natural gas and NGL transportation, gathering and distribution pipelines in Kansas, Oklahoma, Texas and Alberta, Canada;
- 8.7 million barrels of owned multi-product storage capacity located in the U.K.;
- 12 liquid asphalt cement terminals and modification facilities and one emulsion distribution terminal in Mexico;
- majority interest in four natural gas processing plants located in Alberta, Canada, with a combined operating capacity of 695 million cubic feet per day;
- three natural gas processing plants located in the U.S., with 188 million cubic feet per day of capacity;
- a modern, sixteen-lane crude oil truck unloading facility with 230,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline;
- a 37-mile crude oil gathering system with 200,000 barrels of operational storage connected to our Platteville, Colorado crude oil terminal and the origination point of the White Cliffs Pipeline;
- a 12-mile crude oil pipeline that connects our Platteville, Colorado crude oil terminal to the Tampa, Colorado crude oil market; and
- a crude oil trucking fleet of over 130 transport trucks and trailers.

We believe that the variety of our petroleum product assets creates opportunities for us and our customers that avoid seasonal fluctuations of less diverse businesses.

Business Strategy

Our principal business strategy is to use our assets and operational expertise to:

- move petroleum products throughout the U.S., Canada, Mexico and the U.K.;
- provide consistently reliable high-quality midstream services under predominantly fee and margin-based contractual arrangements;
- mitigate commodity price risk exposure;
- aggressively manage operating costs to maintain and improve operating margins;
- expand business by improving, enhancing and expanding services at existing facilities and gaining new customers;
- pursue complementary “bolt-on” growth opportunities having acceptable risks and returns; and
- generate consistent operating margins, earnings and cash flows.

Our Business Segments

We conduct our business through six business segments:

- Crude;
- SemStream;
- SemLogistics;
- SemCAMS;
- SemMexico; and
- SemGas

For information relating to revenue and total assets for each segment, refer to Note 9 of our consolidated financial statements beginning on page F-1 of this Form 10-K.

The following sections present an overview of our business segments, including information regarding the principal business and services rendered, assets and operations and markets and competitive strengths. Our results of operations and financial condition are subject to a variety of risks. For information regarding our key risk factors, see “Item 1A. Risk Factors.”

Crude

Crude’s business operations are conducted through its 2% general partner interest and a 51.6% limited partner interest in Rose Rock and its 51% ownership interest in White Cliffs. These operations include crude oil transportation, storage, terminalling, gathering and marketing in Colorado, Kansas, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas and Wyoming for third-party customers as well as for itself. In addition to its equity investment in White Cliffs, the crude business unit consists of five primary operations: (i) Cushing storage; (ii) Kansas and Oklahoma pipeline system; (iii) crude oil trucking fleet; (iv) Bakken Shale operations; and (v) Platteville Facility.

Assets and Operations

Cushing Storage. Crude owns and operates 30 crude oil storage tanks in Cushing with an aggregate storage capacity of approximately 7.35 million barrels and an additional 250,000 barrels of storage placed in service in January 2014 for crude oil operations. Our storage terminal has a combined capacity to deliver 480,000 barrels of crude oil per day, and has inbound connections with the White Cliffs Pipeline from Platteville, Colorado, the Great Salt Plains Pipeline from Cherokee, Oklahoma, the Cimarron Pipeline from Boyer, Kansas, our Kansas and Oklahoma gathering system and two-way interconnections with all of the other major storage terminals in Cushing, the delivery point specified in all crude oil futures contracts traded on the NYMEX.

Kansas and Oklahoma Pipeline. Crude owns and operates an approximately 624-mile crude oil gathering and transportation pipeline system and over 620,000 barrels of associated storage in Kansas and Northern Oklahoma. This system gathers crude oil from throughout the region and delivers it to third-party pipelines and refineries and our Cushing terminal, thereby providing our customers with multiple delivery options.

Crude Oil Trucking Fleet. Crude owns and operates a crude oil trucking fleet of over 130 transport trucks and trailers providing transportation services in Colorado, Kansas, Louisiana, New Mexico, North Dakota, Oklahoma, Texas and Wyoming, as well as a take-or-pay customer transportation agreement.

Bakken Shale. Crude owns and operates a crude oil gathering, storage, transportation and marketing business in the Bakken Shale area in Western North Dakota and Eastern Montana. Using our fleet of trucks and capacity on the Enbridge North Dakota System, we purchase crude oil at the wellhead and transport and market it to customers, historically at the crude oil marketing hub in Clearbrook, Minnesota.

Platteville Facility. Crude owns and operates a sixteen-lane crude oil truck unloading facility in Platteville, Colorado, which connects to the origination point of the White Cliffs Pipeline. The facility includes storage capacity of 230,000 barrels.

White Cliffs Pipeline. Crude owns 51% of White Cliffs, which owns the White Cliffs Pipeline, a 527-mile common carrier, crude oil pipeline system that originates in Colorado and terminates in Cushing, Oklahoma. The White Cliffs Pipeline, which has a capacity of approximately 76,000 barrels of crude oil per day, is the primary direct pipeline out of the DJ Basin to the Cushing market. White Cliffs is undertaking an expansion to increase the capacity of the White Cliffs Pipeline from approximately 76,000 barrels per day to approximately 150,000 barrels per day.

Crude currently owns 51% of White Cliffs. The other 49% is owned as follows: 35.5% by Plains Pipeline, L.P., 10% by Anadarko Wattenberg Company, LLC (“AWC”), and 3.5% by Samedan Pipe Line Corporation (“Noble Energy”). AWC and Noble Energy have each entered into throughput agreements with us for the shipment of their product on the White Cliffs Pipeline. (See Note 5 of our consolidated financial statements beginning on page F-1 of this Form 10-K for additional information.)

Glass Mountain Pipeline. SemGroup and Gavilon LLC have formed a joint venture named Glass Mountain Pipeline to construct and operate a 210-mile pipeline in western and north central Oklahoma. The pipeline will have an initial capacity of approximately 140,000 barrels per day, 440,000 barrels of intermediate storage and deliver crude oil to a one million barrel storage facility at Gavilon's terminal in Cushing, Oklahoma. The pipeline was constructed by SemGroup. The total cost of the pipeline is estimated to be approximately \$188 million, of which approximately \$182.2 million has been spent as of December 31, 2013. Construction was completed in January 2014 and the pipeline is operated by Rose Rock. Chesapeake Energy entered into a long-term transportation agreement with Glass Mountain Pipeline which provided the economic incentive to construct the pipeline.

Wattenberg Oil Trunkline. SemGroup constructed a new crude oil gathering system in the DJ Basin called the Wattenberg Oil Trunkline. The project is a 37-mile, 12-inch diameter pipeline with 200,000 barrels of operational storage extending north from Rose Rock's Platteville Station, the origin point of the White Cliffs Pipeline. The pipeline connects Noble Energy, Inc.'s crude oil production area and includes truck unloading facilities. Noble Energy, Inc. has entered into a long-term agreement to use the assets. The total cost of the pipeline was approximately $39 million.

Revenue and Marketing

A majority of Crude's revenue is generated from fee-based contractual arrangements that, in some instances, are fixed and not dependent on usage. In addition to third-party customer revenue, Crude generates revenue from limited marketing activities. Crude's marketing activities include purchasing crude oil for its own account from producers and aggregators and selling crude oil to traders and refiners.

We mitigate the commodity price exposure of our crude oil marketing operations by limiting our net open positions through (i) the concurrent purchase and sale of like quantities of crude oil to create "back-to-back" transactions intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered, or (ii) derivative contracts. All of our marketing activities are subject to our Comprehensive Risk Management Policy which establishes limits in order to manage risk and mitigate financial exposure. Our marketing activities account for a portion of the revenue we generate through our Kansas and Oklahoma pipeline system and our Bakken Shale operations.

Market and Competitive Strengths

Crude's pipeline system allows producers and purchasers access to regional refineries, third-party pipelines and to Cushing.

SemStream

Until December 31, 2012, SemStream was engaged in the residential propane supply business through its wholly-owned subsidiary, SemStream Arizona Propane, L.L.C. ("SemStream Arizona"), with operations in Page and Payson, Arizona. In September 2012, we entered into a definitive agreement to sell those assets. The sale was finalized on December 31, 2012, after receiving the required approval by the Arizona Corporation Commission ("ACC").

Assets and Operations

The SemStream segment includes SemGroup's ownership interest in NGL Energy, a master limited partnership, publicly traded on the New York Stock Exchange as "NGL", and includes no other significant assets or operations. NGL Energy owns and operates midstream wholesale and retail propane storage and distribution assets, crude oil logistics and water treatment services.

SemLogistics

SemLogistics owns the largest independent petroleum products storage facility in the U.K. The main activities of SemLogistics are the receipt, storage and redelivery of clean petroleum products and crude oil at the Milford Haven site.

Assets and Operations

SemLogistics operates a tank storage business and offers build-bulk (importing small cargo, building volume and exporting larger cargo) and break-bulk (importing larger cargo and exporting smaller cargo) operations to its customers that transport products between the Middle East and Europe, the east coast of the U.S. and the west coast of Africa. The terminal is strategically located to access the U.K. market and to service numerous global markets.

SemLogistics' storage facility includes approximately 8.7 million barrels of above ground storage tanks. The terminal has two deep water jetties, one of which can accommodate vessels of up to 165,000 dead weight tons. It also has access to Mainline Pipeline Limited (pipeline from Milford Haven to Manchester and Nottingham), which is owned by Valero Energy Limited.

Over 40% of SemLogistics' storage capacity is multi-product, providing customers with tank storage for clean petroleum products, including gasoline, gasoline blendstocks, jet fuel and gas oil. The remaining tankage is either dedicated to crude oil or dual-purpose tankage for at least two clean petroleum products (gasoline/jet fuel or gasoline/gas oil or jet fuel/gas oil). SemLogistics also provides related services, e.g., tank-to-tank transfers, mixing of gasoline blendstocks and kerosene marking.

Revenue and Marketing

SemLogistics generates revenue from fixed-fee storage tank leasing and related services by making available to third parties all of the terminal's available tank capacity for the storage of crude oil and refined products. Customers fall into three broad categories: trading, structural marketing storage and compulsory strategic storage.

Markets and Competitive Strength

SemLogistics' ability to handle multiple products provides flexibility to change its operations in response to market conditions. Demand for independent storage terminals can be impacted by a wide range of influences such as the forward price curve, expanding oil production, security of supply concerns, European compulsory stock holding requirements, and mismatches in regional production and consumption of oil and refined petroleum products.

SemLogistics' terminal size (approximately 23% of the total independent storage in the U.K.) and its vessel handling capabilities make it unique compared with other terminals. In addition to being the only independent U.K. facility that serves the bulk trans-shipment sector, it is also the only independent facility capable of handling crude oil.

SemCAMS

We own and operate four natural gas processing and gathering facilities in Alberta, Canada. The principal process performed at the processing plants is to remove contaminants and render the gas saleable to downstream pipelines and markets. At our sour gas plants we also "sweeten" sour natural gas by removing sulfur.

Assets and Operations

SemCAMS operates and owns varying working interests in (i) two sour natural gas processing plants known as the Kaybob South No. 3 plant (the "K3 Plant"), and the Kaybob Amalgamated plant (the "KA Plant"); (ii) two sweet gas plants known as the West Fox Creek plant and the West Whitecourt plant, and (iii) a network of approximately 600 miles of natural gas gathering and transportation pipelines. The sour gas plants are dually connected to two major long-haul natural gas pipelines that serve Canada and the U.S. The plants also have the ability to load certain products for transportation by truck and railcar.

Revenue and Marketing

SemCAMS generates revenue from the processing plants through volumetric fees for services under contractual arrangements with working interest owners and third-party customers. SemCAMS does not have direct exposure to commodity prices. In addition, SemCAMS generates fee-based revenue from volume throughput on its pipelines. SemCAMS' customers include producers of varying sizes.

SemCAMS also derives revenue as the owner and operator of pipeline gathering systems that gather gas from multiple wells located in the same production unit and as the owner and operator of pipeline transportation systems that deliver the gathered gas to each plant.

To support operations at our plants, several producers have committed to process all of their current and future natural gas production from lands owned by them, or their subsequent assignees. This dedication continues until field depletion.

Market and Competitive Strengths

Natural gas is used for a variety of purposes in Canada including heating, electricity production and other industrial processes. All of SemCAMS' assets are located in West-Central Alberta, in the heart of the Western Canadian Sedimentary Basin.

SemMexico

SemMexico provides a variety of liquid asphalt cement products and product application services to the Mexican market. SemMexico purchases, produces, stores and distributes asphalt products throughout Mexico. SemMexico's primary supplier of asphalt is Pemex, Mexico's state-owned petroleum company. SemMexico is the largest asphalt distributer in Mexico and, in addition to direct asphalt cement sales, further processes asphalt materials in combination with other raw materials to produce value-added products. These products, such as polymer modified asphalts and asphalt emulsions, are then sold to road contractors and government agencies.

Assets and Operations

SemMexico currently operates an in-country network of 12 asphalt cement terminals and modification facilities, one emulsion distribution terminal and three portable rail unloading facilities to import asphalt from the U.S. SemMexico's national technical center and headquarters are located in the city of Puebla.

Revenue and Marketing

SemMexico generates revenues through the sale of asphalt products. In general, SemMexico's sales and purchases of asphalt cement are matched; SemMexico purchases product on an as-needed basis, thereby limiting exposure to price movements of inventory. SemMexico's focus is to maintain its reputation as a quality supplier of asphalt products by consistently producing high quality products and introducing technologically advanced products and solutions to Mexico's asphalt market, while simultaneously increasing production capacity and product distribution availability.

Market and Competitive Strengths

SemMexico is a leader in asphalt pavement technologies and capabilities. It is the only liquid asphalt cement company with a national footprint in Mexico. These factors have resulted in a long-term supply relationship with Pemex and long-term business relationships with its customers. SemMexico is exposed to market risk, such as the sustainability of road construction and maintenance funds from the Mexican government. However, we believe that SemMexico's significant market position, reputation, technology and long-term relationships with suppliers and customers are strategic strengths that will benefit SemMexico.

SemGas

SemGas provides natural gas gathering and processing services. It has gathering and processing plants and assets in Kansas, Oklahoma and Texas. SemGas aggregates gas supplies from the wellhead and provides various services to producers that condition the wellhead gas production for downstream markets.

Assets and Operations

SemGas currently owns and operates over 1,300 miles of gathering pipelines in Kansas, Oklahoma and Texas. SemGas has one processing plant located in Sherman, Texas, with a processing capacity of 23 million cubic feet per day and over 400 miles of low pressure gathering lines. SemGas also has two plant facilities in Northern Oklahoma (Nash and Hopeton) located roughly 20 miles apart, with a combined processing capacity of approximately 165 million cubic feet per day. A third plant with a capacity of 200 million cubic feet per day is under construction and is expected to be completed in the first quarter of 2014. This area, also called the Mississippi Zone, has emerged into a key oil resource play with associated gas. There are approximately 665,000 acres dedicated to SemGas from several area producers in the Mississippi Lime Play.

Additionally, SemGas owns a Eufaula gathering system which gathers, dehydrates and compresses gas in eastern Oklahoma, and a gathering system in Kansas.

Revenue and Marketing

SemGas generates revenue from a portfolio of contracts. Initial contract terms can range from monthly and interruptible to the life of the reserves and, upon expiration, continue to renew on a month-to-month or year-to-year evergreen basis. The majority of these agreements are a combination of percent of proceeds and fee-based contracts for processing and gathering services. SemGas' customers include producers, operators, marketers and traders.

Market and Competitive Strengths

SemGas' gathering and processing volumes can be impacted by market demand for the products it handles, as well as the price for crude oil, because the Mississippi Zone is primarily a crude oil play with associated natural gas and natural gas liquids. Gathering and processing activities are also reliant on continued drilling and production activity by producers in our areas of operation. While price increases in natural gas might lead to increased drilling and supply, price increases can also adversely affect demand.

We face competition in acquiring new natural gas supplies. The natural gas gathering and processing industry is generally characterized by regional competition, based on the proximity of gathering systems and processing plants to natural gas producing wells. SemGas' gathering and processing assets tend to have relatively long-term contracts and, in some instances, are the only assets that can provide the offered services to the customers.

Risk Governance and Comprehensive Risk Management Policy

We expect to generate the majority of our earnings from owning and operating strategic assets while endeavoring to prudently manage all risks, including commodity price risk, associated with the ownership and operations of our assets. We have a Comprehensive Risk Management Policy that reflects an enterprise-wide approach to risk management and considers both financial and non-financial risks.

Our Board of Directors is responsible for the oversight of our enterprise-wide risk and has approved our Comprehensive Risk Management Policy. The Comprehensive Risk Management Policy is designed to ensure we:

- identify and communicate our risk appetite and risk tolerances;
- establish an organizational structure that prudently separates responsibilities for executing, valuing and reporting our business activities;
- value (where appropriate), report and manage all material business risks in a timely and accurate manner;
- effectively delegate authority for committing our resources;
- foster the efficient use of capital and collateral; and
- minimize the risk of a material adverse event.

The Audit Committee of our Board of Directors has oversight responsibilities for the implementation of, and compliance with, our Comprehensive Risk Management Policy.

Our Executive Management Committee, comprised of corporate officers, oversees the financial and non-financial risks associated with all activities governed by our Comprehensive Risk Management Policy including:

- asset operations;
- marketing and trading;
- investments, divestitures, and other capital expenditures and dispositions;
- credit risk management; and
- other strategic activities.

We also have a Risk Management Group that is assigned responsibility for independently monitoring compliance with, reporting on, and enforcing the provisions of our Comprehensive Risk Management Policy.

Our Comprehensive Risk Management Policy provides a set of limits or thresholds for activities related to owned assets, physical commodities, and derivatives and capital transactions involving market and credit risk. Our limits monitor these risks for each individual segment and on a consolidated basis. Our Comprehensive Risk Management Policy also specifies the types of transactions that may be executed by incumbents of named positions without specific approval of our Board of Directors or our Executive Management Committee. It also restricts proprietary trading activities within limits significantly more restrictive than the corporate market risk management limits.

Competition

We face intense competition in the operations of each of our segments. Our competitors include other midstream companies, major integrated oil companies and their marketing affiliates, crude oil pipeline companies and independent gatherers, brokers and marketers of petroleum products of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than ours and control greater supplies of crude oil and petroleum products. Competition for customers of petroleum products is based primarily on price, access to supply, access to logistical assets, distribution capabilities, the ability to meet regulatory requirements and maintenance of quality of service and customer relationships.

Operational Hazards and Insurance

Pipelines, terminals, storage tanks, processing plants or other facilities may experience damage as a result of an accident, natural disaster or deliberate act. These hazards can also cause personal injury and loss of life, severe damage to, and destruction of, property and equipment, pollution or environmental damage and suspension of operations. Through the services of a major national insurance broker, we have maintained insurance of various types and varying levels of coverage similar to that maintained by other companies in the industry and which we consider adequate, under the circumstances, to cover our operations and properties, including coverage for natural catastrophes, pollution related events and acts of terrorism and sabotage. The limit of operational insurance maintained covering loss of, or damage to, property and products is $300 million per loss and includes business interruption loss. For claims arising under general liability, automobile liability and excess liability, the limits maintained total $250 million per occurrence/claim. Primary and excess liability insurance limits maintained for pollution liability claims vary by location for claims arising from gradual pollution with limits ranging from $20 million to $40 million in the aggregate. The combined primary and excess liability insurance limits for claims arising from sudden and accidental pollution total $270 million per claim and $290 million in the aggregate. This insurance does not cover every potential risk associated with the operating pipelines, terminals and other facilities. We have a favorable claims history enabling us to self-insure the “working layer” of loss activity using deductibles and self-insured retentions commensurate with our financial abilities and in line with industry standards, in order to create a more efficient and cost effective program and a consistent risk profile. The working layer consists of high frequency/low severity losses that are best retained and managed in-house. Sizable or difficult self-insured claims or losses may be handled by professional adjusting firms hired by us. We will continue to monitor the appropriateness of our deductibles and retentions as they relate to the overall cost and scope of our risk and insurance program.

With a few limited exceptions, our customers have not agreed to indemnify us for losses arising from a release of petroleum products, and we may instead be required to indemnify our customers in the event of a release or other incident.

Regulation

General

Our operations are subject to extensive regulation. The following discussion of certain laws and regulations affecting our operations should not be relied on as an exhaustive review of all regulatory considerations affecting us, due to the myriad of complex federal, state, provincial, foreign and local regulations that may affect our business.

Regulation of U.S. Transportation Operations

Interstate Transportation

The White Cliffs Pipeline is subject to regulation by FERC because it is a common carrier pipeline that transports crude oil in interstate commerce. Under the Interstate Commerce Act ("ICA") and the rules and regulations promulgated under those laws, tariff rates for interstate service on common carrier oil pipelines, including such pipelines that transport crude oil and petroleum products, must be just and reasonable and must not be unduly discriminatory or confer any undue preference upon any shipper. FERC regulations require that transportation rates and terms and conditions of service be filed with FERC and posted publicly.

The ICA permits interested persons to challenge new or changed rates or rules and authorizes FERC to investigate such changes and to suspend their effectiveness for a period of up to seven months. If, upon completion of an investigation, FERC finds that the new or changed rate is unlawful, it may require the pipeline to refund the revenues together with interest in excess of the prior tariff during the term of the investigation. FERC may also investigate, upon complaint or on its own motion, rates and related rules that are already in effect and may order a pipeline to change them prospectively. Upon an appropriate showing, a shipper may obtain reparations and refunds for a period of up to two years prior to the filing of its complaint.

Gathering and Intrastate Pipeline Regulation

The ICA does not address gathering and natural gas gathering is generally exempt from regulation by FERC under the Natural Gas Act (the "NGA"). We own a number of natural gas pipelines that we believe operate wholly intrastate and are, therefore, exempt from FERC regulation under the NGA. We also own a number of intrastate crude oil gathering systems that are subject to certain state and local, but not federal regulation. Some of these gathering systems are currently operated as proprietary systems. We cannot provide assurances that we will not be subject to regulation by FERC in the future.

In the states in which we operate, regulation of intrastate natural gas and crude oil gathering facilities and intrastate crude oil pipeline service generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements and complaint-based rate regulation. For example, our natural gas gathering facilities are, in some cases, subject to state ratable take and common purchaser statutes. Ratable take statutes generally require gatherers to take, without undue discrimination, natural gas production that may be tendered to the gatherer for handling. Common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes are designed to prohibit discrimination in favor of one producer over another producer or one source of supply over another source of supply. These statutes have the effect of restricting our right, as an owner of gathering facilities, to decide with whom we contract to purchase or transport natural gas.

Department of Transportation

Interstate pipelines and certain intrastate pipelines are subject to regulation by the Department of Transportation (the "DOT") with respect to the design, construction, operation and maintenance of the pipeline systems. The DOT routinely conducts audits of the regulated assets and we must make certain records and reports available to the DOT for review as required by the Secretary of Transportation. In some states, the DOT has given a state agency authority to assume all or part of the regulatory and enforcement responsibility over the intrastate assets. The majority of our pipelines are regulated by the DOT.

Trucking Regulation

Through our interest ownership in Rose Rock, we operate a fleet of trucks to transport crude oil. We are licensed to perform both intrastate and interstate motor carrier services and are subject to certain safety regulations issued by the DOT. DOT regulations cover, among other things, driver operations, maintaining log books, truck manifest preparations, the placement of safety placards on the trucks and trailer vehicles, drug and alcohol testing, safety of operation and equipment and many other aspects of truck operations.

Cross-Border Regulation

We are subject to regulatory matters specific to border crossing, which include export licenses, tariffs, customs and tax issues and toxic substance certifications. Regulations include the Short Supply Controls of the Export Administration Act, the North American Free Trade Agreement, National Energy Board Reporting and Certification and the Toxic Substances Control Act. Violations of license, tariff and tax reporting requirements under these regulations could result in the imposition of significant administrative, civil and criminal penalties. Furthermore, the failure to materially comply with applicable tax requirements could lead to the imposition of additional taxes, interest and penalties.

Regulation of Canadian Gathering, Processing, Transportation and Marketing Businesses

National Energy Board ("NEB")

Our Canadian assets are not currently regulated by the NEB. The importation and exportation of natural gas and crude oil to and from Canada, however, is regulated by the NEB. The Government of Alberta tracks volumes exported from Alberta and reserves the right to limit the volume of natural gas that may be removed from Alberta in the event of domestic supply constraint.

Alberta Energy Regulator ("AER")

The AER's purpose is to ensure that the discovery, development and delivery of Alberta's resources take place in an orderly and efficient manner and in the public interest.

Among other matters, the AER has the authority to regulate the exploration, production, gathering, processing, transmission and distribution of natural gas within the province. With respect to natural gas gathering and processing activities, the AER's primary role is to serve as a licensing authority for the construction and operation of the facilities used in those activities.

While the AER has jurisdiction to regulate the rates and fees charged for services provided by these types of facilities using a public complaint process, this authority is discretionary and historically has not commonly been exercised. Generally, the complaint-based method of regulation has meant that parties have had the opportunity to use alternative means to resolve disputes without resorting to the AER.

Sulphur Recovery Standards

In 2001, the AER's predecessor set stringent sulphur recovery standards for older sour gas processing plants, as set out in ID 2001-3. This interim directive directed older, "grandfathered" plants to either gradually increase their sulphur recovery to current standards or accept a reduction in their licensed capacity.

The K3 Plant and the KA Plant are capable of meeting "de-grandfathered" recovery requirements. The K3 Plant was "de-grandfathered" in 2006 after installation of a new Super Claus Sulphur recovery process. The KA Plant can be "de-grandfathered" via simple administrative application.

Other Provincial Regulatory Agencies

The Alberta Boilers Safety Association ("ABSA") is the regulatory agency for pressure vessels and related systems in Alberta with a mandate to ensure that pressure equipment is constructed and operated in a manner that protects public safety. SemCAMS maintains an approved program for such requirements.

Regulation of U.K. Operations

In the U.K., the Department of Energy and Climate Change's Energy Resources Development Unit is responsible for the regulation of a number of relevant areas, including licensing, national oil stocks policy (including their compulsory oil stocking obligations as a member of the European Union and International Energy Agency), policy on oil disposal, offshore environmental policy, oil sharing arrangements and decommissioning. Other regulatory bodies include the Health and Safety Executive, which regulates health and safety in the upstream and downstream oil industry (among others) and the Hazardous Installations Directorate, which is responsible for inspection and enforcement of health and safety regulation with respect to the downstream oil industry (among others). There is no regulator dedicated specifically to the oil industry. The activities of SemLogistics may also be regulated as a result of the European Union's participation in the International Carriage of Dangerous Goods by Road and Rail agreements, as well as the International Maritime Dangerous Goods Code, which governs the safe transport of dangerous goods (including oil) by sea and, in due course, by the Marine Management Organization when it comes into being pursuant to the Marine and Coastal Access Bill.

The Department for Environment Food and Rural Affairs is responsible for setting legislation, policy, regulations and guidance for a number of environmental issues. There are also several European and international laws and policies that apply. SemLogistics' activities are regulated by Natural Resources Wales, which also oversees spills and their cleanup, as well as new construction of tanks, bunds (spill control berms or dikes in the U.S.) and other improvements, and whose regulations require us to maintain a Pollution Prevention and Control permit.

At a local level, SemLogistics' storage facility falls within the jurisdiction of the Milford Haven Port Authority (the "MHPA"). Under the Milford Haven Port Authority Act 2002, the MHPA has the power to publish directions for the purpose of promoting or securing conditions conducive to the ease, convenience or safety of navigation in Milford Haven and the approaches to it. MHPA is currently consulting on the Milford Haven Port Authority General Directions (2006). MHPA also has powers and obligations under various regulations, including, among others, the Dangerous Substances in Harbour Areas Regulations 1987 and the Harbour Docks and Piers Clauses Act 1847, as well as responsibility for the enforcement of the Port Marine Safety Code.

Regulation of Mexican Operations

SemMexico is primarily engaged in the purchasing, production, modification, storage and distribution of liquid asphalt cement products throughout Mexico. These activities are subject to compliance with environmental laws and regulations under Mexican technical "Official Standards" and other provisions that establish minimum technical requirements. Companies are required to obtain, from the corresponding federal, local and/or municipal authorities, the relevant permits and authorizations to construct and operate asphalt modification plants and carry out the activities described above.

Mexico's Ministry of Communications and Transportation has published several construction standards establishing the specifications required for pavement surfaces conditions and asphalt products in connection with infrastructure projects, as well as certain manuals identifying the procedures for verifying compliance therewith. SemMexico is in compliance with all standards.

Asphalt treatment, storage and distribution activities are considered hazardous under applicable environmental laws and regulations and are subject to the scrutiny of the Ministry of the Environment and Natural Resources, which is the governmental agency in charge of granting the authorization for the handling, transportation, treatment, storage, importation, exportation and final disposal of asphalt, among others. These authorizations are essential for SemMexico to be able to perform its activities in Mexico.

Coupled with the authorizations and permits that may be granted by the Ministry of the Environment and Natural Resources, asphalt transportation activities within Mexico are subject to having obtained a number of other federal permits, including transportation companies to have environmental damage insurances and federal licenses for the operators of transportation units mobilizing SemMexico's liquid asphalt cement products.

Mexico agencies impose similar, but not necessarily always as stringent, detailed requirements as in the U.S. concerning water management, water resources and the protection of water quality. These requirements regulate the discharge of pollutants and other harmful substances into water sources. SemMexico is currently in compliance with all water management requirements.

Certain operations in Mexico require obtaining an air emissions license at the time such operations begin, and to report on a yearly basis thereafter, the stack emissions to state environmental agencies, assuring such emissions comply with the National Official Standards. Mexico has national, state and local laws which regulate releasing hazardous substances or solid wastes into soils, groundwater and surface water. These regulations include taking measures to prevent and control pollution as well as the handling of hazardous waste. SemMexico is currently in compliance with all such air and hazardous materials and waste requirements.

Environmental, Health and Safety Regulation

General

Our operations, including Canadian, U.K. and Mexican operations, are subject to varying degrees of stringent and complex laws and regulations by multiple levels of government relating to the production, transportation, storage, processing, release and disposal of petroleum and natural gas based products and other materials or otherwise relating to protection of the environment, safety of the public and safety of employees. As with the industry generally, compliance with current and anticipated environmental laws and regulations increases our overall costs of business, including our capital costs to construct, maintain and upgrade pipelines, equipment and facilities. The failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of removal or remedial obligations, and the issuance of injunctions limiting or prohibiting our activities. In addition, Canadian legislation requires that facility sites be abandoned and reclaimed to the satisfaction of provincial authorities and local landowners. A breach of such legislation may result in the imposition of fines and the issuance of clean-up orders.

The clear trend in environmental regulation, particularly with respect to petroleum product facilities, is the placement of more restrictions and limitations on activities that may affect the environment and, thus, any changes in environmental laws and regulations or re-interpretations of enforcement policies that result in costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our operations and financial condition. We may be unable to pass on such increased costs to our customers. Moreover, accidental releases, leaks or spills may occur in the course of our operations and we may incur significant costs and liabilities as a result, including those related to claims for damage to property, natural resources or persons. While we believe that we are in substantial compliance with existing applicable environmental laws and regulations and that continued compliance with existing requirements would not have a material adverse effect on us, there is no assurance that the current conditions will continue in the future.

The following is a summary of the more significant current environmental, health and safety laws and regulations to which our operations are subject.

Water Discharges

Our operations can result in the discharge of pollutants, including oil. The Oil Pollution Act ("OPA") was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972, as amended, the Clean Water Act, as amended, and other statutes as they pertain to prevention of, and response to, oil spills. The OPA, the Clean Water Act and analogous state, provincial and local laws, subject owners of facilities to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages and certain other consequences of an oil spill, where such spill is into navigable waters, along shorelines or in the exclusive economic zone of the U.S. In the event of an oil spill from one of our facilities into navigable waters, substantial liabilities could be imposed. Spill prevention, control and countermeasure requirements of these laws require appropriate containment berms or dikes and other containment structures at storage facilities to limit contamination of soils, surface waters and groundwater in the event of an oil overflow, rupture or leak.

The federal Clean Water Act and analogous state and local laws impose restrictions and strict controls regarding the discharge of pollutants into waters of the U.S. and state waters, including groundwater in many jurisdictions. Permits must be obtained to discharge pollutants into these waters. The Clean Water Act and analogous state and local laws provide significant penalties for unauthorized discharges and can impose liability for responding to and cleaning up spills. In addition, the Clean Water Act and analogous state and local laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. These permits may require us to monitor and sample the storm water runoff from certain of our facilities.

Similar measures are in place in Canada at both a federal and provincial level.

In addition, national, local and European Union regulations and directives in the U.K., and federal, state and local laws in Mexico, impose similar, but not necessarily always as stringent and detailed, requirements as in the U.S. concerning water resources and the protection of water quality, including those that regulate the discharge of pollutants and other harmful substances into water, require permits, impose clean-up obligations for spills and releases and impose fines and penalties for non-compliance. However, these countries continue to implement stricter requirements that approach the requirements in the U.S.

Air Emissions

Our operations are subject to the federal Clean Air Act, as amended, and comparable state and local laws, as well as the federal, provincial and local Canadian, U.K., European Union and Mexican laws applicable to our Canadian, U.K. and Mexican operations, although not necessarily always as stringent as found in the U.S., at least not presently. These laws and regulations regulate emissions of air pollutants from various sources, including certain of our plants, compression stations and other facilities, and impose various monitoring and reporting requirements. Pursuant to these laws and regulations, we may be required to obtain environmental agency pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and comply with the terms of air permits containing various emissions and operational limitations and use specific emission control technologies to limit emissions. We may be required to incur certain capital expenditures in the future for air pollution control equipment and leak detection and monitoring systems in connection with obtaining or maintaining operating permits and approvals for air emissions. There are significant potential monetary fines for violating air emission standards and permit provisions.

SemCAMS conducts on-going air, soil and ground water monitoring in accordance with license requirements. SemCAMS is required to annually report all specified emissions from its major facilities in Canada to a publicly accessible National Pollutant Release Inventory database.

Sour Gas

SemCAMS operates facilities which process and transport sour gas (gas containing hydrogen sulfide, generally at concentrations of 10 parts per million or more). Due to the highly toxic and corrosive nature of sour gas, sour gas handling is regulated in Canada, at both the provincial and federal level, from the wellhead to the point of disposal of the sulfur content removed from processing the sour gas. Environmental legislation can also affect the operations of facilities and limit the extent to which facility expansion is permitted. Proposed facilities are facing increased resistance from community groups which are, in turn, increasing demand for alternate sources of sweetening.

To protect the public, pipelines transporting sour gas are required to be equipped with monitoring stations and valves that automatically shut down the flow of the pipeline in response to sudden changes in pressure or detection of sour gas in the atmosphere. SemCAMS' sour gas pipelines are monitored 24 hours per day from a centralized pipeline control center and can be shut down by the attending operators. The distance between automatic pipeline valves is determined, based on regulated sour gas dispersion modeling, to meet approved emergency protection zone size and public exposure requirements. The integrity of the sour gas pipelines is maintained through the injection of corrosion inhibition chemicals on an on-going basis. SemCAMS' sour gas pipelines are inspected on a regular basis to ensure the integrity of the pipelines and associated facilities.

SemCAMS' sour gas plants have continuous sour gas detection equipment, as well as other safety systems which can automatically shut down and depressure the full plant to a controlled flare system. The plants are attended 24 hours per day and can also be shut down by attending operators.

At SemCAMS' sour gas processing plants, sulfur recovery and air quality are constantly monitored to ensure required sulfur recovery and emission standards are met. SemCAMS' licensed sulfur recovery is 98.4% for the KA plant and 98.5% for the K3 plant. Residual sulfur that cannot be removed by processing is incinerated to meet a minimum stack top temperature based on a regulator approved dispersion model.

The facilities in Mexico are required to obtain an air emissions license at the initial start-up of facility operations and to annually report the stack emissions to the state environmental agency, assuring that such emissions comply with the National Official Standards.

Climate Change

In response to concerns suggesting that emissions of certain gases, commonly referred to as greenhouse gases ("GHGs") (including carbon dioxide ("CO_2") and methane), are contributing to the warming of the earth's atmosphere and other climatic changes, the U.S. Congress has been considering legislation to reduce such emissions. In addition, more than one-third of the states, either individually or through multi-state regional initiatives, have already begun implementing legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or GHG cap and trade programs. As an alternative to cap and trade programs, Congress may consider the implementation of a carbon tax program. The cap and trade programs could require major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries or NGL fractionation plants, to acquire and surrender emission allowances. Depending on the particular program and scope thereof, we could be required to purchase and surrender allowances for GHG emissions resulting from our operations. Depending on the design and implementation of carbon tax programs, our operations could face additional taxes and higher cost of doing business. Although we would not be impacted to a greater degree than other similarly situated midstream energy service providers, a stringent GHG control program could have an adverse effect on our cost of doing business and could reduce demand for the petroleum products we gather, process, transport, store, distribute and market.

On December 15, 2009, the U.S. Environmental Protection Agency (the "EPA"), issued a notice of its final finding and determination that emissions of CO_2, methane, and other GHGs present an endangerment to public health and the environment because emissions of such gases contribute to warming of the earth's atmosphere and other climatic changes. This final finding and determination allows the EPA to begin regulating GHG emissions under existing provisions of the Clean Air Act. Accordingly, the EPA has adopted regulations that require a reduction in emissions of GHGs from motor vehicles and also trigger permit review for GHG emissions from certain stationary sources. In addition, the EPA issued a final rule, effective in December 2009, requiring the reporting of GHG emissions from specified large GHG emission sources in the U.S., beginning in 2011 for emissions occurring in 2010 (EPA's Greenhouse Gas Reporting Program ("GHGRP")). Further, on November 8, 2010, EPA finalized new GHG reporting requirements for upstream petroleum and natural gas systems, which will be added to EPA's GHG Reporting Rule. Facilities containing petroleum and natural gas systems that emit 25,000 metric tons or more of CO_2 equivalent per year will be required to report annual GHG emissions to EPA, with the first report due on March 31, 2012. In December 2010, the EPA issued three concurrent actions related to its GHGRP which require the collection of certain additional business related data and, therefore, it is deferring the reporting of certain information. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact our business, any such new federal, state or regional restrictions on emissions of CO_2 that may be imposed in areas in which we conduct business could also have an adverse effect on our cost of doing business and demand for the petroleum products we gather, process, transport, store, distribute and market.

Canada does not currently have any federal legislation pending relating to the regulation of GHG emissions from the oil and gas industry. New federal regulations creating GHG performance standards for the transportation sector and for coal-fired electricity generation were introduced in 2012. The federal government has indicated that one of the next sectors that will be targeted by similar regulations will be the oil and gas industry, and that such regulations will be proposed in 2014. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHGs from, our equipment and operations could require us to incur additional costs to reduce emissions of GHGs associated with our operations or could adversely affect demand for the petroleum products we gather, treat or otherwise handle in connection with our services.

Although Canada has not enacted federal GHG legislation for the oil and gas industry, the province of Alberta has set GHG baselines for all large GHG emitters that were in operation in the year 2000 in the province (which includes several of SemCAMS' facilities) based on 2003-2005 data, and required a reduction of 12% in GHG emissions intensity for each facility compared to its baseline. SemCAMS has been required to file provincial GHG emissions reports annually since 2003 for its three large gas plants. Companies can meet this obligation through improvements to their operations, by purchasing Alberta-based credits, by contributing to the Climate Change and Emissions Management Fund (CAD $15 per tonne) or any combination thereof. The regulation setting out GHG compliance costs in Alberta will expire in September 2014 and is expected to be renewed, although the compliance costs under the regulation may be increased. All GHG costs paid by SemCAMS are recovered by allocation to the producers based on fuel gas use and CO_2 composition in the inlet gas. Failure to comply with the regulation will result in a fine of $200 for every tonne of CO_2 by which the total release of specified gases exceeds the net emissions intensity limit for the facility. Legislation to further lower the current reporting limit is pending which, if enacted, would require additional SemCAMS facilities to file provincial GHG emissions reports annually.

Hazardous Substances and Wastes

The environmental laws and regulations affecting our operations relate to the release of hazardous substances or solid wastes into soils, groundwater and surface water, and include measures to prevent and control pollution. These laws and regulations generally regulate the generation, storage, treatment, transportation and disposal of solid and hazardous wastes, and may require investigatory and corrective actions at facilities where such waste may have been released or disposed. For instance, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, and comparable state laws, impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that contributed to a release of "hazardous substance" into the environment. Potentially responsible persons can include the current owner or operator of the site where a release previously occurred and companies that disposed, or arranged for the disposal, of the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the potentially responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other wastes released into the environment. Although “petroleum,” as well as natural gas and NGLs, have been for the most part excluded from CERCLA’s definition of a “hazardous substance”, we may, in the course of ordinary operations, generate wastes that may fall within the definition of a “hazardous substance.” In addition, there are other laws and regulations that can create liability for releases of petroleum, natural gas or NGLs. Moreover, we may be responsible under CERCLA or other laws for all or part of the costs required to clean up sites at which such wastes have been disposed. We have received notification that we are one of four companies that may be potentially responsible for any cleanup costs required under the State of Washington’s CERCLA equivalent statute with respect to a site in Spokane, Washington as result of our having leased the site after the contamination occurred. No clean-up has yet been ordered. Our position is that, as a result of our emergence from the bankruptcy of our predecessor, any potential claims against us for regulatory agency oversight costs were converted to administrative priority claims and any potential claims against us for investigation and clean-up costs were converted to unsecured claims (as they relate to other potentially responsible persons) and to administrative priority claims (as they relate to any regulatory agency).

We also generate, and may in the future generate, both hazardous and nonhazardous solid wastes that are subject to requirements of the federal Resource Conservation and Recovery Act (“RCRA”) and/or comparable state laws. We are not currently required to comply with a substantial portion of the RCRA requirements because our operations generate minimal quantities of hazardous wastes as currently defined under RCRA. From time to time, the EPA and state regulatory agencies have considered the adoption of stricter disposal standards for nonhazardous wastes, including crude oil and natural gas wastes. Moreover, it is possible that some wastes generated by us that are currently classified as nonhazardous may, in the future, be designated as “hazardous wastes,” resulting in the wastes being subject to more rigorous and costly management and disposal requirements. Changes in applicable laws or regulations may result in an increase in our capital expenditures, facility operating expenses or otherwise impose limits or restrictions on our operations.

National, provincial and local laws of Canada, Mexico, the U.K. and the European Union that are applicable to our operations also regulate the release of hazardous substances or solid wastes into soils, groundwater and surface water, and include measures to prevent and control pollution as well as the handling of hazardous waste. Some of the requirements are similar to those found under CERCLA and RCRA and some are not yet as stringent, but are becoming more so as the focus on these issues increases.

We currently own or lease, and have in the past owned or leased, and in the future we may own or lease, properties that have been used over the years for petroleum product operations. Solid waste disposal practices within the oil and natural gas and related industries have improved over the years with the passage and implementation of various environmental laws and regulations. Nevertheless, some petroleum products and other solid wastes have been disposed of on, or under, various properties owned or leased by us during the operating history of those facilities. In addition, a number of these properties may have been operated by third parties over whom we had no control as to such entities’ handling of petroleum products or other wastes and the manner in which such substances may have been disposed of or released. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state or Canadian federal or provincial laws. Under these laws, we could be required to remove or remediate previously disposed wastes or property contamination, including groundwater contamination, or to take action to prevent future contamination. In some instances, any such requirements may have been dealt with in the bankruptcy proceedings of our predecessor.

Employee Safety

We are subject to the requirements of the Occupational Safety and Health Association ("OSHA"), as well as to comparable national, state, provincial and local, Canadian, Mexican, U.K. and European Union laws that are applicable to our Canadian, Mexican and U.K. operations, the purposes of which are to protect the health and safety of workers. In addition, the OSHA hazard communication standard and comparable state, Canadian federal and provincial statutes require us to organize and disclose information concerning hazardous materials used, produced or transported in our operations. Some of our facilities are subject to the OSHA Process Safety Management regulations that are designated to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable or explosive chemicals.

SemCAMS facilities are also subject to regulation by ABSA. SemCAMS maintains its own compliance program, audited by ABSA, which addresses integrity, inspection and process safety management elements as required by legislation.

Hazardous Materials Transportation Requirements

The DOT regulations affecting pipeline safety require pipeline operators to implement measures designed to reduce the environmental impact of oil discharge from onshore oil pipelines. These regulations require operators to maintain comprehensive spill response plans, including extensive spill response training for pipeline personnel. In addition, the DOT regulations contain detailed specifications for pipeline operation and maintenance.

Similar requirements are in effect in Canada.

Anti-Terrorism Measures

The federal Department of Homeland Security Appropriations Act of 2007 requires the Department of Homeland Security ("DHS"), to issue regulations establishing risk-based performance standards for the security of chemical and industrial facilities, including oil and gas facilities that are deemed to present "high levels of security risk." The DHS issued an interim final rule in April 2007 regarding risk-based performance standards to be attained pursuant to this act and, on November 20, 2007, further issued an Appendix A to the interim rules that establish chemicals of interest and their respective threshold quantities that will trigger compliance with the interim rules. To the extent our facilities are subject to existing or new rules, it is possible that the costs to comply with such rules could be substantial.

Title to Properties

Substantially all of our pipelines are constructed on rights-of-way granted by the record owners of the property. Lands over which pipeline rights-of-way have been obtained may be subject to prior liens that have not been subordinated to the right-of-way grants. We have obtained, where necessary, easement agreements from public authorities and railroad companies to cross over or under, or to lay facilities in or along, watercourses, county roads, municipal streets, railroad properties and state highways, as applicable. In some cases, property on which our pipeline was built was purchased in fee. Our processing plants and terminals are on real property owned or leased by us.

We believe that we have satisfactory title to all of the assets we own. Although title to such properties is subject to encumbrances in certain cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and minor easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by us, we believe that none of these burdens will materially detract from the value of such properties or from our interest therein or will materially interfere with their use in the operation of our business.

Office Facilities

In addition to our gathering, storage, terminalling and processing facilities discussed above, we maintain corporate office headquarters in Tulsa, Oklahoma. All of the U.S. business segments use Tulsa as their center of operations, except for Crude, whose primary operations are located in Oklahoma City, Oklahoma. Foreign business segments use their centers of operations, which are Calgary, Alberta for SemCAMS; Puebla, Mexico for SemMexico; and Milford Haven, Wales for SemLogistics. Many of our business segments also have satellite offices located throughout North America. The current lease for our Tulsa headquarters expires in May 2019, and the other office leases have varying expiration dates. While we may require additional office space as our business expands, we believe that our existing facilities are adequate to meet our needs for the immediate future, and that additional facilities will be available on commercially reasonable terms as needed.

Employees

As of December 31, 2013, we had approximately 890 employees, including approximately 500 employees outside the U.S. in Canada, Mexico and the U.K. Approximately 110 of our employees in Canada and Mexico are represented by labor unions and subject to collective bargaining agreements governing their employment with us. Of that number, approximately 60 employees have collective bargaining agreements that renew annually and approximately 50 have collective bargaining agreements that expire in January 2016. We have never had a labor related work stoppage and believe our employee relations are good.

Item 1A. *Risk Factors*

Our business faces many risks. We believe the risks described below identify the material risks we face. However, the risks described below may not be the only risks we face. Additional unknown risks, or risks that we currently consider immaterial, may also impair our business operations. If any of the events or circumstances described below actually occurs, our business, financial condition or results of operations could suffer, and the trading price of our shares of Class A Common Stock and warrants could decline significantly. Investors should consider the specific risk factors discussed below, together with other information contained in this report on Form 10-K and the other documents that we will file from time to time with the SEC.

Risks Related to Our Business

The instruments governing our indebtedness contain various covenants limiting the conduct of our business.

Our credit agreements and the indenture governing our 7.5% senior notes contain various restrictive covenants that limit the conduct of our business and our credit agreements require us to maintain certain financial ratios. These covenants and restrictions limit our ability to respond to changing business and economic conditions and may prevent us from engaging in transactions that might otherwise be considered beneficial to us. In particular, these agreements place certain limits on our ability to, among other things:

- incur additional indebtedness;
- incur liens;
- enter into sale and lease back transactions;
- make investments;
- pay dividends or distributions;
- make certain restricted payments;
- consummate certain asset sales;
- enter into certain transactions with affiliates; and
- merge, consolidate and/or sell or dispose of all, or substantially all, of our assets.

If we fail to comply with the restrictions in our credit agreements or the indenture governing our 7.5% senior notes or any other subsequent financing agreements, a default may allow the creditors, if the agreements so provide, to accelerate the related indebtedness as well any other indebtedness to which a cross-acceleration or cross-default provision applies. If that occurs, we may not be able to make all of the required payments or borrow sufficient funds to refinance such debt. Even if new financing were available at that time, it may not be available on terms acceptable to us.

If we are unable to repay amounts outstanding under our credit agreements when due, the lenders thereunder could, subject to the terms of the relevant agreements, seek to sell or otherwise transfer our assets granted to them as collateral to secure the indebtedness outstanding under those agreements. Substantially all of our assets have been pledged as collateral to secure our credit agreements. In addition, the lenders under our credit agreements could choose to terminate any commitments to supply us with further funds.

Under certain economic conditions, our access to capital and credit markets may be limited, which may adversely impact our liquidity.

We may require additional funds from outside sources from time to time. Our ability to raise capital or arrange financing or renew existing facilities, along with the cost of such capital, is dependent upon a number of variables, including:

- general economic, financial and business conditions;
- industry specific conditions;
- credit availability from banks and other financial institutions;
- investor confidence in us;
- cash flow and earnings before interest, taxes, depreciation and amortization ("EBITDA") levels;
- competitive, legislative and regulatory matters; and
- provisions of tax and securities laws that may impact raising capital.

In addition, volatility in the capital markets may adversely affect our ability to access any available borrowing capacity under our revolving credit facilities. Our access to these funds is dependent on the ability of the lenders to meet their funding obligations under these revolving facilities. Lenders may not be able to meet their funding commitments if they experience shortages of capital and liquidity, resulting in a reduction of our available borrowing capacity.

Our indebtedness could limit our flexibility, adversely affect our financial health and prevent us from making payments on such indebtedness.

Our substantial indebtedness could have important consequences to you. For example, it could:

- make it difficult for us to satisfy our obligations with respect to out indebtedness;

- make us more vulnerable to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for operations and other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry in which we operate; and
- place us at a competitive disadvantage compared to competitors that may have proportionately less indebtedness.

In addition, our ability to make scheduled payments or to refinance our obligations depends on our successful financial and operating performance. We cannot assure you that our operating performance will generate sufficient cash flow or that our capital resources will be sufficient for payment of our debt obligations in the future. Our financial and operating performance, cash flow and capital resources depend on prevailing economic conditions and financial, business and other factors, many of which are beyond our control.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to sell material assets or operations, obtain additional capital or restructure our debt. In the event that we are required to dispose of material assets or operations or restructure our debt to meet our debt service and other obligations, we cannot assure you as to the terms of any such transaction or how quickly any such transaction could be completed, if at all.

We may incur substantial additional indebtedness in the future. Our incurrence of additional indebtedness would intensify the risks described above.

Our cash flow depends, in part, on the available cash and distributions of Rose Rock.

Our partnership interests in Rose Rock are significant cash-generating assets. Therefore, our cash flow is dependent, to some extent, upon the ability of Rose Rock to make a minimum quarterly distribution to its unitholders, including us. Rose Rock may not have sufficient available cash each quarter to enable it to pay the minimum quarterly distribution, which would have a corresponding negative impact on us. The amount of cash Rose Rock can distribute on its units principally depends upon the amount of cash it generates from its operations, which will fluctuate from quarter to quarter based on, among other things:

- the price of crude oil and the level of production of, and demand for, crude oil in the markets it serves;
- the volume of crude oil that it gathers, transports, stores and/or markets;
- the fees with respect to volumes that it handles;
- the profitability of its marketing operations;
- damage to pipelines, facilities, related equipment and surrounding properties caused by earthquakes, floods, fires, severe weather, explosions and other natural disasters and acts of terrorism or inadvertent damage to pipelines from construction, farm and utility equipment;
- leaks or accidental releases of crude oil or other materials into the environment, whether as a result of human error or otherwise;
- demand charges and volumetric fees associated with its transportation services;
- the level of competition from other midstream energy companies;
- the level of its operating, maintenance and general and administrative costs;
- regulatory action affecting the supply of, or demand for, crude oil, the rates it can charge, how it contracts for services, its existing contracts, its operating costs or its operating flexibility;
- changes in tax laws; and
- prevailing economic conditions.

In addition, the actual amount of cash Rose Rock will have available for distribution will depend on other factors, some of which are beyond its control, including:

- the level of capital expenditures it makes;
- the cost of acquisitions;
- its debt service requirements and other liabilities;

- fluctuations in its working capital needs;
- its ability to borrow funds and access capital markets;
- restrictions contained in debt agreements to which it is a party; and
- the amount of cash reserves established by its general partner.

For further information on the risk factors inherent in the business of Rose Rock, see the other risk factors included in this Form 10-K that are applicable to Rose Rock and "Item 1A. Risk Factors" in Rose Rock's Annual Report on Form 10-K.

Our operations could be adversely affected if third-party pipelines, or other facilities interconnected to our facilities, become partially or fully unavailable, or if the volumes we gather do not meet the quality requirements of such pipelines or facilities.

Our facilities connect to other pipelines or facilities, some of which are owned by third parties. The continuing operation of such third-party pipelines or facilities is not within our control. These pipelines and other facilities may become unavailable, or available only at a reduced capacity, because of testing, turnarounds, line repair, reduced operating pressure, lack of operating capacity, curtailments of receipt or deliveries due to insufficient capacity, or for any other reason. If any of these pipelines or facilities becomes unable to transport the products we gather, or if the volumes we gather or transport do not meet the quality requirements of such pipelines or facilities, our results of operations and cash flows could be adversely affected.

Our Comprehensive Risk Management Policy's provisions governing our internal trading and marketing activities cannot eliminate all risks associated with the trading and marketing of commodities, nor can we ensure full compliance at all times with the Comprehensive Risk Management Policy by our employees, both of which could impact our financial and operational results.

We have in place a Comprehensive Risk Management Policy that establishes authorized commodities and transaction types, delegations of authority, and limits for trading and marketing exposures and requires that we restrict net open positions (e.g., positions that are not fully hedged as to commodity price risk) to specified levels at each of the consolidated and, in certain cases, subsidiary level. Our Comprehensive Risk Management Policy has restrictive terms with respect to acquiring and holding physical inventory, futures contracts or derivative products for the purpose of proprietary trading activity. Net open positions are monitored by our Risk Management department for compliance with policy limits. These policies and practices, however, cannot eliminate all risks. Derivatives contracts and contracts for the future delivery of crude oil expose us to the risk of non-delivery under product purchase contracts or the failure of gathering and transportation systems. Any event that disrupts our anticipated physical supply of products could create a net open position that would expose us to risk of loss resulting from price changes.

We are also exposed to certain price risks that cannot be readily hedged, such as price risks for "basis differentials." "Basis differentials" can be created to the extent that our purchase or sales contracts call for delivery of a petroleum product of a grade, at a location, or at a time that differs from the specific delivery terms of offsetting purchase and sales agreements or derivative instruments. If this occurs, we may not be able to use the physical or derivative commodity markets to fully hedge our price risk. Our exposure to price risks could impact our operational and financial results.

We also have a risk that employees involved in our trading and marketing operations may not comply at all times with our Comprehensive Risk Management Policy. Even with management oversight, we cannot ensure with certainty that all violations of our Comprehensive Risk Management Policy, particularly if deception or other intentional misconduct is involved, will be detected prior to our businesses being materially affected.

Conventional gas operations face continued competitive pressure from shale gas production.

The U.S. Energy Information Administration reports that higher estimates of domestic shale gas resources support increasing estimates of domestic natural gas production at prices below its previous estimates.

The abundant supply of shale gas, driven by horizontal drilling and hydraulic fracturing, places pressure on all conventional gas production, including sour gas production. In addition, facilities designed to remove hydrogen sulfide from a raw gas stream face increased competitive pressure because sour gas is more expensive to process than gas which does not contain sulfur.

Our construction of new assets is subject to regulatory, environmental, political, legal and economic risks which could adversely affect our business.

One of the ways we intend to grow our business is through the construction of new assets. The construction of additions or modifications to our existing systems and of new assets involves numerous regulatory, environmental, political and legal uncertainties beyond our control. In addition, the construction of additions to our existing gathering and transportation assets may require us to obtain new rights-of-way prior to constructing new pipelines. We may be unable to obtain such rights-of-way to connect new petroleum product supplies to our existing gathering lines or capitalize on other attractive expansion opportunities. Additionally, it may become more expensive for us to obtain new rights-of-way or to renew existing rights-of-way. If the cost of renewing or obtaining new rights-of-way increases, or if we lose our existing rights-of-way through our inability to renew right-of-way contracts or otherwise, our results of operations, cash flows and financial condition could be adversely affected.

Changes in currency exchange rates could adversely affect our results of operations.

A portion of our revenue is generated from our operations in Canada, the U.K. and Mexico, which use the Canadian dollar, British pound and Mexican peso, respectively, as the functional currency. Therefore, changes in the exchange rate between the U.S. dollar and any of such foreign currencies could adversely affect our results of operations.

We are exposed to the creditworthiness and performance of our customers, suppliers and transactional counterparties, including our hedge counterparties, and any material nonpayment or nonperformance by one or more of these parties could adversely affect our financial and operational results.

There can be no assurance we have adequately assessed the creditworthiness of each of our existing or future customers, suppliers or transactional counterparties, including our hedge counterparties, or that there will not be a rapid or unanticipated deterioration in their creditworthiness, which may have an adverse impact on our financial condition and results of operations. There is no certainty that our counterparties will perform or adhere to existing or future contractual arrangements.

We manage our exposure to credit risk through credit analysis and credit monitoring procedures and policies, including credit support requirements for customers and counterparties to which we extend no or limited unsecured credit, such as letters of credit, prepayments and guarantees. However, these procedures and policies cannot fully eliminate counterparty credit risks, and to the extent our procedures and policies prove to be inadequate, our financial and operational results may be negatively impacted.

Some of our counterparties may be highly leveraged or have limited financial resources and will be subject to their own operating and regulatory risks and, even if our credit review and analysis mechanisms work properly, we may experience financial losses in our dealings with such parties. In addition, volatility in commodity prices might have an impact on many of our counterparties, which, in turn, could have a negative impact on their ability to meet their obligations to us and may also increase the magnitude of these obligations.

Any material nonpayment or nonperformance by our counterparties could require us to pursue substitute counterparties for the affected operations, reduce operations or provide alternative services. There can be no assurance that any such efforts would be successful or would provide similar financial and operational results.

Our business involves many hazards and operational risks, some of which may not be covered by insurance.

Leaks and other releases of hydrocarbons are possible in operations involving pipelines and tanks. Other possible operating risks include the breakdown or failure of equipment, information systems or processes; the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects); failure to maintain adequate inventories of spare parts; operator error; labor disputes; disputes with interconnected facilities and carriers; and catastrophic events such as natural disasters, fires, explosions, fractures, acts of terrorism and other similar events, many of which are beyond our control.

These risks could result in substantial losses due to personal injury or loss of life, severe damage to, and destruction of, property and equipment and pollution or other environmental damage, and may result in curtailment or suspension of our related operations. We are not fully insured against all risks incident to our business. In addition, as a result of market conditions, premiums for our insurance could increase significantly. In some instances, insurance could become unavailable or available only for reduced amounts of coverage. If a significant accident or event occurs that is not fully insured, it could adversely affect our results of operations, cash flows and financial condition. Even if a significant accident or event is covered by insurance, we may still have responsibility for applicable deductibles, and in addition, the proceeds of any such insurance may not be paid in a timely manner. With a few exceptions, our customers have not agreed to indemnify us for losses arising from a release of petroleum products, and we may instead be required to indemnify our customers in the event of a release or other incident.

We may not be able to make acquisitions on economically acceptable terms, which may limit our ability to grow. In addition, any acquisition that we pursue will involve risks that may adversely affect our business.

As part of our business strategy, we may expand our operations through acquisitions. We cannot accurately predict the timing, size and success of our acquisition efforts. We may be unable to identify attractive acquisition candidates, negotiate acceptable purchase terms or obtain financing for these acquisitions on economically acceptable terms or because we are outbid by competitors. If we are unable to successfully acquire new businesses or assets, our future growth may be limited.

Any acquisition that we may pursue will involve potential risks, including:

- performance from the acquired businesses or assets that is below the forecasts we used in evaluating the acquisition;
- a significant increase in our indebtedness and working capital requirements;
- the inability to timely and effectively integrate the operations of recently acquired businesses or assets;
- the incurrence of substantial unforeseen environmental and other liabilities arising out of the acquired businesses or assets, including liabilities arising from the operation of the acquired businesses or assets prior to our acquisition;
- risks associated with operating in lines of business that are distinct and separate from our historical operations;
- loss of customers or key employees from the acquired businesses; and
- the diversion of management’s attention from other business concerns.

Any of these factors could adversely affect our ability to achieve anticipated levels of cash flows from our acquisitions, realize other anticipated benefits and meet our debt service requirements.

We are subject to the risks of doing business outside of the U.S.

The success of our business depends, in part, on continued performance in our non-U.S. operations. We currently have operations in Canada, Mexico and the U.K. In addition to the other risks described in this report on Form 10-K, there are numerous risks and uncertainties that specifically affect our non-U.S. operations. These risks and uncertainties include political and economic instability, changes in local governmental laws, regulations and policies, including those related to tariffs, investments, taxation, exchange controls, employment regulations and repatriation of earnings, and enforcement of contract and intellectual property rights. International transactions may also involve increased financial and legal risks due to differing legal systems and customs, including risks of non-compliance with U.S. and local laws affecting our activities abroad, including compliance with the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010. While these factors and the impact of these factors are difficult to predict, any one or more of them could adversely affect our financial and operational results.

We may incur significant costs and liabilities resulting from pipeline integrity programs and related repairs.

Pursuant to the Pipeline Safety Improvement Act of 2002, as reauthorized and amended by the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006, the DOT, through the DOT’s Pipeline and Hazardous Materials Safety Administration ("PHMSA"), has adopted regulations requiring pipeline operators to develop and implement integrity management programs for transmission 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 integrity management regulations require operators, including us, to:

- perform on-going assessments of pipeline integrity on a recurring frequency schedule;
- identify and characterize applicable potential 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, states have adopted regulations similar to existing DOT regulations for intrastate gathering and transmission lines. We currently estimate that we will incur an aggregate cost of approximately $4.7 million during 2014 to implement necessary pipeline integrity management program testing along certain segments of our pipelines required by existing DOT and state regulations. This estimate does not include the costs, if any, of any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which costs could be substantial. At this time, we cannot predict the ultimate cost of compliance with these regulations, as the cost will vary significantly depending on the number and extent of any repairs found to be necessary as a result of the pipeline integrity testing. We will continue our pipeline integrity testing programs on an on-going basis to assess and maintain the integrity of our pipelines. The results of these tests could cause us to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operations of our pipelines and, consequently, result in a reduction in our revenue and cash flows from shutting down our pipelines during the pendency of such repairs or upgrades.

Moreover, changes to pipeline safety laws and regulations that result in more stringent or costly safety standards could have a significant adverse effect on us. On January 3, 2012, President Obama signed the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, which, among other things, increases the maximum civil penalties for pipeline safety administrative enforcement actions; requires the Secretary of Transportation to study and report on the expansion of integrity management requirements, the sufficiency of existing gathering line regulations to ensure safety, and the use of leak detection systems by hazardous liquid pipelines; requires pipeline operators to verify their records on maximum allowable operating pressure; and imposes new emergency response and incident notification requirements. The provisions of this legislation and other changes to pipeline safety laws and regulations could require us to pursue additional capital projects or conduct maintenance programs on an accelerated basis, any or all of which requirements could result in our incurring increased operating costs that could be significant and have a material adverse effect on our financial position or results of operations.

Our cash flow depends, in part, on the available cash and distributions of NGL Energy, and we may fail to realize the anticipated benefits from our investment in NGL Energy Partners LP.

We do not control NGL Energy's assets and operations, and the value of, and benefits from, our investment in NGL Energy are subject to all of the risks and uncertainties inherent in NGL Energy's business including, without limitation, the following:

- NGL Energy may not have sufficient cash to enable it to pay minimum quarterly distributions on its common units, including the NGL common units owned by us (the "NGL Common Units");
- The amount of cash NGL Energy has available for distribution to its unitholders, including us, depends primarily on its cash flow rather than on its profitability, which may prevent it from making distributions, even during periods in which it realizes net income;
- Current conditions in the global capital and credit markets, and general economic pressures, may adversely affect NGL Energy's financial position and results of operations;
- If NGL Energy does not successfully identify acquisition candidates, complete accretive acquisitions on economically acceptable terms, or adequately integrate the acquired operations into its existing operations, its future financial performance may be adversely affected and its growth may be limited;
- Increases in interest rates could adversely impact NGL Energy's common unit price, its ability to issue equity or incur debt for acquisitions or other purposes, and its ability to make cash distributions at its intended levels;
- NGL Energy's partnership agreement limits the fiduciary duties of NGL Energy's general partner to NGL Energy's unitholders, including us, and restricts the remedies available to the unitholders for actions taken by its general partner that might otherwise be breaches of fiduciary duty;
- Cost reimbursements to NGL Energy's general partner may be substantial and could reduce its cash available to make quarterly distributions on the common units, including the NGL Common Units;
- NGL Energy's partnership agreement requires that NGL Energy distribute all of its available cash, which could limit its ability to grow and make acquisitions; and
- Other factors discussed in NGL Energy's Annual Report on Form 10-K and as are included from time to time in NGL Energy's public announcements and other filings with the SEC.

To the extent that we desire to sell any of the NGL Common Units, our ability to sell units could be severely limited, both as to timing and amount, and as a result of factors beyond our control. Also, the market price of the NGL Common Units may decline substantially before we sell the units.

For the reasons described above, NGL Energy may reduce, or have insufficient available cash to pay, cash distributions on its common units, including the NGL Common Units, and we may not realize an adequate return on our investment and we may incur losses on any sales of our investment in NGL Energy.

In addition, our equity in earnings or losses of NGL Energy will be reported in our consolidated statement of operations, which could result in volatility in our earnings. Future declines in the fair value of our investment in NGL Energy could, under certain circumstances, require us to record impairment losses on our investment.

One of our subsidiaries acts as the general partner of a publicly traded limited partnership, Rose Rock. As such, this subsidiary's operations may involve a greater risk of liability than ordinary business operations.

One of our subsidiaries acts as the general partner of Rose Rock, a publicly-traded limited partnership. This subsidiary may be deemed to have undertaken fiduciary obligations with respect to Rose Rock as the general partner and to the limited partners of Rose Rock. Activities determined to involve fiduciary obligations to other persons or entities typically involve a higher standard of conduct than ordinary business operations and, therefore, may involve a greater risk of liability, particularly when a conflict of interests is found to exist. Our control of the general partner of Rose Rock may increase the possibility of claims of breach of fiduciary duties, including claims brought due to conflicts of interest (including conflicts of interest that may arise between Rose Rock, on the one hand, and its general partner and that general partner's affiliates, including us, on the other hand). Any liability resulting from such claims could be material.

A prolonged decline in index prices at Cushing relative to other index prices could reduce the demand for our transportation to, and storage in, Cushing.

Shifts in the overall supply of, and demand for, crude oil in regional, national and global markets, over which we have no control, can have an adverse impact on crude oil index prices in the markets we serve relative to other index prices. A prolonged decline in the WTI Index price, relative to other index prices, may cause reduced demand for our transportation to, and storage in, Cushing, which could have a material adverse effect on our business, results of operations and financial condition.

Adverse developments in our existing areas of operation could adversely impact our results of operations, cash flows and financial condition.

Our operations are focused on gathering, transporting, storing, processing and treating petroleum products and are principally located in the Midwest and Rocky Mountain supply regions of the U.S. and in Alberta, Canada. As a result, our results of operations, cash flows and financial condition depend upon the demand for our services in these regions. Due to our current lack of broad diversification in industry type and geographic location, adverse developments in our current segment of the midstream industry, or our existing areas of operation, could have a significantly greater impact on our results of operations, cash flows and financial condition than if our operations were more diversified.

We are subject to regulation by multiple governmental agencies, and the nature and degree of regulation from such agencies could adversely impact our business, results of operations and financial condition.

Our operations are subject to substantial regulation from multiple foreign and domestic federal, state, provincial and local authorities. These authorities regulate numerous aspects of our operations, including certain gathering systems, transportation pipelines, construction and maintenance of facilities and certain rate structures, among other things. We cannot predict the impact of any future revisions or changes in interpretation of existing laws or regulations or the adoption of new laws and regulations applicable to our businesses or when or whether any proposals of such revisions, interpretation changes or new laws or regulations may become effective. Revisions, interpretation changes or additional laws or regulations could influence our operating environment and may result in increased costs.

The White Cliffs Pipeline is subject to FERC rules and regulations. The FERC's regulatory authority applies to the:

- transportation by common carrier of crude oil in interstate commerce, including, but not limited to:
  - rates, operating terms and conditions of service; and
  - accounts and records.

Regulatory actions in these areas can similarly affect new or expanded pipeline operations.

We are subject to the trucking safety regulations, which are likely to be amended, and made stricter, as part of the initiative known as Comprehensive Safety Analysis ("CSA"). If our current USDOT safety ratings are downgraded to

"Unsatisfactory" or the equivalent in connection with this initiative, our business and results of operations may be adversely affected.

As part of the CSA initiative, the Federal Motor Carrier Safety Administration ("FMCSA") is expected to open a rule-making docket for purposes of changing its safety rating methodology. Any new methodology adopted in the rule-making is likely to link safety ratings more closely to roadside inspection and driver violation data gathered and analyzed from month to month under the agency's new Safety Measurement System or "SMS." This linkage could result in greater variability in safety ratings than the current system, in which a safety rating is based on relatively infrequent on-site compliance audits at a carrier's place(s) of business. Preliminary studies by transportation consulting firms indicate that "Satisfactory" ratings (or any equivalent under a new SMS-based system) may become more difficult to achieve and maintain under such a system. If we ever receive an "Unsatisfactory" or equivalent rating, we may lose some of our customer contracts that require such a rating, which may materially and adversely affect our business prospects and results of operations.

We may incur significant costs and liabilities in the future resulting from a failure to comply with new or existing environmental laws or regulations or an accidental release of hazardous substances, petroleum products or wastes into the environment.

Our operations are subject to federal and foreign, state, provincial and local environmental laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws include, for example:

- federal and comparable state and foreign laws that impose obligations related to air emissions;
- federal and comparable state and foreign laws that impose requirements for the handling, storage, treatment or disposal of solid and hazardous waste from our facilities;
- federal and comparable state and foreign laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or at locations to which our hazardous substances have been transported for disposal; and
- federal and comparable state and foreign laws that regulate discharges of wastewater from our facilities require spill protection planning and preparation and set requirements for other actions for protection of waters.

Failure to comply with these laws and regulations, or newly adopted laws or regulations, may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations or imposing additional compliance requirements on such operations. Claims pursued under certain environmental laws impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances or petroleum products have been disposed or otherwise released. Provisions also exist that may require remediation or other compensation to pay for damages to natural resources. Moreover, it is not uncommon for individuals to file claims for personal injury and property damage allegedly caused by the release of hazardous substances, petroleum products or waste products in the environment.

There is an inherent risk of incurring environmental costs and liabilities in connection with our operations due to our handling of crude oil and natural gas, air emissions and water discharges related to our operations and historical industry operations and waste disposal practices. For example, an accidental release from one of our facilities could subject us to substantial liabilities for environmental cleanup and restoration costs, claims made by individuals for personal injury, natural resource and property damages and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase our operational or compliance costs and, the cost of any remediation that may become necessary. We may not be able to recover all or any of these costs from insurance and fines or penalties paid for compliance violations, whether alleged or proven, will not be covered by insurance.

Derivatives reform legislation and related regulations could adversely affect our ability to manage business and financial risks by reducing the availability of, and increasing our cost of using, derivative instruments as hedges against fluctuating commodity prices and interest rates.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") establishes, among other things, federal oversight and regulation of the over-the-counter derivatives market and the entities that participate in that market. The Dodd-Frank Act requires the Commodity Futures Trading Commission ("CFTC"), federal regulators of banks and other financial institutions, or the prudential regulators, and the SEC to promulgate the rules implementing the new law. While some of these rules have been finalized, others have not and, as a result, we cannot fully determine what impact the new regulatory framework will have on our business.

The Dodd-Frank Act requires certain derivative transactions to be cleared on a derivatives clearing organization and traded on an exchange or a swap execution facility. If we engage in such transactions, we will be required to comply with these clearing and trade-execution requirements or to take steps to qualify for an exemption from these requirements. New regulations may also require us to post cash collateral (commonly referred to as "margin") for certain derivative transactions. We use crude oil and other energy derivative instruments in connection with our Crude activities, and may use natural gas related derivative instruments in connection with our SemGas activities, principally to hedge the commodity price risk associated with these businesses. We may also use energy derivatives in conjunction with the activities of our other businesses and may use interest rate derivative instruments to minimize the impact of interest rate fluctuations associated with our debt. At present, we post collateral with clearing brokers with respect to substantially all of our commitments and potential obligations under these derivative instruments. Depending on the final regulations adopted by the CFTC, the prudential regulators and the SEC, we may be subject to a margin requirement that will cause us to post collateral in excess of present levels. Such a requirement may increase our costs and decrease our profitability. Moreover, our counterparties may also be required to post margin on our transactions and comply with minimum capital requirements, which could result in additional costs being passed on to us, thereby decreasing our profitability.

In its rulemaking under the Dodd-Frank Act, the CFTC has issued proposed regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. Certain bona fide hedging transactions would be exempt from these position limits. In addition, the Dodd-Frank Act may also require the counterparties to our derivative instruments to spin off some of their derivative activities to a separate entity, which may not be as creditworthy as the current counterparty.

The Dodd-Frank Act and the related regulations could significantly increase the cost of derivative contracts (including from swap recordkeeping and reporting requirements through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts and potentially increase our exposure to less creditworthy counterparties. If our use of derivatives is reduced, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Increased volatility may make us less attractive to certain types of investors. Moreover, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could, therefore, be adversely affected if a consequence of the Dodd-Frank Act is to lower commodity prices. Any of these consequences could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

Our storage operations are influenced by the overall forward market for crude oil, and certain market conditions may adversely affect our financial and operating results.

Our storage operations are influenced by the overall forward market for crude oil. A contango market (meaning that the price of crude oil for future delivery is higher than the current price) is associated with greater demand for crude oil storage capacity, because a party can simultaneously purchase crude oil at current prices for storage and sell at higher prices for future delivery. A backwardated market (meaning that the price of crude oil for future delivery is lower than the current price) is associated with lower demand for crude oil storage capacity, because a party can capture a premium for prompt delivery of crude oil rather than storing it for future sale. A prolonged backwardated market or other adverse market conditions could have an adverse impact on our ability to negotiate favorable prices under new or renewing storage contracts, which could have an adverse impact on our storage revenues. Finally, higher absolute levels of crude oil prices increase the costs of financing and insuring crude oil in storage, which negatively affects storage economics. As a result, the overall forward market for crude oil may have an adverse effect on our business, results of operations and financial condition.

An increase in interest rates could impact demand for our storage capacity.

There is a financing cost for a storage capacity user to own crude oil while it is stored. That financing cost is impacted by the cost of capital or interest rate incurred by the storage user, in addition to the commodity cost of the crude oil in inventory. Absent other factors, a higher financing cost adversely impacts the economics of storing crude oil for future sale. As a result, a significant increase in interest rates could adversely affect the demand for our storage capacity independent of other market factors.

Severe weather conditions and natural or man-made disasters could severely disrupt normal operations and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We operate in various locations across the United States, Canada, Mexico and the United Kingdom which may be adversely affected by severe weather conditions and natural or man-made disasters. During periods of heavy snow, ice, rain or extreme weather conditions such as high winds, tornadoes and hurricanes or after other natural disasters such as earthquakes or wildfires, we may be unable to move our trucks between locations and our facilities may be damaged, thereby reducing our ability to provide services and generate revenues. These same conditions may cause serious damage or destruction to the property and operations of our customers. Such disruptions could potentially have a material adverse effect on our business, financial condition, results of operations and cash flows.

Climate change legislation and related regulatory initiatives could result in increased operating costs and reduced demand for our services.

In December 2009, the EPA published its findings that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and the environment because emissions of such gases are contributing to warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA adopted two sets of regulations that restrict emissions of GHGs under existing provisions of the federal Clean Air Act, including one that requires a reduction in emissions of GHGs from motor vehicles and another that regulates GHG emissions from certain large stationary sources under the Clean Air Act Prevention of Significant Deterioration and Title V permitting programs. In addition, the EPA expanded its existing GHG emissions reporting rule to include certain onshore oil and natural gas processing, transmission, storage and distribution activities, beginning in 2012 for emissions occurring in 2011. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHGs from, our equipment and operations could require us to incur additional costs to reduce emissions of GHGs associated with our operations or could adversely affect demand for the petroleum products we gather, treat or otherwise handle in connection with our services.

After reviewing extensive comments and making a number of changes to its previously July 28, 2011 proposed rules, on April 17, 2012, the EPA issued its final rules that subject a wide range of oil and gas operations (production, processing, transmission, storage, and distribution) to regulation under the New Source Performance Standards ("NSPS") and National Emission Standards for Hazardous Air Pollutants ("NESHAPS") programs (with the NSPS and NESHAPS published in the Federal Register on August 16, 2012). The EPA revised the NSPS for volatile organic compounds ("VOCs") from leaking components at onshore gas processing plants and the NSPS for sulfur dioxide emissions from natural gas processing plants. The EPA also established standards for certain oil and gas operations not covered by existing standards. These will regulate VOC emissions from gas wells, centrifugal and reciprocating compressors used in natural gas production and transmission, pneumatic controllers used in natural gas and crude oil production and to new, modified or reconstructed storage vessels in natural gas and crude oil production with VOC emissions above six tons per year. The EPA also revised the existing leak detection and repair requirements for the oil and gas production source category and the natural gas transmission source category and established action limits reflecting most achievable control for certain previously uncontrolled emission sources. There also are additional testing and related notification, record keeping and reporting requirements. These changes were effective October 15, 2012.

The U.S. Congress has been considering legislation to reduce GHG emissions and some states, either individually or through multi-state regional initiatives, have already begun implementing legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or GHG cap and trade programs. In addition, both President Obama and the Administrator of the EPA have repeatedly indicated their preference for comprehensive legislation to address this issue and create the framework for a clean energy economy, with the Obama Administration supporting an emission allowance system. Past proposed legislation in Congress has included an economy-wide cap and trade program to reduce GHG emissions. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact our business, any such new federal, state or regional restrictions on emission of CO_2 that may be imposed in areas in which we conduct business could also have an adverse effect on our cost of doing business and demand for the petroleum products we gather process, transport, store, distribute and market.

In addition, the EPA will be designating nonattainment areas for ozone standards for outdoor quality. These areas will include those areas with significant oil and gas activities. Nonattainment areas will be required to submit state implementation plans in 2015 and to attain the standard by 2015 and 2018 for areas classified as "Marginal" and "Moderate," respectively. Areas classified as "Serious" must attain by 2021. The federal NSPS constitute a federally required minimum level of control. States have the flexibility to put their own program in place or implement existing programs as long as they are at least as protective as the federal NSPS.

Canada does not currently have any federal legislation pending relating to the regulation of GHG emissions from the oil and gas industry. New federal regulations creating GHG performance standards for the transportation sector and for coal-fired electricity generation were introduced in 2012. The federal government has indicated that one of the next sectors that will be targeted by similar regulations will be the oil and gas industry, and that such regulations will be proposed in 2014. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHGs from, our equipment and operations could require us to incur additional costs to reduce emissions of GHGs associated with our operations or could adversely affect demand for the petroleum products we gather, treat or otherwise handle in connection with our services.

Although Canada has not enacted federal GHG legislation for the oil and gas industry, the province of Alberta has set GHG baselines for all large GHG emitters that were in operation in the year 2000 (which includes several of SemCAMS' facilities) based on 2003-2005 data, and required a reduction of 12% in GHG emissions intensity for each facility compared to its baseline. Beginning in the second half of 2007, penalties are assessed for failure to comply with required reductions. Further limitations may be imposed in the future which could require additional SemCAMS' facilities to have to file annual GHG emissions reports, or which could increase the costs of compliance for SemCAMS' facilities.

The potential increase in the costs of our operations resulting from any legislation or regulation to restrict emissions of GHGs could include new or increased costs to operate and maintain our facilities, install new emission controls on our facilities, acquire allowances to authorize our GHG emissions, pay any taxes related to our GHG emissions and administer and manage a GHG emissions program. While we may be able to include some or all of such increased costs in the rates charged by our pipelines or other facilities, such recovery of costs is uncertain. Moreover, incentives to conserve energy or use alternative energy sources could reduce demand for petroleum products, resulting in a decrease in the demand for our services.

Loss of key employees could significantly reduce our ability to execute strategies.

Much of our future success depends on the continued availability and service of key personnel including the executive team and skilled employees in technical, operational and staff positions. Experienced personnel in the midstream industry are in high demand and competition for their talents is high. We depend on current and new key officers and employees to meet the challenges and complexities of our businesses. If any such officers or employees resign, or become unable to continue in their present roles and are not adequately replaced, or if we are unable to fill currently vacant positions, our business operations could be materially adversely affected. There can be no assurance that we will continue to attract and retain key personnel.

Difficulty in attracting and retaining qualified drivers in our crude oil trucking business could adversely affect our growth and profitability.

Maintaining a staff of qualified truck drivers is critical to the success of our operations. We have in the past experienced difficulty in attracting and retaining sufficient numbers of qualified drivers. Regulatory requirements, including the FMCSA's CSA initiative, and an improvement in the economy could reduce the number of eligible drivers or require us to pay more to attract and retain drivers. A shortage of qualified drivers and intense competition for drivers from other companies could create difficulties in increasing the number of our drivers for any expansion in our fleet of trucks. If we are unable to continue to attract and retain a sufficient number of qualified drivers, we could have difficulty meeting customer demands, which could materially and adversely affect our growth and profitability.

A failure in our operational systems or cyber security attacks on any of our facilities, or those of third parties, may affect adversely our financial results.

Our business is dependent upon our operational systems to process a large amount of data and complex transactions. If any of our financial, operational, or other data processing systems fail or have other significant shortcomings, our financial results could be adversely affected. Our financial results could also be adversely affected if an employee causes our operational systems to fail, either as a result of inadvertent error or by deliberately tampering with or manipulating our operational systems. In addition, dependence upon automated systems may further increase the risk that operational system flaws, employee tampering or manipulation of those systems could result in losses that are difficult to detect.

Due to increased technology advances, we have become more reliant on technology to help increase efficiency in our business. We use computer programs to help run our financial and operations sectors, and this may subject our business to increased risks. Any future cyber security attacks that affect our facilities, our customers and any financial data could have a material adverse effect on our business. In addition, cyber attacks on our customer and employee data may result in a financial loss, including potential fines for failure to safeguard data, and may negatively impact our reputation. Third-party systems on which we rely could also suffer operational system failure. Any of these occurrences could disrupt our business, result in potential liability or reputational damage or otherwise have an adverse effect on our financial results.

The threat or attack of terrorists aimed at our facilities could adversely affect our business.

The U.S. government has issued warnings that energy assets, specifically the nation's pipeline infrastructure, may be future targets of terrorist organizations. Any future terrorist attack that may target our facilities, those of our customers or those of certain other pipelines could have a material adverse effect on our business. In addition, any governmental body mandated actions to prepare for, or protect against, potential terrorist attacks could require us to spend money or modify our operations.

We face intense competition in our gathering, transportation, processing, storage and marketing activities. Competition from other providers of those services that are able to supply our customers with those services at a lower price or on otherwise better terms could adversely affect our business and operating results.

We are subject to competition from other gathering, transportation, processing, storage and marketing operations that may be able to supply our customers with the same or comparable services at a lower price or otherwise on better terms. We compete with national, regional and local gathering, transportation and storage companies of widely varying sizes, financial resources and experience, including the major integrated oil companies. Our ability to compete could be harmed by numerous factors, including:

- price competition;
- the perception that another company can provide better service;
- a reluctance to contract with us due to our predecessor's bankruptcy filing; and
- the availability of alternative supply points, or supply points located closer to the operations of our customers.

Some of our competitors have greater financial, managerial and other resources than we do, and control substantially more storage or transportation capacity than we do. Our competitors may expand their assets or operations, creating additional competition for the services we provide to our customers. In addition, our customers may develop their own gathering, transportation and storage systems or marketing operations in lieu of using ours. Our ability to renew or replace existing contracts with our customers at rates sufficient to maintain current revenues and cash flow could be adversely affected by the activities of our competitors and our customers.

Our profitability depends on the demand for the products we gather, transport, process and store in the markets we serve.

Any sustained reduction in demand for petroleum products in markets served by our midstream assets could result in a significant reduction in the volume of petroleum products that we gather, transport, process and store, thereby adversely affecting our results of operations, cash flows and financial condition. A reduction in demand can result from a number of factors including:

- an increase in the price of products derived from petroleum products;
- higher taxes, including federal excise taxes, crude oil severance taxes or sales taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of petroleum based products;
- adverse economic conditions which result in lower spending by consumers and businesses on products derived from petroleum products;
- effects of weather, natural phenomena, terrorism, war, or other similar acts;
- an increase in fuel economy, whether as a result of a shift by consumers to more fuel efficient vehicles, technological advances by manufacturers or federal or state regulations;
- decision by our customers or suppliers to use alternate service providers for a portion of all of their needs, operate in different markets not served by us, reduce operations or cease operations entirely; and
- an increase in the use of alternative fuel sources such as ethanol, biodiesel, fuel cells, solar and wind power.

Because of the natural decline in production from existing wells in our areas of operation, our success depends on our ability to obtain new sources of supply of petroleum products, which is dependent on factors beyond our control. Any decrease in the volumes of these products that we gather could adversely affect our business and operating results.

The volumes that support our business are dependent on the level of production from wells connected to our operations, the production from which may be less than we expect as a result of a natural decline of producing wells over time and the shut-in of wells for economic or other reasons. As a result, in order to maintain or increase the amount of petroleum products that we handle, we must obtain new sources of petroleum products. The primary factors affecting our ability to obtain sources of these products include the level of successful drilling activity near our systems and our ability to compete for volumes from successful new wells.

We have no control over the level of drilling activity in our areas of operation, the amount of reserves associated with wells connected to our operations or the rate at which production from a well declines. In addition, we have no control over producers or their drilling or production decisions, which are affected by, among other things, the availability and cost of capital, prevailing and projected energy prices, demand for petroleum products, levels of reserves, geological considerations, environmental or other governmental regulations, the availability of drilling permits, the availability of drilling rigs, and other drilling, production and development costs.

Fluctuations in energy prices can also greatly affect the development of new petroleum product reserves and, to a lesser extent, production from existing wells. In general terms, energy prices fluctuate in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. Declines in energy prices could have a negative impact on exploration, development and production activity and, if sustained, could lead to a material decrease in such activity. Sustained reductions in exploration or production activity in our areas of operation would lead to reduced utilization of our assets and a reduced need for our marketing operations. Because of these factors, even if new reserves are known to exist in areas served by our assets, producers may choose not to develop those reserves. If reductions in drilling activity result in our inability to maintain the levels of petroleum products that we handle, it could have a material adverse effect on our business, results of operations and financial condition.

Our construction of new assets may not result in the anticipated revenue increases.

One of the ways we intend to grow our business is through the construction of new assets. If we undertake such projects, they may not be completed on schedule or at the budgeted cost or at all. Moreover, our revenue may not increase immediately, or at all, upon the expenditure of funds on a particular project. For instance, if we expand a pipeline, the construction may occur over an extended period of time and we may not receive any material increases in revenue until the project is completed. Moreover, we may construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize. Since we are not engaged in the exploration for, and the development of, natural gas and crude oil reserves, we do not possess reserve expertise and we often do not have access to third-party estimates of potential reserves in an area prior to constructing facilities in such area. To the extent we rely on estimates of future production in our decision to construct additions to our system, such estimates may prove to be inaccurate because of numerous uncertainties inherent in estimating quantities of future production. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could adversely affect our results of operations, cash flows and financial condition.

We may not be able to renew or replace expiring storage contracts.

We have significant exposure to market risk at the time our existing storage contracts expire and are subject to renegotiation and renewal. The extension or replacement of existing contracts depends on a number of factors beyond our control, including the:

- level of existing and new competition to provide storage services to our markets;
- macroeconomic factors affecting crude oil storage economics for our current and potential customers;
- balance of supply and demand, on a short-term, seasonal and long-term basis, in our markets;
- extent to which the customers in our markets are willing to contract on a long-term basis; and
- effects of federal, state or local regulations on the contracting practices of our customers.

Any failure to extend or replace a significant portion of our existing contracts, or extend or replace them at comparable rates, could have a material adverse effect on our business, results of operations, and financial condition.

A change in the jurisdictional characterization of some of our assets by federal, state or local regulatory agencies, or a change in policy by those agencies, could result in increased regulation of our assets, which could affect existing costs and rates.

Interstate transportation and gathering pipelines that do not provide interstate services are not subject to regulation by FERC. However, the distinction between FERC-regulated interstate pipeline transportation, on the one hand, and intrastate pipeline transportation, on the other hand, is a fact-based determination. The classification and regulation of our crude oil pipelines are subject to change based on future determinations by FERC, federal courts, Congress or regulatory commissions, courts or legislatures in the states in which we operate.

Our Kansas and Oklahoma gathering pipeline system carries crude oil owned by us and by third parties. We own all of the crude oil shipped on our pipeline system across state lines. We believe that the pipeline segments on which we provide service to third parties and the services we provide to third parties on the gathering pipeline system meet the traditional tests that FERC has used to determine that the pipeline services provided are not interstate commerce. We believe that the pipeline segments on which we transport only crude oil owned by us should not be subject to regulation by FERC under the ICA, or that these pipeline segments would qualify for waiver from FERC’s regulatory requirements, if applicable. However, we cannot provide assurance that FERC will not in the future, either at the request of other entities or on its own initiative, determine that some or all of our Kansas and Oklahoma gathering pipeline system and the services we provide on that system are within its jurisdiction, or that such a determination would not adversely affect our results of operations. If some or all of the gathering system were subject to FERC jurisdiction, and not otherwise exempt from any applicable regulatory requirements, for that portion of the gathering pipeline system we would be required to file a tariff with FERC, and if our tariff rates were subject to protest, provide a cost justification for the transportation rate subject to protest and provide service to all potential shippers without undue discrimination. In addition, if the services we provide on any segment(s) of our gathering system become regulated by FERC under the ICA, our services could be subject to a protest and/or complaint before FERC. If FERC were to determine, in response to a complaint, that our rates are unjust and unreasonable, we could be required to pay reparations and refunds dating to two years before the filing of the complaint. Furthermore, if in the future our services become subject to state regulation, they could be subject to a protest and/or complaint before a state commission with jurisdiction.

Competition for water resources or limitations on water usage for hydraulic fracturing could disrupt crude oil and natural gas production from shale formations.

Hydraulic fracturing is the process of creating or expanding cracks by pumping water, sand and chemicals under high pressure into an underground formation in order to increase the productivity of crude oil and natural gas wells. Water used in the process is generally fresh water, recycled produced water (which is a by-product of natural gas and liquids) extraction or salt water.

There is competition for fresh water from municipalities, farmers, ranchers and other industrial users. In addition, the available supply of fresh water can also be reduced directly by drought. Prolonged drought conditions increase the intensity of competition for fresh water.

Limitations on oil and gas producers' access to fresh water may restrict their ability to use hydraulic fracturing and could reduce new production. Such disruptions could potentially have a material adverse impact on our business, financial condition, results of operations and cash flows.

Increased regulation of hydraulic fracturing could result in reductions or delays in crude oil and natural gas production in our areas of operation, which could adversely impact our business and results of operations.

An increasing percentage of crude oil and natural gas production is being developed from unconventional sources such as shale. These reservoirs require hydraulic fracturing completion processes to release the crude oil or natural gas from the formation so it can flow through casing to the surface. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into the formation to stimulate crude oil and natural gas production. Certain environmental groups have suggested that additional laws may be needed to more closely and uniformly regulate the hydraulic fracturing process, and legislation has been proposed by some members of Congress to provide for such regulation. For instance, legislation was recently proposed to amend the federal Safe Drinking Water Act to subject hydraulic fracturing operations to regulation under that act. Sponsors of recent bills have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies. Proposed legislation would require, among other things, the reporting and public disclosure of chemicals used in the fracturing process, which could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings against producers and service providers. In addition, these bills, if adopted, could establish an additional level of regulation and permitting of hydraulic fracturing operations at the federal level, which could lead to operational delays, increased operating and compliance costs and additional regulatory burdens that could make it more difficult or commercially impracticable to perform hydraulic fracturing, delaying the development of unconventional resources from shale and other formations which are not commercial without the use of hydraulic fracturing. In addition, several states have already passed, or are considering, legislation that is intended to regulate hydraulic fracturing.

In its new 2012 NSPS promulgated for the natural gas and crude oil sector, the EPA established the first federal air standards for natural gas wells that are hydraulically fractured. Refractured gas wells that use the "green completions" will not be considered affected from a federal standpoint. Operators may choose to flare for now from refractured wells and phase in green completions by January 1, 2015, but any such refractured well will be considered an affected facility for permitting purposes. However, the EPA expressly stated that this NSPS does not apply to oil wells.

We cannot predict what effect such legislation will have on the production of crude oil and natural gas in our areas of operation. The imposition of additional regulations and permit requirements could lead to delays or increased operating costs for crude oil and natural gas producers. A reduction in the production of crude oil or natural gas in our areas of operation could have an adverse effect on our business, results of operations and financial condition.

Risks Related to Our Class A Common Stock and Warrants

Our Class A Common Stock and warrants may experience significant price and volume fluctuations.

The market price of our Class A Common Stock may fluctuate significantly in response to various factors and events beyond our control, including the following:

- the risk factors described in this report on Form 10-K;
- our operating and financial results differing from that expected by securities analysts and investors;
- the financial and stock price performance of our competitors or companies in our industry generally;
- changes in accounting standards, policies, interpretations or principles;
- changes in laws or regulations which adversely affect our industry or us;
- general conditions in our customers' industries; and
- general economic conditions and conditions in the securities markets.

Our warrants are publicly traded on the NYSE. We believe that the market price of the warrants will be primarily affected by the market price of our Class A Common Stock and, consequently, may fluctuate significantly in response to the various factors and events affecting the market price of our Class A Common Stock.

Item 1B. ***Unresolved Staff Comments***

None.

Item 3. ***Legal Proceedings***

For information regarding legal proceedings, see the discussion under the captions "Bankruptcy matters", "Other matters" and "Environmental" in Note 17 of our consolidated financial statements beginning on page F-1 of this Form 10-K, which information is incorporated by reference into this Item 3.

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

Not applicable.

Executive Officers of the Registrant

Our executive officers are elected annually by, and serve at the discretion of, our Board of Directors. Set forth below is information concerning our executive officers.

Name	Age	Position
Norman J. Szydlowski	62	President and Chief Executive Officer and Director
Robert N. Fitzgerald	54	Senior Vice President and Chief Financial Officer
Candice L. Cheeseman	58	General Counsel and Secretary
Timothy R. O'Sullivan	57	Vice President, Corporate Planning and Strategic Initiatives
Peter L. Schwiering	69	Vice President and President of Rose Rock Midstream Crude, L.P.

Norman J. Szydlowski has served as a director and as President and Chief Executive Officer of SemGroup since November 2009. Mr. Szydlowski has also served as Chairman of the Board of Directors, President and Chief Executive Officer of our subsidiary Rose Rock Midstream GP, LLC, the general partner of Rose Rock, since August 2011. From January 2006 until January 2009, Mr. Szydlowski served as president and chief executive officer of Colonial Pipeline Company, an interstate common carrier of petroleum products. From 2004 to 2005, he served as a senior consultant to the Iraqi Ministry of Oil in Baghdad on behalf of the U.S. Department of Defense, where he led an advisory team in the rehabilitation, infrastructure security and development of future strategy of the Iraqi oil sector. From 2002 until 2004, he served as vice president of refining for Chevron Corporation (formerly ChevronTexaco), one of the world's largest integrated energy companies. Mr. Szydlowski joined Chevron in 1981 and served in various capacities of increasing responsibility in sales, planning, supply chain management, refining and plant operations, transportation and construction engineering. Mr. Szydlowski serves on the board of directors of NGL Energy Holdings LLC, the general partner of NGL Energy, an owner and operator of midstream wholesale and retail propane storage and distribution assets, crude oil logistics and water treatment services. Mr. Szydlowski graduated from Indiana University in Bloomington with a master's degree in business administration. He also holds a Bachelor of Science degree in mechanical engineering from Kettering University.

Robert N. Fitzgerald joined SemGroup in November 2009 and serves as Senior Vice President and Chief Financial Officer. Mr. Fitzgerald has also served as a director, Senior Vice President and Chief Financial Officer of our subsidiary Rose Rock Midstream GP, LLC, the general partner of Rose Rock, since August 2011. Prior to joining SemGroup, Mr. Fitzgerald served as chief financial officer from February 2008 to November 2009 of Windsor Energy Group, a private independent oil and gas exploration and development company. He has also served from December 2006 until February 2008 as executive vice president of LinkAmerica Corp. and from January 2003 until December 2006 as chief operating officer and chief financial officer of Arrow Trucking Company, both commodity transportation companies. From January 2000 until January 2003, he served as vice president, finance of Williams Communications Group, a global communication company. Prior to that, Mr. Fitzgerald was with BP Amoco and Amoco Corporation for 20 years, working in various financial and operations positions in Tulsa, Oklahoma; Houston, Texas; Denver, Colorado; and Chicago, Illinois. Mr. Fitzgerald received a master's degree in business administration from the University of Tulsa and a Bachelor of Business Administration degree from Western Illinois University. He is currently a member of the American Institute of Certified Public Accountants, the Institute of Management Accountants and the Institute of Internal Auditors. He is a certified public accountant.

Candice L. Cheeseman joined SemGroup in February 2010 and serves as General Counsel and Secretary. Ms. Cheeseman has also served as General Counsel and Secretary of our subsidiary Rose Rock Midstream GP, LLC, the general partner of Rose Rock since August 2011. Prior to joining our company, Ms. Cheeseman served as general counsel of Global Power Equipment Group Inc., a comprehensive provider of power generation equipment and maintenance services for energy customers, since May 2004. In September 2006, Global Power Equipment Group Inc. and its domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. Global Power Equipment Group and its subsidiaries emerged from bankruptcy protection in January 2008. Prior to Global Power, she was employed by WilTel Communications Group, an internet, data, voice and video service provider, where she served in a variety of capacities, including general counsel and secretary, commencing in November 2002. Ms. Cheeseman has been a practicing attorney for two decades serving in various capacities for Williams Communications, Marriott International and law firms in the Washington D.C. area. Ms. Cheeseman received her juris doctorate degree from the University of Tulsa College of Law. She also holds a Bachelor of Arts degree from the University of Delaware.

Timothy R. O'Sullivan serves as Vice President, Corporate Planning and Strategic Initiatives of SemGroup, a position he has held since April 2010. Mr. O'Sullivan has also served as a director and Vice President of our subsidiary Rose Rock Midstream GP, LLC, the general partner of Rose Rock, since August 2011. From February 2005 until April 2010, he served as President and Chief Operating Officer of SemGas, L.P. From 2001 until joining our company, Mr. O'Sullivan worked for Williams Power Company, where he was director of global gas and power origination. He was previously employed with Koch Industries, Inc. for 19 years, where he served in various capacities in its natural gas division, including business development, marketing and trading, and executive management. Mr. O'Sullivan began his career as a staff accountant for Main Hurdman. Mr. O'Sullivan graduated from Wichita State University with a bachelor's degree in accounting. He also is a certified public accountant. Mr. O'Sullivan was a member of the board of directors of the Gas Processors Association and served on its Executive and Finance Committee.

Peter L. Schwiering has served as Vice President of SemGroup since February 2012. Mr. Schwiering has also served as the Chief Operating Officer and a director of our subsidiary, Rose Rock Midstream GP, LLC, the general partner of Rose Rock, since August 2011. He also serves as President of Rose Rock Midstream Crude, L.P., a position he has held since August 2011. Mr. Schwiering joined Rose Rock Midstream Crude, L.P.'s predecessor, SemCrude, L.P., in 2000 as Vice President of Operations. Prior to joining SemCrude, L.P., Mr. Schwiering worked for Dynegy Pipeline as manager of pipeline and commercial business. He also served with Sun Company for 25 years in various positions, last serving as the company's manager of business development—Western Region, based in Oklahoma. Mr. Schwiering has over 40 years of experience in the energy industry.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

Our Class A Common Stock trades on the New York Stock Exchange under the ticker symbol "SEMG." There is no established public trading market for our Class B Common Stock. At January 31, 2014, we had 1,468 holders of record of our Class A Common Stock and one holder of record of our Class B Common Stock. The following table sets forth the high and low sales prices of our Class A Common Stock (New York Stock Exchange composite transactions) during the periods indicated.

	High	Low
For the year ended December 31, 2013:		
First quarter	$ 52.40	$ 40.40
Second quarter	$ 58.08	$ 49.88
Third quarter	$ 59.50	$ 53.21
Fourth quarter	$ 65.43	$ 56.12
For the year ended December 31, 2012:		
First quarter	$ 30.13	$ 25.82
Second quarter	$ 32.12	$ 28.05
Third quarter	$ 38.16	$ 31.36
Fourth quarter	$ 39.98	$ 34.76

Dividends

In January 2013, we announced our intention to pay a quarterly cash dividend to common stockholders beginning in the second quarter of 2013. This dividend is a pass-through of the majority of the cash distributions we receive from our interests in Rose Rock and NGL Energy. The dividend is based on the previous quarter's distributions received. We expect to continue paying a quarterly cash dividend for the foreseeable future.

Our credit agreement places the following restrictions on dividends:

- The dividend cannot exceed our available cash, as defined in the credit agreement;
- No default or event of default under the credit agreement has occurred or is continuing; and
- After giving effect to the dividend, the leverage ratio as determined under the credit agreement cannot exceed 4.00 to 1.00.

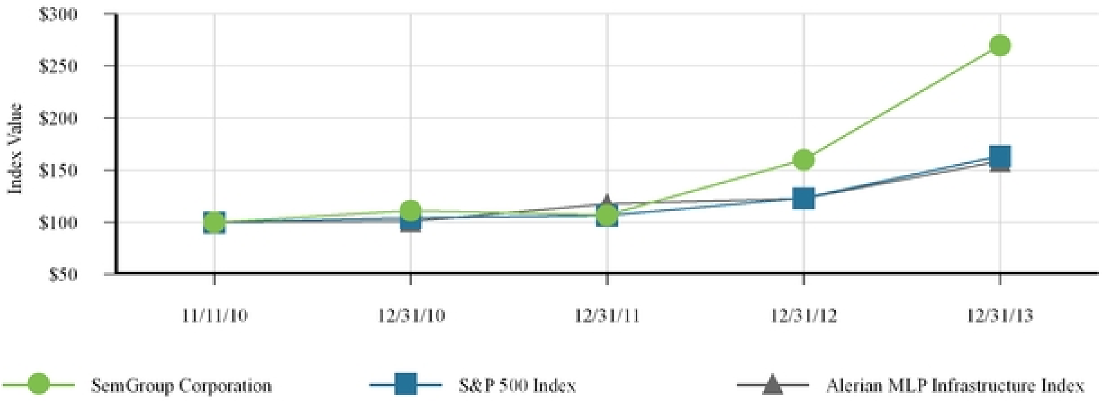
The following table sets forth the dividend paid in the quarter indicated. We had not paid any cash dividends on our common stock prior to the second quarter of 2013.

For the Year Ended December 31, 2013	$/Share
First quarter	n/a
Second quarter	$0.19
Third quarter	$0.20
Fourth quarter	$0.21

Performance Graph

Set forth below is a line graph comparing the cumulative total stockholder return on our Class A Common Stock with the cumulative total return of the S&P 500 Stock Index and the Alerian MLP Infrastructure Index ("AMZIX Index") for the period from November 11, 2010 (the date our Class A Common Stock commenced trading on the New York Stock Exchange) to December 31, 2013. The AMZIX Index is a liquid, midstream-focused subset of the Alerian MLP index, comprised of 25 energy infrastructure master limited partnerships. The graph was prepared assuming $100 was invested on November 11, 2010 in our Class A Common Stock, the S&P 500 Stock Index and the AMZIX Index and distributions have been reinvested subsequent to the initial investment.

COMPARISON OF CUMULATIVE TOTAL RETURN
Among SemGroup Corporation, the S&P 500 Index
and the Alerian MLP Infrastructure Index



The above performance graph and related information shall not be deemed “soliciting material” or be deemed to be “filed” with the SEC, nor shall such information be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

Warrant Exercises

Pursuant to our plan of reorganization, in 2009 we issued warrants to purchase shares of our Class A Common Stock or, at the election of the warrantholder, shares of our Class B Common Stock, to certain of our pre-petition creditors. During the year ended December 31, 2013, we issued 425,618 shares of our Class A Common Stock pursuant to warrant exercises. Such issuances were exempt from the registration requirements of the Securities Act pursuant to Section 1145 of the U.S. Bankruptcy Code. There were no warrant exercises during the fourth quarter of 2013.

Item 6. ***Selected Financial Data***

Selected Consolidated Financial Data

The following table provides selected consolidated financial data as of and for the periods shown. The balance sheet data as of December 31, 2013, 2012, 2011, 2010 and 2009, and the statement of operations data for the years ended December 31, 2013, 2012, 2011 and 2010 and the one month ended December 31, 2009 and the eleven months ended November 30, 2009, have been derived from our audited financial statements for those dates and periods. The selected financial data provided below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included in this Form 10-K.

Balance sheet data in the following table as of December 31, 2013, 2012, 2011, 2010 and 2009 and statement of operations data for the years ended December 31, 2013, 2012, 2011 and 2010 and the one month ended December 31, 2009, are that of SemGroup Corporation. Statement of operations data for the other period presented is that of our predecessor, SemGroup, L.P. We applied fresh-start reporting as of November 30, 2009. As a result, our financial data is not comparable to that of our predecessor. Earnings per share in the following table is only presented for the periods subsequent to our emergence from our predecessor's bankruptcy, since the limited partner units of SemGroup, L.P. were canceled upon emergence from our predecessor's bankruptcy.

The following table presents the non-GAAP financial measures of Adjusted gross margin and Adjusted EBITDA, which we use in our business and view as important supplemental measures of our performance. Adjusted gross margin and Adjusted EBITDA are not calculated or presented in accordance with GAAP. For definitions of Adjusted gross margin and Adjusted EBITDA and a reconciliation of Adjusted gross margin to operating income (loss) and of Adjusted EBITDA to net income (loss), their most directly comparable financial measures calculated and presented in accordance with GAAP, please see "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Evaluate our Operations."

	Successor					Predecessor
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	One Month Ended December 31, 2009	Eleven Months Ended November 30, 2009
	(amounts in thousands, except per share amounts)					
Statement of operations data:						
Total revenues	$ 1,427,016	$ 1,237,497	$ 1,465,246	$ 1,618,412	$ 155,457	$ 893,226
Operating income (loss)	$ 117,914	$ 57,351	$ 55,199	$ (49,764)	$ (39,643)	$ 13,827
Reorganization items gain	$ —	$ —	$ —	$ —	$ —	$ 3,529,014
Income (loss) from continuing operations	$ 65,753	$ 28,958	$ 12,360	$ (133,903)	$ (38,372)	$ 3,533,407
Income (loss) from discontinued operations	59	2,939	(9,548)	1,831	455	(139,328)
Net income (loss)	$ 65,812	$ 31,897	$ 2,812	$ (132,072)	$ (37,917)	$ 3,394,079
Net income (loss) attributable to noncontrolling interests	17,710	9,797	435	225	(25)	(505)
Net income (loss) attributable to SemGroup	$ 48,102	$ 22,100	$ 2,377	$ (132,297)	$ (37,892)	$ 3,394,584
Income (loss) from continuing operations per share of common stock:						
Basic	$ 1.13	$ 0.46	$ 0.29	$ (3.24)	$ (0.92)	$ —
Diluted	$ 1.13	$ 0.45	$ 0.17	$ (3.24)	$ (0.92)	$ —
Other financial data:						
Adjusted gross margin	$ 405,942	$ 363,808	$ 306,693	$ 346,378	$ 23,720	$ 179,045
Adjusted EBITDA	$ 189,018	$ 134,965	$ 115,545	$ 151,796	$ 9,594	$ 94,470
Cash dividend declared per common share	$ 0.60	$ —	$ —	$ —	$ —	$ —

	Successor				
	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
	(amounts in thousands)				
Balance sheet data:					
Total assets	$ 2,470,614	$ 1,748,179	$ 1,491,181	$ 1,667,188	$ 2,210,013
Long-term debt, including current portion (excluding debt subject to compromise)	$ 615,125	$ 206,086	$ 109,335	$ 348,443	$ 519,932
Owners' equity:					
SemGroup Corporation owners' equity	$ 1,053,902	$ 892,394	$ 851,096	$ 855,068	$ 976,686
Noncontrolling interests in consolidated subsidiaries	159,961	129,134	127,569	—	1,571
Total owners' equity	$ 1,213,863	$ 1,021,528	$ 978,665	$ 855,068	$ 978,257

We have experienced many changes in our business during the periods shown in the table above, which significantly limits the comparability of the financial data. Such changes include, but are not limited to:

- the deconsolidation in July 2008, and the reconsolidation in November 2009, of SemCAMS and SemCanada Crude;
- our predecessor's emergence from bankruptcy during 2009, which resulted in reorganization gains on the extinguishment of debt and on the application of fresh-start reporting;
- the deconsolidation of White Cliffs at the end of September 2010;
- various impairments of long-lived assets and gains/losses on disposal of long-lived assets;
- the sale of SemStream assets to NGL Energy on November 1, 2011; and

- the initial public offering for Rose Rock in December 2011.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview of Business

Horizontal drilling and hydraulic fracturing continue to increase the production of crude oil and natural gas in the U.S. As a result, there is increasing demand for the services of midstream companies such as SemGroup, who can gather, transport, process and store these products as they are moved from the wellhead to refiners, industrial users and consumers. We have responded to this demand with additional storage tanks, gas processing facilities and new crude oil gathering and transportation pipelines.

We, and our significant equity method investees, own gathering systems, transportation pipelines, processing plants, storage facilities and terminals in the Midwest and Rocky Mountain regions of the U.S. and in Alberta, Canada.

We maintain and operate storage, terminal and marine facilities at Milford Haven in the U.K. that enable customers to supply products to markets in the Atlantic Basin. We also operate a network of liquid asphalt cement terminals throughout Mexico.

How We Evaluate Our Operations

Our management uses a variety of financial and operational metrics to analyze our performance. We view these metrics as important factors in evaluating our profitability and review these measurements on at least a monthly basis for consistency and trend analysis. These metrics include financial measures such as Adjusted gross margin, operating expenses and Adjusted EBITDA and operating data including contracted storage capacity and sales, transportation and processing volumes.

Adjusted Gross Margin

We view Adjusted gross margin as an important performance measure of the core profitability of our operations, as well as our operating performance as compared to that of other companies in our industry, without regard to financing methods, historical cost basis, capital structure or the impact of fluctuating commodity prices. We define Adjusted gross margin as total revenues minus cost of products sold (exclusive of depreciation) and unrealized gain (loss) on derivatives. Adjusted gross margin allows us to make a meaningful comparison of the operating results between our fee-based activities, which do not involve the purchase or sale of petroleum products, and our fixed-margin and marketing operations, which do. In addition, Adjusted gross margin allows us to make a meaningful comparison of the results of our fixed-margin and marketing operations across different commodity price environments because it measures the spread between the product sales price and costs of products sold.

Operating Expenses

Our management seeks to maximize the profitability of our operations, in part, by minimizing operating expenses. These expenses are comprised of salary and wage expense, utility costs, insurance premiums, taxes and other operating costs, some of which are independent of the volumes we handle.

The current high levels of crude oil exploration, development and production activities are increasing competition for personnel and equipment. This increased competition is placing upward pressure on the prices we pay for labor, supplies and miscellaneous equipment. To the extent we are unable to procure necessary services or offset higher costs, our operating results will be negatively impacted.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization and adjusted for selected items that SemGroup believes impact the comparability of financial results between reporting periods. We use Adjusted EBITDA as a supplemental performance measure to assess:

- our operating performance as compared to that of other companies in our industry, without regard to financing methods, historical cost basis, capital structure or the impact of fluctuating commodity prices; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

Note About Non-GAAP Financial Measures

Adjusted gross margin and Adjusted EBITDA are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial condition and results of operations.

Operating income (loss) is the GAAP measure most directly comparable to Adjusted gross margin, and net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measures. Each of these non-GAAP financial measures has important limitations as an analytical tool because it excludes some, but not all, items that affect the most directly comparable GAAP financial measure. You should not consider Adjusted gross margin or Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted gross margin and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Management compensates for the limitations of Adjusted gross margin and Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the difference between Adjusted gross margin and Adjusted EBITDA, on the one hand, and operating income (loss) and net income (loss), on the other hand, and incorporating this knowledge into its decision-making processes. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating our operating results.

The following table presents a reconciliation of operating income (loss) to Adjusted gross margin and net income (loss) to Adjusted EBITDA, the most directly comparable GAAP financial measures, on a historical basis for each of the periods indicated.

	Successor					Predecessor
	Year Ended December 31, 2013	**Year Ended December 31, 2012**	**Year Ended December 31, 2011**	**Year Ended December 31, 2010**	**One Month Ended December 31, 2009**	**Eleven Months Ended November 30, 2009**
	(Unaudited; in thousands)					
Reconciliation of operating income (loss) to Adjusted gross margin:						
Operating income (loss)	$ 117,914	$ 57,351	$ 55,199	$ (49,764)	$ (39,643)	$ 13,827
Add:						
Operating expense	223,585	224,700	155,041	151,385	16,591	46,046
General and administrative expense	78,597	71,918	75,447	85,836	7,867	43,271
Depreciation and amortization expense	66,409	48,210	49,823	69,158	8,674	38,158
Loss (gain) on disposal of long-lived assets, net	(239)	(3,531)	301	105,051	23,119	13,625
Less:						
Unrealized gain (loss) on derivatives	974	(1,196)	14,114	13,339	(7,112)	(24,118)
Earnings from equity method investments including gain on issuance of common units by equity method investee	79,350	36,036	15,004	1,949	—	—
Adjusted gross margin	$ 405,942	$ 363,808	$ 306,693	$ 346,378	$ 23,720	$ 179,045

	Successor					Predecessor
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	One Month Ended December 31, 2009	Eleven Months Ended November 30, 2009
	(Unaudited; in thousands)					
Reconciliation of net income (loss) to Adjusted EBITDA:						
Net income (loss)	$ 65,812	$ 31,897	$ 2,812	$ (132,072)	$ (37,917)	$ 3,394,079
Add:						
Interest expense	25,142	8,902	60,138	86,121	7,169	11,816
Income tax expense (benefit)	(17,254)	(2,078)	(2,310)	(6,320)	(7,217)	6,310
Depreciation and amortization	66,409	48,210	49,823	69,158	8,674	38,158
Loss (gain) on disposal of long-lived assets, net	(239)	(3,531)	301	105,051	23,119	13,625
Reorganization items (gain) loss	—	—	—	—	—	(3,529,014)
Loss (income) from discontinued operations, net of income taxes	(59)	(2,939)	9,548	(1,831)	(455)	139,328
Foreign currency transaction (gain) loss	(1,633)	298	(3,450)	2,899	(678)	(3,950)
Remove NGL Energy equity earnings including gain on issuance of common units	(33,996)	403	—	—	—	—
NGL cash distribution	18,321	9,218	—	—	—	—
Mid-America Midstream Gas Services acquisition cost	3,600	—	—	—	—	—
Employee severance expense	38	354	4,374	1,558	—	—
Impact of change in basis of NGL inventory in fresh-start reporting	—	—	—	27,821	8,681	—
Unrealized loss (gain) on derivatives	(974)	1,196	(14,114)	(13,339)	7,112	24,118
Change in fair value of warrants	46,434	21,310	(5,012)	283	872	—
Reversal of allowance on goods and services tax receivable	—	—	(4,144)	—	—	—
Depreciation and amortization included within equity in earnings of White Cliffs	9,520	10,181	10,630	2,897	—	—
Bankruptcy related expenses	567	—	—	—	—	—
Defense costs related to an unsolicited take over proposal	—	5,899	1,000	—	—	—
Allowance on (recovery of) receivable from AGE Refining	—	—	(2,692)	3,340	—	—
Recovery of receivables written off at emergence	—	(858)	—	—	—	—
Non-cash equity compensation	7,330	6,503	8,641	6,230	234	—
Adjusted EBITDA	$ 189,018	$ 134,965	$ 115,545	$ 151,796	$ 9,594	$ 94,470

Business and Performance Drivers

We operate our business through six primary business segments: Crude, SemStream, SemLogistics, SemCAMS, SemMexico and SemGas. We generate revenue in these segments by using our assets to provide products and services to third parties and by selectively using our assets to support our marketing activities. We believe that the variety of our petroleum product assets creates opportunities for us and our customers that avoid seasonal fluctuations of less diverse businesses.

Certain factors are key to our operations. These include the safe, reliable and efficient operation of the pipelines and facilities that we own and operate, while meeting the regulations that govern the operation of our assets and the costs associated with such regulations. Our revenue is impacted by several factors, including:

Transportation and processing fees

Transportation and processing fees are fees charged to third parties based on volumes of product moved through our pipeline systems, trucking operations and processing facilities.

Service, Storage and Terminalling Fees

Storage and terminalling fees are fees charged to third parties for product storage or terminalling services provided by us and are based on leased shell capacity and/or volumes moved through our terminal facilities.

Petroleum Product Marketing

We intend to capture the normalized gross margin associated with the purchase and sale of petroleum products. Purchases, sales and derivative transactions related to this activity are tracked in our systems to the ultimate realization of profit. We seek to maintain limited net open positions to manage our exposure to commodity prices. Marketing transactions may only be entered into by persons delegated such authority by senior management, as provided in our Comprehensive Risk Management Policy. Each person authorized to make transactions is subject to internal volume and dollar limits, portfolios are subject to net open position and stop loss limits, and counterparties are subject to credit limits and provisions as approved by our credit department. See "Business—Risk Governance and Comprehensive Risk Management Policy" for more information on our Comprehensive Risk Management Policy.

Revenue

Our revenue is generated from third-party fees earned through the gathering, pipeline and truck transportation and storage of petroleum products principally in the Midwest region. Our customers pay us fees based on volumes gathered, transported and stored; through the sale of petroleum products based upon contract or index rates per barrel, million Btu or gallon. We generate additional revenue through selected marketing of petroleum products. Marketing operations consist primarily of aggregating petroleum products purchased at the lease along pipeline systems or trucked, and arranging the necessary transportation logistics for the ultimate sale or delivery of the petroleum products to customers or other end-users. Gathering and transportation revenue is recognized as petroleum products are delivered to customers. Storage revenue is recognized upon leasing of shell capacity on a take or pay basis. Marketing revenue is accrued at the time title to the petroleum product sold transfers to the purchaser, which typically occurs upon receipt of the petroleum product by the purchaser.

We use futures, swaps and options contracts to manage our exposure to market changes in commodity prices, to protect our gross margins on our purchased petroleum products and to manage our liquidity risk associated with margin deposit requirements on our overall derivative positions. When purchasing petroleum products, we seek to manage our exposure to commodity price risk. As we purchase inventory from suppliers, we may establish a fixed or variable margin with future sales using one of the following methods:

- we have already sold that product for physical delivery pursuant to sales contracts at a market index price,
- we sell the product for future physical delivery pursuant to effectively back-to-back sales contracts, or
- we enter into futures and swaps contracts on the NYMEX or over the counter ("OTC") markets.

In addition, we may purchase put options or derivatives other than futures or swaps to hedge our inventory of petroleum products prior to our sale of such inventory.

Accounting Standards Codification ("ASC") 845-10-15, *"Nonmonetary Transactions,"* requires certain transactions – those where inventory is purchased from a customer then resold to the same customer – to be presented in the income statement on a net basis, resulting in a reduction of revenue and costs of products sold by the same amount, but has no effect on operating income (loss). However, changes in the level of such purchase and sale activity between periods can have an effect on the comparison between those periods.

Volumes

Generally, we expect revenue to increase or decrease in conjunction with increases or decreases in total volumes. Our total volumes are affected by different factors, including our physical storage or transportation capacity, our working capital and credit availability under our credit facilities to support petroleum product purchases and the availability of the supply of petroleum product available for purchase, which is determined based primarily upon producer activity in areas near our asset base.

Commodity Prices

Our business is primarily fee based. As a result, our financial results are typically not correlated with increases and decreases in commodity prices. Our financial results, however, are positively correlated with the absolute difference between current (prompt) and future month petroleum product prices. That is, wide contango (when the prices for future deliveries are higher than current prices) spreads generally have a favorable impact on our results relative to a slightly contango, flat or backwardated (when the prices for future deliveries are lower than current prices) market.

Timing of Purchase and Sales

Our financial results are affected by the timing of the purchase and sale of petroleum products, such that financial results may not be comparable between periods. When we enter into an arrangement to purchase product, place the product in storage and resell the product in the future, our financial results do not reflect any related margin until the settlement of the product sale. Prior to the settlement of the product sale, our results reflect the cost of the product in our inventory. Differences in the timing of our product purchases and sales, especially if they extend over fiscal years or quarters, may result in sizable differences between our results over the comparable period.

Analysis of Business Segments

The following provides an overview of the makeup of revenue at each of our respective business segments.

Crude

Crude conducts business through its 2% general partner interest and 51.6% limited partner interest in Rose Rock and its 51% (17% direct and 34% indirect via Rose Rock) ownership interest in White Cliffs. These operations include crude oil transportation, storage, terminalling, gathering and marketing in Colorado, Kansas, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas and Wyoming, for third-party customers as well as for itself. The Crude business unit consists of five primary operations: (i) Cushing storage; (ii) Kansas and Oklahoma pipeline system; (iii) crude oil trucking fleet; (iv) Bakken Shale operations; and (v) Platteville Facility.

Fee-Based Services

Crude charges a capacity or volume-based fee for the unloading, transportation and storage of crude oil and related ancillary services. Crude's fee-based services include substantially all of its operations in Cushing, Oklahoma and Platteville, Colorado, as well as trucking and a portion of the transportation services it provides on its Kansas and Oklahoma pipeline system. Some of Crude's fee-based contracts are take-or-pay contracts, whereby the customer is required to pay Crude a fixed minimum monthly fee regardless of usage. For the years ended December 31, 2013, 2012 and 2011, approximately 64%, 59% and 56%, respectively, of Crude's Adjusted gross margin was generated by providing fee-based services to customers.

Fixed-Margin Transactions

Crude purchases crude oil from a producer or supplier at a designated receipt point at an index price, less a transportation fee, and simultaneously sells an identical volume of crude oil at a designated delivery point to the same party at the same index price, thereby locking in a fixed margin that is, in effect, economically equivalent to a transportation fee. We refer to these arrangements as "fixed-margin" or "buy/sell" transactions. These fixed-margin transactions account for a portion of the Adjusted gross margin Crude generates on its Kansas and Oklahoma pipeline system and through its Bakken Shale operations. For the years ended December 31, 2013, 2012 and 2011, approximately 16%, 20% and 14%, respectively, of its Adjusted gross margin was generated through fixed-margin transactions.

Marketing Activities

Crude conducts marketing activities by purchasing crude oil for its own account from producers, aggregators and traders and selling crude oil to traders and refiners. Crude's marketing activities account for a portion of the Adjusted gross margin it generates on its Kansas and Oklahoma pipeline system and through its Bakken Shale operations. For the years ended December 31, 2013, 2012 and 2011, approximately 20%, 21% and 30%, respectively, of its Adjusted gross margin was generated through marketing activities.

We mitigate the commodity price exposure of our crude oil marketing operations by limiting our net open positions through (i) the concurrent purchase and sale of like quantities of crude oil to create "back-to-back" transactions intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered or (ii) derivative contracts. All of our marketing activities are subject to our Comprehensive Risk Management Policy, which establishes limits to manage risk and mitigate financial exposure.

More specifically, we use futures and swap contracts to manage our exposure to market changes in commodity prices, to protect our Adjusted gross margin on our purchased crude oil and to manage our liquidity risk associated with margin deposit requirements on our overall derivative positions. As we purchase inventory from suppliers, we may establish a fixed or variable margin with future sales by:

- selling a like quantity of crude oil for future physical delivery to create an effective back-to-back transaction; or
- entering into futures and swaps contracts on the NYMEX or OTC markets.

SemStream

Until December 31, 2012, SemStream was engaged in the residential propane supply business through its wholly-owned subsidiary, SemStream Arizona, with operations in Page and Payson, Arizona. In September 2012, we entered into a definitive agreement to sell those assets. The sale was finalized on December 31, 2012, after receiving the required approval by the Arizona Corporation Commission.

Our investment in NGL Energy is reported in the SemStream segment.

SemLogistics

SemLogistics owns the largest independent petroleum products storage facility in the U.K. The facility is located on the north bank of Milford Haven on the west coast of Wales. The main activities of SemLogistics are the receipt, storage and redelivery of clean petroleum and crude oil products via sea-going vessels. SemLogistics' revenue is based on fixed-fee storage tank leases and related services.

SemCAMS

SemCAMS operates majority-owned gathering assets and natural gas processing plants. All of SemCAMS' assets are located in West-Central Alberta, in the heart of the Western Canadian Sedimentary Basin. SemCAMS' revenue is based on fee-based throughput arrangements, which represent, in part, operating cost recovery from working interest owners in certain processing plants and is recorded when earned in accordance with the terms of the related agreement.

SemMexico

SemMexico operates a network of liquid asphalt terminals in Mexico. Operations include purchasing, producing, storing and distributing liquid asphalt cement products. SemMexico purchases asphalt from refineries in Mexico and imports asphalt from the U.S. SemMexico's revenue is based on contractual arrangements with customers for liquid asphalt cement.

SemGas

SemGas provides gathering, processing and storage services to the natural gas markets in the U.S. SemGas owns and operates gathering systems and processing plants in Kansas, Oklahoma and Texas. SemGas gathers gas from the wellhead and processes that gas for downstream markets.

Results of Operations

Consolidated Results of Operations

(in thousands)	Year Ended December 31, 2013	2012	2011
Revenues	$ 1,427,016	$ 1,237,497	$ 1,465,246
Expenses:			
Costs of products sold	1,020,100	874,885	1,144,439
Operating	223,585	224,700	155,041
General and administrative	78,597	71,918	75,447
Depreciation and amortization	66,409	48,210	49,823
Loss (gain) on disposal of long-lived assets, net	(239)	(3,531)	301
Total expenses	1,388,452	1,216,182	1,425,051
Earnings from equity method investments	52,477	36,036	15,004
Gain on issuance of common units by equity method investee	26,873	—	—
Operating income	117,914	57,351	55,199
Other expense (income)			
Interest expense	25,142	8,902	60,138
Other expense (income), net	44,273	21,569	(14,989)
Total other expenses	69,415	30,471	45,149
Income from continuing operations before income taxes	48,499	26,880	10,050
Income tax benefit	(17,254)	(2,078)	(2,310)
Income from continuing operations	65,753	28,958	12,360
Income (loss) from discontinued operations, net of income taxes	59	2,939	(9,548)
Net income	$ 65,812	$ 31,897	$ 2,812

Revenue and expenses

Revenue and expenses are analyzed by operating segment below.

General and administrative expenses

General and administrative expenses of each corporate department are allocated to the segments based on criteria such as actual usage, headcount and estimates of effort or benefit. The method for allocating cost is based on the type of service being provided. For example, internal audit costs are based on an estimate of effort attributable to a segment. In contrast, accounting department costs are allocated based on the number of transactions processed for a given segment compared to the total number processed.

Interest expense

Interest expense increased in 2013 to $25 million from $9 million in 2012. This increase is due to the increase in the outstanding debt balance to $615 million at December 31, 2013, from $206 million at December 31, 2012. The increase in total outstanding debt is primarily attributable to the issuance of $300 million of senior notes in the second quarter of 2013. Also contributing to the increase in total outstanding debt is an increase in the revolver balance at Rose Rock of $240 million related to the drop down of an aggregate of a two-thirds interest in SemCrude Pipeline, LLC in the first and fourth quarters of 2013. These increases are partially offset by a reduction in the outstanding SemGroup revolver balance of $131 million in 2013 from proceeds received from the drop downs.

Interest expense decreased in 2012 to $9 million from $60 million in 2011. Although total outstanding debt as of December 31, 2012 increased from December 31, 2011, the average outstanding debt balance during 2012 decreased from 2011. Late in 2011, the overall debt balance was reduced by $304 million due to repayments made from proceeds received from the sale of the SemStream assets and Rose Rock's initial public offering. This reduction, coupled with a significant reduction in interest rates due to the refinancing of the credit facility that was completed in the second quarter of 2011, comprise the majority of the decrease in interest expense. Also contributing to the decrease is the write-off in June 2011 of $17.4 million of unamortized capitalized loan fees related to the refinancing of the credit facility.

Other expense

Other expense increased in 2013 to $44 million from $22 million in 2012, primarily due to losses related to the change in the fair value of our outstanding warrants in each of those years. In 2011, other income of $15 million is primarily the result of changes in foreign exchange rates, decline in the fair value of our warrants and insurance recoveries of $6 million, $5 million and $2 million, respectively.

Discontinued operations

On November 1, 2011, we contributed the primary operating assets of our SemStream segment to NGL Energy; however, at that time we did not contribute any of the assets or liabilities of SemStream's Arizona residential business to NGL Energy. On September 12, 2012, we entered into a definitive agreement to sell those assets and liabilities. This sale was subject to regulatory approval by the Arizona Corporation Commission and closed on December 31, 2012 after that approval was granted.

Results of Operations by Reporting Segment

Crude

	Year Ended December 31,		
(in thousands)	**2013**	**2012**	**2011**
Revenues	$ 767,202	$ 620,797	$ 431,321
Expenses:			
Costs of products sold	663,759	546,966	366,265
Operating	36,242	24,143	17,470
General and administrative	16,766	13,321	9,757
Depreciation and amortization	23,708	12,131	11,379
Loss (gain) on disposal of long-lived assets, net	(56)	(3,501)	64
Total expenses	740,419	593,060	404,935
Earnings from equity method investment	45,354	36,439	15,004
Operating income	$ 72,137	$ 64,176	$ 41,390

Adjusted Gross Margin

Adjusted gross margin in this segment is generated by providing fee-based services, by entering into fixed-margin transactions and through marketing activities. Revenues from fee-based services are included in service revenue, and revenues from fixed-margin and marketing activities are included in product revenue.

The following table shows the Adjusted gross margin generated by this segment's fee-based services, fixed-margin transactions and marketing activities for the year ended December 31, 2013 (in thousands):

	Storage	**Transportation**	**Marketing Activities**	**Other**	**Total**
Revenues	$ 34,332	$ 34,466	$ 685,363	$ 13,041	$ 767,202
Less: Costs of products sold, exclusive of depreciation	—	—	663,759	—	663,759
Less: Unrealized gain (loss) on derivatives	—	—	974	—	974
Adjusted gross margin	$ 34,332	$ 34,466	$ 20,630	$ 13,041	$ 102,469

The following table shows the Adjusted gross margin generated by this segment's fee-based services, fixed-margin transactions and marketing activities for the year ended December 31, 2012 (in thousands):

	Storage	Transportation	Marketing Activities	Other	Total
Revenues	$ 32,572	$ 18,367	$ 561,689	$ 8,169	$ 620,797
Less: Costs of products sold, exclusive of depreciation	—	—	546,966	—	546,966
Less: Unrealized gain (loss) on derivatives	—	—	(1,196)	—	(1,196)
Adjusted gross margin	$ 32,572	$ 18,367	$ 15,919	$ 8,169	$ 75,027

The following table shows the Adjusted gross margin generated by this segment's fee-based services, fixed-margin transactions and marketing activities for the year ended December 31, 2011 (in thousands):

	Storage	Transportation	Marketing Activities	Other	Total
Revenues	$ 24,381	$ 14,833	$ 386,252	$ 5,855	$ 431,321
Less: Costs of products sold, exclusive of depreciation	—	—	366,265	—	366,265
Less: Unrealized gain (loss) on derivatives	—	—	787	—	787
Adjusted gross margin	$ 24,381	$ 14,833	$ 19,200	$ 5,855	$ 64,269

The following table presents a reconciliation of operating income to Adjusted gross margin, the most directly comparable GAAP financial measure for each of the periods indicated.

	Year Ended December 31,		
(in thousands)	2013	2012	2011
Reconciliation of operating income to Adjusted gross margin:			
Operating income	$ 72,137	$ 64,176	$ 41,390
Add:			
Operating expense	36,242	24,143	17,470
General and administrative expense	16,766	13,321	9,757
Depreciation and amortization expense	23,708	12,131	11,379
Loss (gain) on disposal of long-lived assets, net	(56)	(3,501)	64
Less:			
Unrealized gain (loss) on derivatives	974	(1,196)	787
Earnings from equity method investment	45,354	36,439	15,004
Adjusted gross margin	$ 102,469	$ 75,027	$ 64,269

2013 versus 2012

Revenue

	Year Ended December 31,	
(in thousands)	2013	2012
Gross product revenue	$ 2,789,655	$ 2,133,054
ASC 845-10-15	(2,088,602)	(1,555,700)
Net unrealized gain (loss) on derivatives	974	(1,196)
Net product revenue	$ 702,027	$ 576,158
Service revenue	65,175	44,318
Other	—	321
Total revenue	$ 767,202	$ 620,797

Gross product revenue increased in 2013 to $2.8 billion from $2.1 billion in 2012. The increase was primarily due to an increase in the volume sold to 28.8 million barrels at an average sales price of $97 per barrel in 2013 from 23.2 million barrels at an average sales price of $92 per barrel in 2012.

The increase in sales volume was primarily the result of an increase in both buy/sell transactions (as defined above) to 17.8 million barrels in 2013, compared to 15.4 million barrels in 2012 and marketing activity (as defined above) to 11.0 million barrels in 2013, compared to 7.8 million barrels in 2012. The buy/sell transactions are used to achieve a transportation margin.

Gross product revenue was reduced by $2.1 billion in 2013 and $1.6 billion in 2012, in accordance with ASC 845-10-15.

Service revenue increased to $65 million in 2013 from $44 million in 2012. The recently acquired crude oil trucking fleet accounted for $14 million of the increase. New storage tanks that came on line in 2012 and 2013, additional pump over activity in Cushing, Oklahoma, additional truck unloading revenue at Platteville, Colorado and the Wattenberg Oil Truckline accounted for the remaining increase.

Costs of Products Sold

Costs of products sold increased in 2013 to $664 million from $547 million in 2012. Costs of products sold were reduced by $2.1 billion and $1.6 billion in 2013 and 2012, respectively, in accordance with ASC 845-10-15. Costs of products sold increased due to the increase in the barrels sold, as described above, combined with an increase in the average per barrel cost of crude to $95 for 2013 from $90 for 2012.

Operating Expense

Operating expense increased in 2013 to $36 million from $24 million in 2012, primarily due to the newly acquired crude oil trucking fleet. The increase included outside services from contract owner operators of approximately $5.0 million, employment costs of $3.5 million and fuel expense of $2.0 million.

General and Administrative Expense

General and administrative expense increased in 2013 to $17 million from $13 million in 2012, due primarily to increased overhead allocation from SemGroup, professional fees and employment expense of $2.0 million, $1.3 million and $1.1 million, respectively.

Depreciation and Amortization Expense

Depreciation and amortization expenses increased in 2013 to $24 million from $12 million in 2012. Approximately $3.4 million of the increase is due to project completions and the acquisition of the crude oil trucking fleet. An additional $6.6 million is primarily due to a revision of the estimated useful life relating to a 78-mile section of the Kansas and Oklahoma pipeline. Amortization expense increased in 2013 to $1 million from zero in 2012 due to a contract acquired as part of the crude oil trucking fleet acquisition in 2013.

Earnings from Equity Method Investment

Crude's equity method investments are White Cliffs and Glass Mountain Pipeline. The increase in earnings from equity method investments in 2013 to $45 million from $36 million in 2012 is attributable to increased volume transported by White Cliffs. The Glass Mountain Pipeline was not completed until 2014.

2012 versus 2011

Revenue

	Year Ended December 31,	
(in thousands)	**2012**	**2011**
Product revenue	$ 2,133,054	$ 1,083,089
ASC 845-10-15	(1,555,700)	(688,575)
Net unrealized gain (loss) on derivatives	(1,196)	787
Net product revenue	$ 576,158	$ 395,301
Service revenue	44,318	35,800
Other	321	220
Total revenue	$ 620,797	$ 431,321

Gross product revenue increased in 2012 to $2.1 billion from $1.1 billion in 2011. The increase was primarily due to an increase in the volume sold to 23.2 million barrels at an average sales price of $92 per barrel in 2012 from 11.6 million barrels at an average sales price of $94 per barrel in 2011.

The increase in sales volume was primarily the result of an increase in buy/sell transactions (as defined above) to 15.4 million barrels in 2012 compared to 6.8 million barrels in 2011. The buy/sell transactions are used to achieve a transportation margin.

Gross product revenue was reduced by $1.6 billion in 2012 and $0.7 billion in 2011, in accordance with ASC 845-10-15.

Service revenue increased to $44 million in 2012 from $36 million in 2011. The increase in service revenue was primarily due to new storage tanks coming on line in 2012.

Costs of Products Sold

Costs of products sold increased in 2012 to $547 million from $366 million in 2011. Costs of products sold were reduced by $1.6 billion and $0.7 billion in 2012 and 2011, respectively, in accordance with ASC 845-10-15. Costs of products sold increased in 2012 as a result of an increase in the volume of barrels sold to 23.2 million barrels in 2012 from 11.6 million barrels in 2011, combined with a decrease in the average per barrel cost of crude to $90 for 2012 from $91 for 2011.

Operating Expense

Operating expense increased in 2012 to $24 million from $17 million in 2011. The increase is due to the net recovery during 2011 of $2.7 million of previously reserved accounts receivable, and increases in employment expenses of $1.2 million, field expenses of $1.9 million and maintenance expenses of $0.5 million.

General and Administrative Expense

General and administrative expense increased in 2012 to $13 million from $10 million in 2011. The increase is primarily the result of giving effect to a transfer pricing study which increased the allocation of corporate costs by approximately $3 million.

Depreciation and Amortization

Depreciation and amortization expense increased in 2012 to $12 million from $11 million in 2011. The increase is due to the completion of additional storage facilities at Cushing and Platteville.

Loss (Gain) on Disposal

At the time White Cliffs was deconsolidated in 2010, we recorded a loss of $6.8 million on the disposed ownership interest. In September 2012, we reached a settlement in a dispute concerning the selling price of that ownership interest and reduced the loss by $3.5 million.

Earnings From Equity Method Investment

Crude's equity method investments are White Cliffs and Glass Mountain Pipeline. The increase in earnings from equity method investments in 2012 over 2011 is attributable to increased volume transported by White Cliffs. The Glass Mountain Pipeline was still under construction.

SemStream

On November 1, 2011, we contributed the primary operating assets of our SemStream segment to NGL Energy in exchange for a limited partnership interest and a general partnership interest in NGL Energy and cash. We did not contribute any of the assets or liabilities of SemStream's Arizona residential business to NGL Energy. On September 12, 2012, we entered into a definitive agreement to sell the assets and liabilities of SemStream's Arizona residential business, subject to regulatory approval by the ACC and classified the operations of SemStream's Arizona residential business as discontinued. In early December 2012, the ACC granted SemStream regulatory approval to proceed with the sale. Certain summarized information on the results of discontinued operations is shown in Note 8 to our consolidated financial statements beginning on page F-1 of this Form 10-K. On December 31, 2012, we sold all of the issued and outstanding membership interests in SemStream Arizona Propane L.L.C. to Alliant Gas, LLC.

We include our share of NGL Energy's earnings on a one quarter lag because we do not receive their financial statements in sufficient time to apply the equity method to the current period. In addition, our limited partnership interest was diluted as a result of NGL Energy's public equity offerings and acquisition during the third quarter of 2013. Accordingly, we recorded a non-cash gain of $26.9 million in the fourth quarter of 2013.

	Year Ended December 31,		
(in thousands)	**2013**	**2012**	**2011**
Revenues	$ —	$ 7	$ 608,334
Expenses:			
Costs of products sold	—	33	595,434
Operating	1	(37)	6,448
General and administrative	600	930	7,336
Depreciation and amortization	—	—	3,501
Loss (gain) on disposal of long-lived assets, net	6	214	(45,821)
Total expenses	607	1,140	566,898
Earnings (losses) from equity method investment	7,123	(403)	—
Gain on issuance of common units by equity method investee	26,873	—	—
Operating income (loss)	$ 33,389	$ (1,536)	$ 41,436

SemLogistics

(in thousands)	Year Ended December 31, 2013	2012	2011
Revenues	$ 11,671	$ 12,341	$ 23,314
Expenses:			
Costs of products sold	380	196	152
Operating	7,444	5,921	6,206
General and administrative	5,854	5,652	6,712
Depreciation and amortization	9,426	9,780	9,271
Loss on disposal of long-lived assets, net	—	—	44,663
Total expenses	23,104	21,549	67,004
Operating loss	$ (11,433)	$ (9,208)	$ (43,690)

2013 versus 2012

Revenue

Revenue remained unchanged in 2013 from 2012 at $12 million. SemLogistics has experienced lower revenue than in the past as a result of a decline in the volume of storage leased and a drop in storage rates. High crude oil prices and backwardated market conditions (i.e., prices for future deliveries are lower than current prices) exist today and are forecast to continue into 2014. These factors have a negative effect on storage economics. As a result, the demand for storage is depressed and we have experienced difficulty securing contract renewals and replacement of long-term contracts.

We are uncertain when market conditions will improve. However, we believe that geographical imbalances between the production and consumption of crude oil and related refined products will require physical transportation and, as a result, bulk liquid storage must play a key role in the supply chain. This creates a demand for storage which is independent of current crude oil prices, forward price curves and the entire speculative trading environment.

Storage economics have been unfavorable for some time. As a result, during the fourth quarter of 2013, we conducted a test for recoverability in accordance with the guidance provided in ASC 360-10-15-3, *Impairment and Disposal of Long-Lived Assets*. The estimated undiscounted cash flows exceeded the carrying amount of the assets; therefore, the carrying amount of the long-lived assets are considered recoverable and an impairment was not recorded. We are aware that it is necessary to continue to monitor this situation and recognize the possibility that an impairment of the long-lived assets may be required in the near future.

Operating Expense

Operating expense increased in 2013 to $7 million from $6 million in 2012. This increase is primarily the result of higher plant maintenance costs due to deferral of works in 2012.

2012 versus 2011

Revenue

Revenue decreased in 2012 to $12 million from $23 million in 2011. The decline in revenue is a result of a decline in the volume of storage leased and a drop in storage rates. High crude oil prices and backwardated market conditions (i.e., prices for future deliveries are lower than current prices) existed during 2012. These factors had a negative effect on storage economics. As a result, the demand for storage was depressed and we experienced difficulty securing contract renewals and replacement of long-term contracts.

Storage economics have been unfavorable for some time. As a result, during the third quarter 2012, we conducted a test for recoverability in accordance with the guidance provided in ASC 360-10-15-3, *Impairment and Disposal of Long-Lived Assets*. The estimated undiscounted cash flows exceeded the carrying amount of the assets; therefore, the carrying amount of the long-lived assests are considered recoverable and an impairment was not recorded. We reviewed this analysis in the fourth quarter of 2012 and again concluded that impairment was not warranted.

General and Administrative Expense

General and administrative expense decreased in 2012 to $6 million from $7 million in 2011. This decrease is primarily the result of giving effect to a transfer pricing study which decreased the allocation of corporate costs by approximately $1 million.

Loss on Disposal or Impairment

During the fourth quarter of each year, we perform a goodwill impairment test for each of our segments that has goodwill. SemLogistics passed the 2011 test initially; however, a review of the sensitivity of the test results indicated that a ten percent reduction in the estimated revenue in 2012 and 2013 would result in a test failure. The sensitivity of the test results to loss of revenue led us to conclude that impairment of the goodwill of SemLogistics was required. Accordingly, we impaired the full amount of goodwill which was $45 million on October 1, 2011.

SemCAMS

	Year Ended December 31,		
(in thousands)	2013	2012	2011
Revenues	$ 198,450	$ 223,219	$ 163,367
Expenses:			
Costs of products sold	305	768	218
Operating	150,319	174,284	110,814
General and administrative	14,940	14,020	16,816
Depreciation and amortization	10,766	10,589	10,233
Gain on disposal of long-lived assets, net	—	—	(8)
Total expenses	176,330	199,661	138,073
Operating income	$ 22,120	$ 23,558	$ 25,294

2013 versus 2012

Revenue

Revenue decreased in 2013 to $198 million from $223 million in 2012. This decrease is primarily the result of turnaround costs which are recorded as revenue when they are recoverable from the producers who use the plants. Approximately $28.5 million of such costs are included in revenue for 2013, compared to $63.1 million in 2012. We also earn revenue by charging the producers a fee for processing the recoverable costs. Higher operating costs flow-through unrelated to turnaround activity ($15.0 million) were offset, in part, by foreign exchange changes ($3.5 million) in 2013 compared to 2012.

Operating Expense

Operating expense decreased in 2013 to $150 million from $174 million in 2012. This decrease is primarily related to turnaround costs which were $28.5 million in 2013 compared to $63.1 million in 2012. This decrease was offset, in part, by higher contract services, operating incentives and power costs of $5.3 million, $5.0 million and $2.9 million, respectively. Foreign exchange changes reduced operating expense by $3.7 million in 2013 compared to 2012.

2012 versus 2011

Revenue

Revenue increased in 2012 to $223 million from $163 million in 2011. This increase is primarily the result of turnaround costs which are recorded as revenue when they are recoverable from the producers who use the plants. Approximately $63.1 million of such costs are included in revenue for 2012. We also earn revenue by charging the producers a fee for processing the recoverable costs. Approximately $5.5 million of such fees related to turnaround costs are included in revenue for 2012. In addition, maintenance capital recovery fees of $6.5 million and increased capital fees on take or pay contracts of $3.3 million also contributed to the increase. These increases were offset, in part, by estimated lost revenue due to wells that have been shut in by producers because of relatively low natural gas prices ($6.2 million) and estimated lost revenue due to turnaround activity ($3.3 million). Significant reductions in throughput also impair plant operations and emissions compliance. Lower operating costs flow-through unrelated to turnaround activity ($4.3 million) and foreign exchange changes ($3.3 million) also reduced revenue in 2012 compared to 2011.

Operating Expense

Operating expense increased in 2012 to $174 million from $111 million in 2011. This increase is primarily related to $63.1 million in turnaround costs, $3.1 million in contract services, $2.9 million in operating incentives, $2.3 million in outage repair costs and $2.1 million in sulphur base pad removal costs. These increases were offset, in part, by lower materials costs ($4.6 million), lower power costs ($4.2 million), foreign exchange changes ($2.6 million) and lower salary expense ($1.6 million).

General and Administrative Expense

General and administrative expense decreased in 2012 to $14 million from $17 million in 2011. This decrease is primarily the result of $2.3 million in severance costs in 2011 which did not reoccur in 2012.

SemMexico

	Year Ended December 31,		
(in thousands)	2013	2012	2011
Revenues	$ 242,559	$ 263,870	$ 218,187
Expenses:			
Costs of products sold	209,841	236,851	192,068
Operating	9,379	7,677	5,006
General and administrative	10,700	9,433	11,560
Depreciation and amortization	5,991	6,171	6,502
Gain on disposal of long-lived assets, net	(854)	(290)	(200)
Total expenses	235,057	259,842	214,936
Operating income	$ 7,502	$ 4,028	$ 3,251

2013 versus 2012

Revenue

Revenue decreased in 2013 to $243 million from $264 million in 2012. Lower volume (348 thousand metric tons versus 378 thousand metric tons) accounts for 92 percent of this decrease and lower sales prices ($685/metric ton versus $691/metric ton) accounts for the remaining 8 percent of the decrease.

Costs of Products Sold

Costs of products sold decreased in 2013 to $210 million from $237 million in 2012. On a per metric ton basis, the cost per metric ton in 2013 decreased to $603/metric ton compared to $627/metric ton in 2012.

Operating Expense

Operating expense increased in 2013 to $9 million from $8 million in 2012. This increase is primarily the result of an increase in field expenses (primarily diesel fuel) of $0.9 million and an increase in salary expense of $0.3 million.

General and Administrative Expense

General and administrative expense increased in 2013 to $11 million from $9 million in 2012. This increase is primarily the result of increased incentive compensation and sales commissions of $1.0 million.

2012 versus 2011

Revenue

Revenue increased in 2012 to $264 million from $218 million in 2011. Higher volume (378 thousand metric tons versus 343 thousand metric tons) accounts for 52 percent of this increase and higher sales prices ($691/metric ton versus $628/metric ton) accounts for the remaining 48 percent of the increase. These increases reflect both successful marketing efforts, in general, and a slight increase in sales volume of higher priced polymer modified asphalt and emulsions.

Costs of Products Sold

Costs of products sold increased in 2012 to $237 million from $192 million in 2011. On a per metric ton basis, 2012 was $627 compared to $560 in 2011. The increase in cost per metric ton is essentially the same as the increase in revenue per metric ton described above.

Operating Expense

Operating expense increased in 2012 to $8 million from $5 million in 2011. This increase is primarily the result of a reclassification of $1.5 million in product application system expense to operating expense from general and administrative expense. In addition, fuel expense increased $0.4 million, maintenance increased $0.3 million and bad debt expense increased $0.2 million in 2012 compared to 2011.

General and Administrative Expense

General and administrative expense decreased in 2012 to $9 million from $12 million in 2011. This decrease is primarily the result of a reclassification of $1.5 million in product application system expense from general and administrative expense to operating expense and a reduction of allocated corporate costs of $1.0 million following the completion of a transfer pricing study.

SemGas

	Year Ended December 31,		
(in thousands)	2013	2012	2011
Revenues	$ 231,119	$ 127,870	$ 105,248
Expenses:			
Costs of products sold	169,800	100,677	75,066
Operating	20,200	12,712	9,027
General and administrative	7,971	6,195	6,521
Depreciation and amortization	14,517	7,043	5,986
Loss on disposal of long-lived assets, net	665	46	4
Total expenses	213,153	126,673	96,604
Operating income	$ 17,966	$ 1,197	$ 8,644

2013 versus 2012

Revenue

Revenue increased in 2013 to $231 million from $128 million in 2012 due to higher volume (53,761 MMcf versus 34,276 MMcf) and higher sales prices ($4.29/Mcf versus $3.73/Mcf). The price per Mcf shown is the revenue derived from the sale of natural gas and natural gas liquids divided by total wellhead volume during the period. The increase in revenue is primarily due to increased volume in northern Oklahoma.

Costs of Products Sold

Costs of products sold increased in 2013 to $170 million from $101 million in 2012. The increase is attributable to the increased volume generated in northern Oklahoma.

Adjusted Gross Margin

(in thousands)	Year Ended December 31, 2013	2012
Revenues	$ 231,119	$ 127,870
Less: Cost of products sold, exclusive of depreciation	169,800	100,677
Less: Unrealized loss on derivatives	—	—
Adjusted gross margin	$ 61,319	$ 27,193

The following table presents a reconciliation of operating income to Adjusted gross margin, the most directly comparable GAAP financial measure for each of the periods indicated.

(in thousands)	Year Ended December 31, 2013	2012
Reconciliation of operating income to Adjusted gross margin:		
Operating income	$ 17,966	$ 1,197
Add:		
Unrealized loss on derivatives	—	—
Operating expense	20,200	12,712
General and administrative expense	7,971	6,195
Depreciation and amortization expense	14,517	7,043
Loss on disposal or impairment of long-lived assets, net	665	46
Adjusted gross margin	$ 61,319	$ 27,193

Operating Expense

Operating expense increased in 2013 to $20 million from $13 million in 2012. This increase is due to increases in equipment lease ($2.6 million), field expense ($1.8 million), outside services ($0.8 million), incentive compensation ($0.7 million), salaries and wages ($0.6 million) and maintenance/repair ($0.4 million). All increases are primarily driven by the growth in volume and assets in northern Oklahoma.

General and Administrative Expense

General and administrative expense increased in 2013 to $8 million from $6 million in 2012. This increase is due to increases in incentive compensation ($1.0 million), salaries and wages ($0.3 million), insurance and taxes ($0.3 million), other employee related expense ($0.2 million) and intercompany expense ($0.2 million). All increases are primarily driven by the growth in volume and assets in northern Oklahoma.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2013 to $15 million from $7 million in 2012. This increase is due to the Mid-America Midstream Gas Services acquisition in August 2013.

Loss on Disposal or Impairment of Long-Lived Assets

Loss on disposal or impairment of long-lived assets increased in 2013 to $1 million from $46 thousand in 2012, related to the transfer of equipment from Hopeton, OK to Sherman, TX.

2012 versus 2011

Revenue

Revenue increased in 2012 to $128 million from $105 million in 2011. Higher volume (34,276 MMcf versus 19,691 MMcf) was largely offset by significantly lower sales prices ($3.73/Mcf versus $5.35/Mcf). The price per Mcf shown is the revenue derived from the sale of natural gas and natural gas liquids divided by total wellhead volume during the period.

Costs of Products Sold

Costs of products sold increased in 2012 to $101 million from $75 million in 2011. The increase is primarily related to higher volume and lower prices as described above. In addition, certain contracts were revised to be more favorable to producers who had achieved delivery incentive thresholds. These revisions resulted in higher costs of products sold expressed as a percentage of revenue. At times we were unable to process all the gas received at our plants, yet contracts with certain producers require payment based upon a deemed yield of natural gas liquids from the volume of raw gas received. In periods when raw gas is not processed, such contracts also increase the costs of products sold, expressed as a percentage of revenue.

Adjusted Gross Margin

	Year Ended December 31,	
(in thousands)	**2012**	**2011**
Revenues	$ 127,870	$ 105,248
Less: Cost of products sold, exclusive of depreciation	100,677	75,066
Less: Unrealized loss on derivatives	—	—
Adjusted gross margin	$ 27,193	$ 30,182

The following table presents a reconciliation of operating income to Adjusted gross margin, the most directly comparable GAAP financial measure for each of the periods indicated.

	Year Ended December 31,	
(in thousands)	**2012**	**2011**
Reconciliation of operating income to Adjusted gross margin:		
Operating income	$ 1,197	$ 8,644
Add:		
Unrealized loss on derivatives	—	—
Operating expense	12,712	9,027
General and administrative expense	6,195	6,521
Depreciation and amortization expense	7,043	5,986
Loss on disposal or impairment of long-lived assets, net	46	4
Adjusted gross margin	$ 27,193	$ 30,182

Operating Expense

Operating expense increased in 2012 to $13 million from $9 million in 2011. This increase is due to increased compression costs ($2.5 million), increased outside services ($0.7 million) and increased employment expenses ($0.4 million). These increases reflect higher volume processed and construction activity, particularly in Oklahoma.

Other and Eliminations

	Year Ended December 31,		
(in thousands)	**2013**	**2012**	**2011**
Revenues	(23,985)	$ (10,607)	(84,525)
Expenses:			
Costs of products sold	(23,985)	(10,606)	(84,764)
Operating	—	—	70
General and administrative	21,766	22,367	16,745
Depreciation and amortization	2,001	2,496	2,951
Loss on disposal of long-lived assets, net	—	—	1,599
Total expenses	(218)	14,257	(63,399)
Operating loss	$ (23,767)	$ (24,864)	$ (21,126)

Other and Eliminations is not an operating segment. This table is included to permit the reconciliation of segment information to that of the consolidated Company.

Liquidity and Capital Resources

Sources and Uses of Cash

Our principal sources of short-term liquidity are cash generated from our operations and borrowings under our revolving credit facilities. The consolidated cash balance on December 31, 2013 (including restricted cash) was $84.5 million. Of this amount, $50.5 million was held in Canada and may be subject to tax if transferred to the U.S., and $3.2 million is restricted cash set aside for settlement of pre-petition claims. Potential sources of long-term liquidity include issuances of debt securities and equity securities and the sale of assets. Our primary cash requirements currently are operating expenses, capital expenditures, our quarterly dividends and quarterly distributions to unitholders of our subsidiary, Rose Rock. In general, we expect to fund:

- operating expenses, maintenance capital expenditures and cash dividends and distributions through existing cash and cash from operating activities;
- expansion capital expenditures and any working capital deficits through cash on hand, borrowings under our credit facilities and the issuance of debt securities and equity securities;
- acquisitions through cash on hand, borrowings under our credit facilities and the issuance of debt securities and equity securities; and
- debt principal payments through cash from operating activities and refinancings when the credit facilities become due.

Our ability to meet our financing requirements and fund our planned capital expenditures will depend on our future operating performance and distributions from our equity investments, which will be affected by prevailing economic conditions in our industry. In addition, we are subject to conditions in the debt and equity markets for any issuances of debt securities and equity securities, including common units in Rose Rock. There can be no assurance we will be able or willing to access the public or private markets in the future. If we would be unable or unwilling to access those markets, we could be required to restrict future expansion capital expenditures and potential future acquisitions.

We believe our cash from operations and our remaining borrowing capacity allow us to manage our day-to-day cash requirements, distribute our quarterly dividends, distribute the minimum quarterly distribution on Rose Rock's outstanding common units and meet our capital expenditures commitments for the coming year.

The following table summarizes our changes in unrestricted cash for the periods presented:

(in thousands)	Year Ended December 31, 2013	2012	2011
Statement of cash flow data:			
Cash flows provided by (used for):			
Operating activities	$ 173,409	$ 79,642	$ 74,041
Investing activities	(738,408)	(161,891)	36,922
Financing activities	561,130	86,483	(124,683)
Subtotal	(3,869)	4,234	(13,720)
Effect of exchange rate on cash and cash equivalents	3,191	(610)	(34)
Change in cash and cash equivalents	(678)	3,624	(13,754)
Change in cash and cash equivalents included in discontinued operations	—	2,792	(454)
Change in cash and cash equivalents from continuing operations	(678)	6,416	(14,208)
Cash and cash equivalents at beginning of period	80,029	73,613	87,821
Cash and cash equivalents at end of period	$ 79,351	$ 80,029	$ 73,613

Operating Activities

The components of operating cash flows can be summarized as follows:

(in thousands)	Year Ended December 31, 2013	2012	2011
Net income	$ 65,812	$ 31,897	$ 2,812
Non-cash expenses, net	94,609	62,028	59,821
Changes in operating assets and liabilities	39,861	(14,283)	11,408
Net cash flows provided by operating activities	$ 200,282	$ 79,642	$ 74,041

2013 Compared to 2012

Non-cash expenses increased to $94.6 million in 2013 from $62.0 million in 2012. Significant changes from prior year include:

- $25.1 million increase in expense from the change in the fair value of warrants due to increasing market prices,
- $24.5 million increase in deferred tax benefit primarily due to the release of the valuation allowance on our net operating loss carryforward,
- $17.8 million increase in depreciation and amortization primarily due to capital projects placed in-service and amortization of intangible assets acquired during 2013, and
- $26.9 million decrease due to a non-cash gain recognized on the issuance of equity by our investee, which diluted our ownership interest.

Changes in operating assets and liabilities during the year ended December 31, 2013 relative to the prior year consisted primarily of:

- $49.0 million increase in accounts receivable including receivable from affiliates due primarily to a $50.8 million increase at Rose Rock related to marketing and buy/sell activities around our Bakken Shale operations and Kansas and Oklahoma pipeline system, which are driven by demand in those areas and our ability to capture value related to changing market conditions, and the addition of trucking operations acquired in the Barcas Field Services, L.L.C. acquisition,
- $11.4 million increase in inventory due primarily to a $5.9 million increase at Rose Rock from higher crude oil prices and a $3.2 million increase for SemMexico related to increased inventory to meet higher demand,
- $29.5 million decrease in restricted cash due to payments made to settle liabilities to pre-petition creditors,

- $9.4 million decrease in other current assets due a reduction in prepaid expenses at SemCAMS as power prepayments are no longer required due to a change in provider,
- $93.3 million increase in accounts payable, including payable to affiliates, and accrued liabilities due primarily to a $53.8 million accounts payable increase at Rose Rock related to marketing and buy/sell activity, a $19.0 million accounts payable and accrued liabilities increase at SemGas related to revenue distribution payables and capital expenditures from increased northern Oklahoma activity, and
- $29.6 million decrease in payables to pre-petition creditors (due to settlement payments).

The increases in receivable from and payable to affiliates primarily relate to business acquisitions of our equity method investee, NGL Energy, through which certain customers and suppliers have become related parties.

2012 Compared to 2011

Non-cash expenses increased to $62.0 million in 2012 from $59.8 million in 2011. Significant changes from 2011 include:

- $15.3 million reduction in the net unrealized gain on derivative instruments driven by changes in the price, quantity and timing of derivative instruments outstanding at December 31, 2012 and 2011,
- $7.1 million reduction in the change in the allowance for doubtful accounts due to changes in the allowance primarily at SemCAMS in 2011,
- $26.3 million change in the fair value of warrants due to increasing market prices,
- decreased debt amortization of $27.9 million due to the credit facility refinancing in 2011,
- lower depreciation expense of $2.5 million due primarily to the contribution of SemStream assets to NGL Energy, and
- a net increase in gain on disposal or impairment of long-lived assets of $16.1 million due mainly to the September 2012 receipt of additional proceeds from the White Cliffs settlement and a gain on sale of the disposal of SemStream's Arizona residential business in December 2012 and net losses on disposal or impairment of long-lived assets in 2011.

Changes in operating assets and liabilities during the year ended December 31, 2012 relative to 2011 consisted primarily of:

- $4.9 million decrease in restricted cash due to payments made to settle liabilities to pre-petition creditors,
- $129.1 million increase in accounts receivable due primarily to a $91.3 million increase at Rose Rock related to increased marketing and buy/sell activities around our Bakken Shale operations and Kansas and Oklahoma pipeline system, which are driven by demand in those areas and our ability to capture value related to changing market conditions, along with a $31 million increase at SemCAMS due to the timing of billings related to the K3 plant turnaround,
- $4.2 million decrease in other current assets due primarily to amortization of prepaid expenses,
- $114.7 million increase in accounts payable and accrued liabilities due primarily to an increase in accounts payable at Rose Rock of $95.1 million related to increased marketing and buy/sell activity, along with an increase in accrued liabilities at SemCAMS of $11.6 million related to the K3 plant turnaround,
- $6.9 million decrease in payables to affiliates due to decreased payables to NGL Energy, and
- $5.2 million decrease in payables to prepetition creditors (due to settlement payments).

Investing Activities

For the year ended December 31, 2013, we had net cash outflows of $738.4 million, primarily as a result of $362.5 million of payments to acquire Barcas Field Services, L.L.C. and Mid-America Midstream Gas Services, L.L.C., $215.6 million of capital expenditures and $173.9 million of investments in non-consolidated subsidiaries. Capital expenditures primarily related to SemGas, SemCAMS, and Crude expansion projects. Investments in non-consolidated subsidiaries primarily related to the Glass Mountain Pipeline and the White Cliffs Pipeline expansion.

For the year ended December 31, 2012, we had net cash outflows of $161.9 million, primarily as a result of $119.3 million in capital expenditures and $78.3 million of investments in non-consolidated subsidiaries. Capital expenditures related primarily to Rose Rock's Cushing expansion projects, SemGas' Northern Oklahoma expansion projects and well connects and the Wattenburg Oil Trunkline. Investments in non-consolidated subsidiaries represents investments primarily in the Glass Mountain Pipeline. The capital expenditures and investments in the Glass Mountain Pipeline were offset by $12.3 million in proceeds from the sale of the assets and liabilities of SemStream's Arizona residential business in December 2012 and $17.3 million of distributions in excess of equity earnings driven by $8.1 million of distributions from White Cliffs and $9.2 million of distributions received from NGL Energy.

For the year ended December 31, 2011, we had net cash inflows of $36.9 million, primarily as a result of $93.1 million in proceeds from the contribution of certain SemStream assets to NGL Energy, $12.5 million in distributions from White Cliffs in excess of equity earnings and $66.0 million in capital expenditures.

Financing Activities

For the year ended December 31, 2013, we had net cash inflows of $561.1 million, primarily as a result of $409.1 million of net borrowings on debt ($1.3 billion of borrowings, net of $859.4 million of principal payments), $210.2 million of proceeds from issuances of equity by our subsidiary, Rose Rock, $25.4 million of dividends paid, $17.6 million of Rose Rock cash distributions to noncontrolling interests and $14.9 million of payments related to debt issuances. Net borrowings were primarily used to fund acquisitions and capital expenditures. Proceeds from issuances of equity by Rose Rock were used to fund Rose Rock's acquisition of interests in SemCrude Pipeline from SemGroup or to pay balances on Rose Rock's revolving credit facility. Payments related to debt issuances were incurred in the issuance of 7.5% senior notes by SemGroup and amendments to the Rose Rock and SemGroup revolving credit facilities, which included increasing borrowing capacity, extending the term, modifying covenants and reducing certain rates and fees.

For the year ended December 31, 2012, we had net cash inflows of $86.5 million, substantially all of which related to borrowings on long-term debt of $318 million, principal payments of $222.1 million and partnership distributions of $8.5 million. The increase in net cash inflows compared to 2011 is due primarily to increased credit facility usage related to the Company's increase in capital projects.

For the year ended December 31, 2011, we had net cash outflows of $124.7 million, primarily as a result of $503.2 million of principal payments on debt, $12.5 million in debt issuance costs, $264.0 million in borrowings and $127.1 million in proceeds received from the sale of limited partner interests in Rose Rock.

Long-term Debt

SemGroup senior unsecured notes

On June 14, 2013, we completed an offering of $300 million of 7.50% senior unsecured notes due 2021 ("Notes"). The Notes are governed by an indenture, as supplemented, between the Company and its subsidiary Guarantors and Wilmington Trust, N.A., as trustee (the "Indenture"). The Indenture includes customary covenants and events of default.

At December 31, 2013, we were in compliance with the terms of the Indenture.

SemGroup Revolving Credit Facility

At December 31, 2013, we had $70.0 million of cash borrowings outstanding under our $500 million revolving credit facility. In addition, we had $4.0 million in outstanding letters of credit on that date. The maximum letter of credit capacity under this facility is $250 million.

During 2013, the credit agreement was amended to (i) permit the increase of the revolving commitments under the credit agreement by an aggregate amount of $300 million subject to the satisfaction of certain conditions, (ii) extend the availability period of the revolving commitments, and the maturity date of the extensions of credit thereunder, to December 11, 2018, (iii) reduce the interest rate payable in respect of the revolving and term commitments and (iv) modify the commitment fees payable in respect of revolving commitments. Earlier principal payments may be required if we enter into certain transactions to sell assets or obtain new borrowings. We have the right to make additional principal payments without incurring any penalties for early repayment. The credit agreement includes customary affirmative and negative covenants.

At December 31, 2013, we were in compliance with the terms of the credit agreement.

Rose Rock Revolving Credit Facility

On November 10, 2011, Rose Rock entered into a five-year senior secured revolving credit facility agreement. The credit facility under this agreement became effective upon completion of Rock Rock's initial public offering on December 14, 2011.

Subsequent to amendments in 2013, this credit agreement provides for a revolving credit facility of $585 million and includes a $150 million sub-limit for letters of credit. The credit agreement was amended to extend the agreement to September 20, 2018 and permit the increase of the facility by not more than $200 million, subject to certain conditions. The amended agreement allows Rose Rock to incur unsecured or subordinated debt without limitation, subject to certain conditions, and provides alternative financial performance covenants at Rose Rock's election after the issuance of $200 million or more of unsecured or subordinated debt, in aggregate.

At December 31, 2013, Rose Rock had $245.0 million of outstanding cash borrowings under its $585 million revolving credit facility. There were $34.5 million in outstanding letters of credit. The credit facility also allows for the use of Secured Bilateral Letters of Credit, which are issued external to the credit facility and do not reduce revolver availability. At December 31, 2013, we had $61.3 million of Bilateral Letters of Credit outstanding. The credit agreement includes customary affirmative and negative covenants and also restricts Rose Rock's ability to make certain types of payments, including the declaration or payment of cash distributions to unitholders; provided that Rose Rock may make quarterly distributions of available cash so long as no default under the credit agreement then exists or would result therefrom.

At December 31, 2013, Rose Rock was in compliance with the terms of the credit agreement.

SemMexico Revolving Credit Facilities

SemMexico has two credit facilities: 1) a facility entered into in June 2012 that allows the borrowing of up to 44 million Mexican pesos (U.S. $3.4 million at the December 31, 2013 exchange rate) and matures in June 2015; and 2) a facility renewed in July 2013 that allows the borrowing of up to 56 million Mexican pesos (U.S. $4.3 million at the December 31, 2013 exchange rate) and matures in July 2014. At December 31, 2013, there were no outstanding borrowings. SemMexico had 292.8 million Mexican pesos (U.S. $22.4 million equivalent at the December 31, 2013 exchange rate) in outstanding letters of credit.

At December 31, 2013, we were in compliance with the terms of these facilities.

Shelf Registration Statements

We have access to a universal shelf registration statement which provides us with the ability to offer and sell an unlimited amount of debt and equity securities, subject to market conditions and our capital needs. This shelf registration statement expires in December 2015.

Rose Rock has an effective shelf registration statement with the SEC that, subject to market conditions and its capital needs, allows Rose Rock to issue up to an aggregate of $500 million of debt and equity securities. In August 2013, Rose Rock used this shelf registration to sell 4.750 million common units representing limited partners interests for proceeds of $152.5 million, net of underwriting discounts and commissions of $6.4 million. This shelf registration expires in May 2016.

Capital Requirements

The midstream energy business can be capital intensive, requiring significant investment for the maintenance of existing assets or acquisition or development of new systems and facilities. We categorize our capital expenditures as either:

- expansion capital expenditures, which are cash expenditures incurred for acquisitions or capital improvements that we expect will increase our operating income or operating capacity over the long-term; or

- maintenance capital expenditures, which are cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets or for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity.

During the year ended December 31, 2013, we spent $389 million (cash basis), on capital projects including capital contributions to affiliates for funding growth projects. In addition, we spent $362.5 million related to business acquisitions. Projected capital expenditures for 2014 are estimated at $363 million in expansion projects, including capital contributions to affiliates to fund growth projects, and $52 million in maintenance projects. These estimates may change as future events unfold. See "Cautionary Note Regarding Forward-Looking Statements."

In addition to our budgeted capital program, we anticipate that we will continue to make significant expansion capital expenditures in the future. Consequently, our ability to develop and maintain sources of funds to meet our capital requirements is critical to our ability to meet our growth objectives. We expect that our future expansion capital expenditures will be funded by cash from operations, borrowings under our credit facilities and the issuance of debt and equity securities.

SemGroup Dividends

The table below sets out the dividends declared and/or paid by SemGroup during 2014 and 2013.

Quarter Ended	Record Date	Payment Date	Dividend Per Share
June 30, 2013	May 20, 2013	May 30, 2013	$0.19
September 30, 2013	August 19, 2013	August 30, 2013	$0.20
December 31, 2013	November 22, 2013	December 3, 2013	$0.21
March 31, 2014	March 10, 2014	March 20, 2014	$0.22

Rose Rock Distributions

The table below sets out the cash distributions paid by Rose Rock during 2014, 2013 and 2012.

Quarter Ended	Record Date	Payment Date	Distribution Per Unit
March 31, 2012	May 7, 2012	May 15, 2012	$0.3725
June 30, 2012	August 6, 2012	August 14, 2012	$0.3825
September 30, 2012	November 5, 2012	November 14, 2012	$0.3925
December 31, 2012	February 4, 2013	February 14, 2013	$0.4025
March 31, 2013	May 6, 2013	May 15, 2013	$0.4300
June 30, 2013	August 5, 2013	August 14, 2013	$0.4400
September 30, 2013	November 5, 2013	November 14, 2013	$0.4500
December 31, 2013	February 4, 2014	February 14, 2014	$0.4650

Credit Risk

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. We examine the creditworthiness of third-party customers to whom we extend credit and manage our exposure to credit risk through credit analysis, credit approval, credit limits and monitoring procedures, and for certain transactions, we may request letters of credit, prepayments or guarantees.

Customer Concentration

Shell Trading (US) Company, a customer of our Crude segment, accounted for more than 10% of our consolidated revenue for the year ended December 31, 2013, at approximately 17%. Although we have contracts with customers of varying durations, if one or more of our major customers were to default on their contract, or if we were unable to renew our contract with one or more of these customers on favorable terms, we might not be able to replace any of these customers in a timely fashion, on favorable terms or at all. In any of these situations, our revenues and our ability to pay cash dividends to our stockholders may be adversely affected. We expect our exposure to risk of non-payment or non-performance to continue as long as we remain substantially dependent on a relatively small number of customers for a substantial portion of our Adjusted gross margin.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined by Item 303 of Regulation S-K.

Commitments

Contractual Obligations

In the ordinary course of business we enter into various contractual obligations for varying terms and amounts. The following table includes our contractual obligations as of December 31, 2013, and our best estimate of the period in which the obligation will be settled (in thousands):

	2014	2015	2016	2017	2018	Thereafter
Long-term debt (1)	$ —	$ —	$ —	$ —	$ 315,000	$ 300,000
Interest (1)	31,577	31,577	31,602	31,577	29,625	55,250
Capital leases	37	39	21	15	13	—
Operating leases	8,618	8,890	8,752	6,737	2,785	6,213
Take-or-pay commitment	9,769	10,199	11,804	11,938	10,060	33,512
Purchase commitments (2)	1,258,517	205,232	—	—	—	—
Payables to pre-petition creditors (3)	3,177	—	—	—	—	—
Capital expenditure expansion projects (4)	62,843	—	—	—	—	—
Total	$ 1,374,538	$ 255,937	$ 52,179	$ 50,267	$ 357,483	$ 394,975

(1) Assumes interest rates, fee rates and letters of credit and loans outstanding are as of December 31, 2013, and remain constant thereafter until maturity except for required principal payments.
(2) The bulk of the commitments shown in the table above relate to agreements to purchase product from a counterparty and to sell a similar amount of product (in a different location) to the same counterparty. Many of the commitments shown in the table above are cancellable by either party, as long as notice is given within the time frame specified in the agreement (generally 30 to 120 days).
(3) An amount equal to this payable is held in a restricted cash account for this purpose.
(4) Capital expenditure expansion projects include our 51% interest in the White Cliffs Pipeline expansion and our 50% interest in the Glass Mountain Pipeline project.

In addition to the items in the table above, we have entered into various operational commitments and agreements related to pipeline operations and to the marketing, transportation, terminalling and storage of petroleum products. We have also entered into certain petroleum products derivative instruments, for which the fair value is a net liability of $0.1 million at December 31, 2013.

Letters of Credit

In connection with our purchasing activities, we provide certain suppliers and transporters with irrevocable standby letters of credit to secure our obligation for the purchase of petroleum products. Our liabilities with respect to these purchase obligations are recorded as accounts payable on our balance sheet in the month the petroleum products are purchased. Generally, these letters of credit are issued for 70-day periods (with a maximum of 364-day periods) and are terminated upon completion of each transaction. At December 31, 2013 and December 31, 2012, we had outstanding letters of credit of approximately $122.2 million and $68.4 million, respectively.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operation are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements and related disclosures requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates and judgments that affect the reported amount of assets, liabilities, revenue, expenses and related disclosures of contingent assets and liabilities. The application of these policies involves judgments regarding future events, including the likelihood of success of particular projects and legal and regulatory challenges. These judgments, in and of themselves, could materially affect the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment may also have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies have not changed.

On an on-going basis, we evaluate these estimates using historical experience, consultation with experts and other methods we consider reasonable. Actual results may differ substantially from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Our significant accounting policies are summarized in Note 3 of our consolidated financial statements beginning on page F-1 of this Form 10-K. We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and results of operations, and that require the most difficult, subjective and complex judgments by management regarding estimates about matters that are inherently uncertain.

Accounting Policy	Judgment/Uncertainty Affecting Application
Income Taxes and Valuation Allowance for Deferred Tax Assets	Ability to withstand legal challenges of tax authority decisions or appeals Anticipated future decisions of tax authorities Application of tax statutes and regulations to transactions Ability to use tax benefits carry forwards to future periods
Impairment of Long Lived Assets	Recoverability of investment through future operations Regulatory and political environments and requirements Estimated useful lives of assets Environmental obligations and operational limitations Estimates of future cash flows Estimates of fair value Judgment about triggering effects
Goodwill and Other Intangible Assets	Estimated useful lives for finite lived intangible assets Judgment about impairment triggering events Identification of reporting units Purchase price allocation Estimates of reporting unit's fair value
Derivative Instruments	Instruments used in valuation techniques Market maturity and economic conditions Contract interpretation Market conditions in the energy industry, especially the effects of price volatility on contractual commitments
Contingencies	Estimated financial impact of event Judgment about the likelihood of event occurring Regulatory and political environments and requirements

Income Taxes and Valuation Allowance for Deferred Tax Assets

At December 31, 2013, we had a cumulative U.S. federal net operating loss of approximately $10.9 million that can be carried forward to apply against taxable income generated in future years. This carry forward begins to expire in 2031. We had cumulative U.S. state net operating losses of approximately $40 million available for carryforward, which begin to expire in 2014. We had a foreign net operating loss of $16.1 million available for indefinite carry forward. We had foreign tax credits of approximately $44.6 million available for carry forward, which begin to expire in 2020.

Considerable judgment is required to determine the tax treatment of a particular item that involves interpretations of complex tax laws. We are subject to examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and various state and foreign jurisdictions including Canada, Mexico and the United Kingdom.

Evaluation of Long-Lived Assets for Impairment

In accordance with ASC 360, "*Property, Plant and Equipment*," we evaluate property, plant and equipment and certain intangible assets for impairment whenever indicators of impairment exist. Examples of such indicators are:

- significant decrease in the market price of a long-lived asset;
- significant adverse change in the manner an asset is used or its physical condition;
- adverse business climate;
- accumulation of costs significantly in excess of the amount originally expected for the construction or acquisition of an asset;
- current period loss combined with a history of losses or the projection of future losses; and
- change in our intent about an asset from an intent to hold such asset through the end of its estimated useful life to a greater than fifty percent likelihood that such asset will be disposed of before then.

Recoverability of assets to be held and used is measured by comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows. However, actual future market prices and costs could vary from the assumptions used in our estimates and the impact of such variations could be material.

Goodwill and Other Intangible Assets

We apply ASC 805, "*Business Combinations*," and ASC 350, "*Intangibles – Goodwill and Other*," to account for goodwill and intangible assets. In accordance with these standards, we amortize all finite lived intangible assets over their respective estimated weighted average useful lives, while goodwill has an indefinite life and is not amortized. However, goodwill and all intangible assets not subject to amortization are tested for impairment at least annually, or more frequently whenever an event or change in circumstances occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We test for impairment at the reporting unit level using three valuation approaches: first, the income approach which measures the value of an asset by the present value of its future economic benefit; second, the market approach which measures the value of an asset through the analysis of recent sales or offerings of comparable properties; and third, the cost approach which measures the value of an asset by the cost to reconstruct or replace it with another of like utility.

Estimation of future economic benefit requires management to make assumptions about numerous variables including selling prices, costs, the level of activity and appropriate discount rates. If it is determined that the fair value of a reporting unit is below its carrying amount, our goodwill or intangible assets with indefinite lives will be impaired at that time.

Derivative Instruments

We follow the guidance of ASC 815, "*Derivatives and Hedging*," to account for derivative instruments. ASC 815 requires us to mark-to-market all derivative instruments on the balance sheet, and recognize changes in the fair value of non-hedge derivative instruments immediately in earnings. In certain cases, we may apply hedge accounting to our derivative instruments. The criteria used to determine if hedge accounting treatment is appropriate are: (i) the designation of the hedge to an underlying exposure; (ii) whether the overall risk is being reduced; and (iii) if there is a correlation between the fair value of the derivative instrument and the underlying hedged item. Changes in the fair value of derivative instruments accounted for as hedges are either recognized in earnings as an offset to the changes in the fair value of the related hedged item, or deferred and recorded as a component of other comprehensive income and subsequently recognized in earnings when the hedged transactions occur.

Certain derivative instruments that meet the criteria for derivative accounting treatment also qualify for a scope exception to derivative accounting, as they are considered to be a normal purchase normal sale ("NPNS"). The availability of this exception is based on the assumption that the company has the ability, and it is probable, to deliver or take delivery of the underlying item. These assumptions are based on internal forecasts of sales and historical physical delivery on contracts. Derivatives that are considered to be NPNS are exempt from derivative accounting treatment and are accounted for under accrual accounting. If it is determined that a transaction designated as NPNS no longer meets the scope exception due to changes in estimates, the related contract would be recorded on the balance sheet at fair value combined with immediate recognition through earnings.

Contingencies

We record a loss contingency when management determines that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such determinations are subject to interpretations of current facts and circumstances, forecasts of future events and estimates of the financial impacts of such events. Gain contingencies are not recorded.

Recent Accounting Pronouncements

See Note 3 of our consolidated financial statements beginning on page F-1 of this Form 10-K.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

This discussion on market risks represents an estimate of possible changes in future earnings that would occur assuming hypothetical future movements in commodity prices, interest rates and currency exchange rates. Our views on market risk are not necessarily indicative of actual results that may occur, and do not represent the maximum possible gains and losses that may occur since actual gains and losses will differ from those estimated based on actual fluctuations in commodity prices, interest rates, currency exchange rates and the timing of transactions.

We are exposed to various market risks, including changes in (i) petroleum prices, particularly crude oil, natural gas and natural gas liquids, (ii) interest rates, and (iii) currency exchange rates. We may use from time-to-time various derivative instruments to manage such exposure. Our risk management policies and procedures are designed to monitor physical and financial commodity positions and the resulting outright commodity price risk as well as basis risk resulting from differences in commodity grades, purchase and sale locations and purchase and sale timing. We have a risk management function that has responsibility and authority for our Comprehensive Risk Management Policy, which governs our enterprise-wide risks, including the market risks discussed in this item. Subject to our Comprehensive Risk Management Policy, our finance and treasury function has responsibility and authority for managing exposure to interest rates and currency exchange rates. To manage the risks discussed above, we engage in price risk management activities.

Commodity Price Risk

The table below outlines the range of NYMEX prompt month daily settle prices for crude oil and natural gas futures, and the range of daily propane spot prices provided by an independent, third-party broker for the years ended December 31, 2013, 2012 and 2011.

	Light Sweet Crude Oil Futures ($ per Barrel)	Mont Belvieu (Non-LDH) Spot Propane ($ per Gallon)	Henry Hub Natural Gas Futures ($ per MMBtu)
Year Ended December 31, 2013			
High	$ 110.53	$ 1.31	$ 4.46
Low	$ 86.68	$ 0.79	$ 3.11
High/Low Differential	*$ 23.85*	*$ 0.52*	*$ 1.35*
Year Ended December 31, 2012			
High	$ 109.77	$ 1.40	$ 3.90
Low	$ 77.69	$ 0.71	$ 1.91
High/Low Differential	*$ 32.08*	*$ 0.69*	*$ 1.99*
Year Ended December 31, 2011			
High	$ 113.93	$ 1.63	$ 4.85
Low	$ 75.67	$ 1.30	$ 2.99
High/Low Differential	*$ 38.26*	*$ 0.33*	*$ 1.86*

Revenue from our asset-based activities is dependent on throughput volume, tariff rates, the level of fees generated from our pipeline systems, capacity leased to third parties, capacity that we use for our own operational or marketing activities and the level of other fees generated at our terminalling and storage facilities. Profit from our marketing activities is dependent on our ability to sell petroleum products at prices in excess of our aggregate cost. Margins may be affected during transitional periods between a backwardated market (when the prices for future deliveries are lower than the current prices) and a contango market (when the prices for future deliveries are higher than the current prices). Our petroleum product marketing activities within each of our segments are generally not directly affected by the absolute level of petroleum product prices, but are affected by overall levels of supply and demand for petroleum products and relative fluctuations in market-related indices at various locations.

However, the SemGas segment has exposure to commodity price risk because of the nature of certain contracts for which our fee is based on a percentage of proceeds or index related to the prices of natural gas, natural gas liquids and condensate. Given current volumes, liquid recoveries and contract terms, we estimate the following sensitivities over the next twelve months:

- A $0.10 change in natural gas price results in approximately a $380 thousand impact to Adjusted gross margin.
- A $0.10 change in natural gas liquids prices (Conway and Mont Belvieu) results in approximately a $2.1 million impact to Adjusted gross margin.
- A $10.00 change in condensate price results in approximately a $3.9 million impact to Adjusted gross margin.

The above sensitivities may be impacted by changes in contract mix, change in production or other factors which are outside of our control.

Additionally, based on our open derivative contracts at December 31, 2013, an increase in the applicable market price or prices for each derivative contract would result in a decrease in our crude oil sales revenues. Likewise, a decrease in the applicable market price or prices for each derivative contract would result in an increase in our crude oil sales revenues. However, the increases or decreases in crude oil sales revenues we recognize from our open derivative contracts are substantially offset by higher or lower crude oil sales revenues when the physical sale of the product occurs. These contracts may be for the purchase or sale of crude oil or in markets different from the physical markets in which we are attempting to hedge our exposure, or may have timing differences relative to the physical markets. As a result of these factors, our hedges may not eliminate all price risks.

The notional volumes and fair value of our commodity derivatives open positions, as well as the change in fair value that would be expected from a 10% market price increase or decrease, is shown in the table below (in thousands):

	Notional Volume (Barrels)	Fair Value	Effect of 10% Price Increase	Effect of 10% Price Decrease	Settlement Date
Crude Oil:					
Futures contracts	220	$ (60)	$ (2,165)	$ 2,165	January/February 2014

Margin deposits or other credit support, including letters of credit, are generally required on derivative instruments used to manage our price exposure. As commodity prices increase or decrease, the fair value of our derivative instruments changes, thereby increasing or decreasing our margin deposit or other credit support requirements. Although a component of our risk-management strategy is intended to manage the margin and other credit support requirements on our derivative instruments, volatile spot and forward commodity prices, or an expectation of increased commodity price volatility, could increase the cash needed to manage our commodity price exposure and thereby increase our liquidity requirements. This may limit amounts available to us through borrowing, decrease the volume of petroleum products we purchase and sell or limit our commodity price management activities.

Interest Rate Risk

We use variable rate debt and are exposed to market risk due to the floating interest rates on our credit facilities. Therefore, from time-to-time we may use interest rate derivatives to manage interest obligations on specific debt issuances. Our variable rate debt bears interest at LIBOR or prime, subject to certain floors, plus the applicable margin. At December 31, 2013, an increase in these base rates of 1%, above the base rate floors, would increase our interest expense by $3.2 million per year.

The average interest rates presented below are based upon rates in effect at December 31, 2013 and December 31, 2012. The carrying value of the variable rate instruments in our credit facilities approximate fair value primarily because our rates fluctuate with prevailing market rates.

The following table summarizes our debt obligations:

Liabilities	December 31, 2013		December 31, 2012	
Short-term debt—variable rate	$	0.0 million	$	0.0 million
Average interest rate		—%		—%
Long-term debt—variable rate	$	315.0 million	$	206.0 million
Average interest rate		2.28%		4.74%
Long-term debt—fixed rate	$	300.0 million	$	0.0 million
Fixed interest rate		7.50%		—%

Currency Exchange Risk

The cash flows relating to our U.K., Canada and Mexico operations are based on the U.S. dollar equivalent of such amounts measured in British pounds, Canadian dollars and Mexican pesos. Assets and liabilities of our U.K., Canadian and Mexican subsidiaries are translated to U.S. dollars using the applicable exchange rate as of the end of a reporting period. Revenue, expenses and cash flows are translated using the average exchange rate during the reporting period.

A 10% change in the average exchange rate during the years ended December 31, 2013 and 2012, would change operating income by $4.4 million and $4.5 million, respectively.

Item 8. *Financial Statements and Supplementary Data*

The consolidated financial statements of the Company required to be included in this Form 10-K appear immediately following the signature page to this Form 10-K beginning on page F-1.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) are effective as of December 31, 2013. This conclusion is based on an evaluation conducted under the supervision and participation of our Chief Executive Officer and Chief Financial Officer along with our management. Disclosure controls and procedures are those controls and procedures designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in the 1992 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

Our internal control over financial reporting as of December 31, 2013, has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report that is included herein.

We acquired the assets of Barcas Field Services, LLC ("Barcas") on September 1, 2013. We excluded Barcas from the scope of our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013. Barcas constituted less than 1% of our total revenues for 2013 and approximately 2% of our total assets as of December 31, 2013.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the most recently completed fiscal quarter ended December 31, 2013, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item concerning our directors and corporate governance matters is incorporated by reference to the information in the sections entitled “PROPOSAL 1 – ELECTION OF DIRECTORS” and “CORPORATE GOVERNANCE,” respectively, of our Proxy Statement for the 2014 Annual Meeting of Stockholders (the “Proxy Statement”). The information required by this item with respect to the Section 16 ownership reports is incorporated by reference to the section entitled “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” in the Proxy Statement. The information required by this item with respect to our executive officers is included in Part I of this Form 10-K under the section entitled “Executive Officers of the Registrant.” A copy of our Code of Business Conduct and Ethics is posted on our website at www.semgroupcorp.com.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to the information set forth in the sections entitled “EXECUTIVE COMPENSATION” and “DIRECTOR COMPENSATION” of the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters*

The information required by this item regarding security ownership and equity compensation plans is incorporated by reference to the information set forth in the sections entitled “PRINCIPAL STOCKHOLDERS AND SECURITY OWNERSHIP OF MANAGEMENT” and “EQUITY COMPENSATION PLAN INFORMATION,” respectively, of the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item regarding certain relationships and related transactions and director independence is incorporated by reference to the information set forth in the sections entitled “CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS” and “CORPORATE GOVERNANCE,” respectively, of the Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required by this item regarding principal accounting fees and services is incorporated by reference to the information set forth in the sections entitled “FEES OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM” and “AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES” of the Proxy Statement.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a)(1) Financial Statements. The consolidated financial statements of the Company included in this Form 10-K are listed on page F-1, which follows the signature page to this Form 10-K.

(2) Financial Statement Schedules. All financial statement schedules are omitted as inapplicable or because the required information is contained in the financial statements or the notes thereto.

The financial statements of White Cliffs Pipeline, L.L.C., our equity method investee, are included in this filing as Exhibit 99.1 pursuant to Rule 3-09 of Regulation S-X.

(3) Exhibits. The following documents are included as exhibits to this Form 10-K. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed herewith.

Exhibit Number	Description
2.1	Fourth Amended Joint Plan of Affiliated Debtors filed with the United States Bankruptcy Court for the District of Delaware on October 27, 2009 (filed as Exhibit 2.1 to our registration statement on Form 10, File No. 001-34736 (the “Form 10”)).
2.2	Contribution Agreement dated August 31, 2011, among SemStream, L.P., a wholly-owned subsidiary of SemGroup Corporation, NGL Supply Terminal Company LLC, NGL Energy Partners LP and NGL Energy Holdings LLC (filed as Exhibit 2.1 to our current report on Form 8-K dated November 1, 2011, filed November 4, 2011).
2.3	Second Amended and Restated Limited Liability Company Agreement of NGL Energy Holdings LLC (filed as Exhibit 2.2 to our current report on Form 8-K dated November 1, 2011, filed November 4, 2011).
2.4	First Amended and Restated Registration Rights Agreement dated October 3, 2011, among NGL Energy Partners LP, Hicks Oil & Hicksgas, Incorporated, NGL Holdings, Inc., Krim2010, LLC, Infrastructure Capital Management, LLC, Atkinson Investors, LLC, Stanley A. Bugh, Robert R. Foster, Brian K. Pauling, Stanley D. Perry, Stephen D. Tuttle, Craig S. Jones, Daniel Post, Mark McGinty, Sharra Straight, David Eastin, AO Energy, Inc., E. Osterman, Inc., E. Osterman Gas Service, Inc., E. Osterman Propane, Inc., Milford Propane, Inc., Osterman Propane, Inc., Propane Gas, Inc., and Saveway Propane Gas Service, Inc. (filed as Exhibit 2.3 to our current report on Form 8-K dated November 1, 2011, filed November 4, 2011).
2.5	Amendment No. 1 and Joinder to First Amended and Restated Registration Rights Agreement dated November 1, 2011, between NGL Energy Holdings LLC and SemStream, L.P. (filed as Exhibit 2.4 to our current report on Form 8-K dated November 1, 2011, filed November 4, 2011).
2.6	Contribution Agreement, dated as of January 8, 2013, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, L.L.C. (filed as Exhibit 2.1 to our current report on Form 8-K dated January 8, 2013, filed January 14, 2013).
2.7	Contribution Agreement, dated as of December 12, 2013, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, L.L.C. (filed as Exhibit 2.1 to our current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
2.8	Unit Purchase Agreement dated as of April 30, 2013, by and between Chesapeake Midstream Development, L.L.C. and SemGas, L.P (filed as Exhibit 2.1 to our current report on Form 8-K dated August 1, 2013, filed August 6, 2013).
2.9	First Amendment to Unit Purchase Agreement, dated as of July 31, 2013, by and between Chesapeake Midstream Development, L.L.C. and SemGas, L.P. (filed as Exhibit 2.2 to our current report on Form 8-K dated August 1, 2013, filed August 6, 2013).
3.1	Amended and Restated Certificate of Incorporation, dated as of November 30, 2009, of SemGroup Corporation (filed as Exhibit 3.1 to the Form 10).
3.2	Amended and Restated Bylaws, dated as of October 28, 2011, of SemGroup Corporation (filed as Exhibit 3.1 to our current report on Form 8-K dated October 28, 2011, filed October 28, 2011).
4.1	Form of stock certificate for our Class A Common Stock, par value $0.01 per share (filed as Exhibit 4.1 to the Form 10).

Exhibit Number	Description
4.2	Form of stock certificate for our Class B Common Stock, par value $0.01 per share (filed as Exhibit 4.2 to the Form 10).
4.3	Warrant Agreement dated as of November 30, 2009, by and between SemGroup Corporation and Mellon Investor Services, LLC (filed as Exhibit 4.3 to the Form 10).
4.4	Form of warrant certificate (filed as Exhibit 4.4 to the Form 10).
4.5	First Amendment to Warrant Agreement, dated as of November 1, 2012, by and between SemGroup Corporation and Computershare Shareowner Services LLC (successor-in-interest to Mellon Investor Services, LLC) (filed as Exhibit 4.5 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013 (the "2012 Form 10-K")).
4.6	Indenture, dated as of June 14, 2013, by and among SemGroup Corporation, certain of its wholly-owned subsidiaries, as guarantors, and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to our current report on Form 8-K dated June 14, 2013, filed June 20, 2013).
4.7	Registration Rights Agreement, dated as of June 14, 2013, by and among SemGroup Corporation, certain of its wholly-owned subsidiaries and Citigroup Global Markets Inc., as representative of the Initial Purchasers (as defined therein) (filed as Exhibit 4.2 to our current report on Form 8-K dated June 14, 2013, filed June 20, 2013).
10.1	Credit Agreement (the “Credit Facility”) dated as of June 17, 2011, among SemGroup Corporation, as borrower, the lenders parties thereto from time to time, and The Royal Bank of Scotland PLC, as Administrative Agent and Collateral Agent (filed as Exhibit 10 to our current report on Form 8-K dated June 17, 2011, filed June 21, 2011).
10.2	Second Amendment to the Credit Facility, dated as of September 19, 2011 (filed as Exhibit 10 to our current report on Form 8-K dated September 19, 2011, filed September 23, 2011).
10.3	Fifth Amendment to the Credit Facility, dated as of September 26, 2012 (filed as Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended September 30, 2012, filed November 9, 2012).
10.4	Sixth Amendment to the Credit Facility, dated as of April 22, 2013 (filed as Exhibit 10.1 to our current report on Form 8-K dated April 22, 2013, filed April 24, 2013).
10.5	Seventh Amendment to the Credit Facility, dated as of December 11, 2013 (filed as Exhibit 10.1 to our current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
10.6*	SemGroup Corporation Board of Directors Compensation Plan (filed as Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended June 30, 2013, filed August 9, 2013).
10.7*	SemGroup Corporation Nonexecutive Directors’ Compensation Deferral Program (filed as Exhibit 10.7 to the Form 10).
10.8*	SemGroup Corporation Equity Incentive Plan (filed as Exhibit 10.8 to the Form 10).
10.9*	Form of 2011 Performance Share Unit Award Agreement under the SemGroup Corporation Equity Incentive Plan for executive officers (filed as Exhibit 10.1 to our current report on Form 8-K dated January 24, 2011, filed January 24, 2011).
10.10*	Form of Restricted Stock Award Agreement under the SemGroup Corporation Equity Incentive Plan for executive officers and employees in the United States during 2011 (filed as Exhibit 10.2 to our current report on Form 8-K dated January 24, 2011, filed January 24, 2011).
10.11*	Form of 2012 Performance Share Unit Award Agreement under the SemGroup Corporation Equity Incentive Plan for executive officers (filed as Exhibit 10.20 to our annual report on Form 10-K for the fiscal year ended December 31, 2011, filed February 29, 2012 (the "2011 Form 10-K")).
10.12*	Form of Restricted Stock Award Agreement under the SemGroup Corporation Equity Incentive Plan for executive officers and employees in the United States for awards granted on or after January 1, 2012 (filed as Exhibit 10.21 to the 2011 Form 10-K).
10.13*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for Directors for awards granted on or after May 22, 2012 (filed as Exhibit 10.31 to our Amendment No. 1 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013).

Exhibit Number	Description
10.14*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2013 (filed as Exhibit 10.33 to our 2012 Form 10-K).
10.15*	SemGroup Corporation Equity Incentive Plan Form of Performance Share Unit Award Agreement for executive officers for awards granted on or after March 1, 2013 (filed as Exhibit 10.34 to our 2012 Form 10-K).
10.16*	Employment Agreement dated as of November 30, 2009, by and among SemManagement, L.L.C., SemGroup Corporation and Norman J. Szydlowski (filed as Exhibit 10.11 to the Form 10).
10.17*	Letter Amendment dated March 18, 2010, by and among SemManagement, L.L.C., SemGroup Corporation and Norman J. Szydlowski, amending the Employment Agreement dated as of November 30, 2009 (filed as Exhibit 10.12 to the Form 10).
10.18*	Form of Severance Agreement between SemGroup Corporation and each of its executive officers other than Norman J. Szydlowski (filed as Exhibit 10.13 to the Form 10).
10.19*	Form of Amendment to Severance Agreement between SemGroup Corporation and certain of its executive officers (filed as Exhibit 10.14 to the 2011 Form 10-K).
10.20*	Form of Second Amendment to Severance Agreement between SemGroup Corporation and certain of its executive officers (filed as Exhibit 10.3 to our current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
10.21*	SemGroup Corporation Short-Term Incentive Program (filed as Exhibit 10.1 to our current report on Form 8-K dated February 24, 2011, filed March 2, 2011).
10.22*	SemGroup Employee Stock Purchase Plan (filed as Appendix A to our definitive proxy statement, filed April 19, 2013).
10.23	Credit Agreement dated November 10, 2011, among Rose Rock Midstream, L.P., as borrower, The Royal Bank of Scotland plc, as administrative agent and collateral agent, the other agents party thereto and the lenders and issuing banks party thereto (filed as Exhibit 10.1 to Rose Rock Midstream, L.P.'s registration statement on Form S-1, File No. 333-176260).
10.24	First Amendment dated as of September 26, 2012, to the Credit Agreement among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P. as guarantors, the lenders party thereto and The Royal Bank of Scotland plc, as administrative agent and collateral agent for the lenders (filed as Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended September 30, 2012, filed November 9, 2012).
10.25	Second Amendment to the Credit Agreement and First Amendment to the Guarantee and Collateral Agreement, dated as of September 20, 2013, by and among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P., as guarantors, the lenders party thereto and The Royal Bank of Scotland plc, as administrative agent and collateral agent for the lenders (filed as Exhibit 10.1 to our current report on Form 8-K dated September 20, 2013, filed September 26, 2013).
10.26	Third Amendment to the Credit Agreement, dated as of December 10, 2013, by and among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P., as guarantors, the lenders party thereto and The Royal Bank of Scotland plc, as administrative agent and collateral agent (filed as Exhibit 10.2 to our current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
10.27	Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated December 14, 2011, filed December 20, 2011).
10.28	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated January 8, 2013, filed January 14, 2013).
10.29	Amendment No. 2, dated as of December 16, 2013, to the Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated December 10, 2013, filed December 16, 2013).

Exhibit Number	Description
10.30	First Amended and Restated Limited Liability Company Agreement of Rose Rock Midstream GP, LLC (filed as Exhibit 3.2 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated December 14, 2011, filed December 20, 2011).
10.31*	Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated December 8, 2011, filed December 14, 2011).
10.32*	Form of Restricted Unit Award Agreement (Employees) under the Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.3.1 to Rose Rock Midstream, L.P.'s annual report on Form 10-K for the fiscal year ended December 31, 2011, filed February 29, 2012).
10.33*	Form of Restricted Unit Award Agreement (Employees) under the Rose Rock Midstream Equity Incentive Plan for awards granted on or after March 1, 2013 (filed as Exhibit 10.35 to our 2012 Form 10-K).
21	Subsidiaries of SemGroup Corporation.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Norman J. Szydlowski, Chief Executive Officer.
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of Robert N. Fitzgerald, Chief Financial Officer.
32.1	Section 1350 Certification of Norman J. Szydlowski, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
99.1	White Cliffs Pipeline, L.L.C. financial statements presented pursuant to Rule 3-09 of Regulation S-X.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at December 31, 2013 and 2012, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2013, 2012 and 2011, (iii) the Consolidated Statements of Changes in Owners' Equity for the years ended December 31, 2013, 2012 and 2011, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEMGROUP CORPORATION

Date: February 28, 2014

By: /s/ Robert N. Fitzgerald
Robert N. Fitzgerald
Senior Vice President and
Chief Financial Officer

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

Signature	Title	Date
/s/ Norman J. Szydlowski Norman J. Szydlowski	President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2014
/s/ Robert N. Fitzgerald Robert N. Fitzgerald	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2014
/s/ Paul F. Largess Paul F. Largess	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 28, 2014
/s/ John F. Chlebowski John F. Chlebowski	Chairman of the Board and Director	February 28, 2014
/s/ Ronald A. Ballschmiede Ronald A. Ballschmiede	Director	February 28, 2014
/s/ Sarah M. Barpoulis Sarah M. Barpoulis	Director	February 28, 2014
/s/ Karl F. Kurz Karl F. Kurz	Director	February 28, 2014
/s/ James H. Lytal James H. Lytal	Director	February 28, 2014
/s/ Thomas R. McDaniel Thomas R. McDaniel	Director	February 28, 2014

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
SemGroup Corporation
Tulsa, Oklahoma

We have audited the accompanying consolidated balance sheets of SemGroup Corporation (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), owners' equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SemGroup Corporation at December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), SemGroup Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas
February 28, 2014

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
SemGroup Corporation
Tulsa, Oklahoma

We have audited the internal control over financial reporting of SemGroup Corporation (the "Company") as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusions on the effectiveness of internal control over financial reporting did not include the internal controls of Barcas Field Services, LLC ("Barcas"), which was acquired on September 1, 2013, and which is included in the consolidated balance sheet of SemGroup Corporation as of December 31, 2013, and the related statements of operations and comprehensive income (loss), changes in owners' equity and cash flows for the year then ended. Barcas constituted less than 1% of total revenues for the year ended December 31, 2013 and approximately 2% of total assets as of December 31, 2013. Management did not assess the effectiveness of internal control over financial reporting of Barcas because of the timing of the acquisition which was completed on September 1, 2013. Our audit of internal control over financial reporting of SemGroup Corporation also did not include an evaluation of internal control of Barcas.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), owners' equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas
February 28, 2014

SEMGROUP CORPORATION
Consolidated Balance Sheets
(Dollars in thousands)

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 79,351	$ 80,029
Restricted cash	5,119	34,678
Accounts receivable (net of allowance of $3,661 and $3,687 at December 31, 2013 and 2012, respectively)	323,965	346,169
Receivable from affiliates	67,273	6,178
Inventories	44,295	34,433
Other current assets	14,011	18,516
Total current assets	534,014	520,003
Property, plant and equipment (net of accumulated depreciation of $188,720 and $130,886 at December 31, 2013 and 2012, respectively)	1,105,728	814,724
Equity method investments	565,124	387,802
Goodwill	62,021	9,884
Other intangible assets (net of accumulated amortization of $12,655 and $6,701 at December 31, 2013 and 2012, respectively)	174,838	7,585
Other noncurrent assets, net	28,889	8,181
Total assets	$ 2,470,614	$ 1,748,179
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 254,467	$ 253,623
Payable to affiliates	62,279	—
Accrued liabilities	83,429	63,831
Payables to pre-petition creditors	3,177	32,933
Warrant liability	58,134	—
Deferred revenue	25,538	18,973
Other current liabilities	12,153	4,960
Current portion of long-term debt	37	24
Total current liabilities	499,214	374,344
Long-term debt	615,088	206,062
Deferred income taxes	100,945	65,620
Other noncurrent liabilities	41,504	80,625
Commitments and contingencies (Note 17)		
SemGroup Corporation owners' equity:		
Common stock (Note 18)	425	420
Additional paid-in capital	1,154,516	1,039,189
Treasury stock, at cost (Note 18)	(613)	(242)
Accumulated deficit	(97,572)	(145,674)
Accumulated other comprehensive loss	(2,854)	(1,299)
Total SemGroup Corporation owners' equity	1,053,902	892,394
Noncontrolling interests in consolidated subsidiaries	159,961	129,134
Total owners' equity	1,213,863	1,021,528
Total liabilities and owners' equity	$ 2,470,614	$ 1,748,179

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

SEMGROUP CORPORATION
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Dollars in thousands, except per share amounts)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues:			
Product	$ 1,145,104	$ 953,738	$ 1,237,313
Service	140,198	117,721	123,345
Other	141,714	166,038	104,588
Total revenues	1,427,016	1,237,497	1,465,246
Expenses:			
Costs of products sold, exclusive of depreciation and amortization shown below	1,020,100	874,885	1,144,439
Operating	223,585	224,700	155,041
General and administrative	78,597	71,918	75,447
Depreciation and amortization	66,409	48,210	49,823
Loss (gain) on disposal or impairment of long-lived assets, net	(239)	(3,531)	301
Total expenses	1,388,452	1,216,182	1,425,051
Earnings from equity method investments	52,477	36,036	15,004
Gain on issuance of common units by equity method investee	26,873	—	—
Operating income	117,914	57,351	55,199
Other expenses (income):			
Interest expense	25,142	8,902	60,138
Foreign currency transaction loss (gain)	(1,633)	298	(3,450)
Other expense (income), net	45,906	21,271	(11,539)
Total other expenses, net	69,415	30,471	45,149
Income from continuing operations before income taxes	48,499	26,880	10,050
Income tax benefit	(17,254)	(2,078)	(2,310)
Income from continuing operations	65,753	28,958	12,360
Income (loss) from discontinued operations, net of income taxes	59	2,939	(9,548)
Net income	65,812	31,897	2,812
Less: net income attributable to noncontrolling interests	17,710	9,797	435
Net income attributable to SemGroup	$ 48,102	$ 22,100	$ 2,377
Net income	$ 65,812	$ 31,897	$ 2,812
Other comprehensive income (loss):			
Currency translation adjustments	(6,363)	12,635	(13,075)
Other, net of income tax	4,808	(59)	(1,915)
Total other comprehensive income (loss)	(1,555)	12,576	(14,990)
Comprehensive income (loss)	64,257	44,473	(12,178)
Less: comprehensive income attributable to noncontrolling interests	17,710	9,797	435
Comprehensive income (loss) attributable to SemGroup	$ 46,547	$ 34,676	$ (12,613)
Net income (loss) per common share (Note 19):			
Basic	$ 1.14	$ 0.53	$ 0.06
Diluted	$ 1.13	$ 0.52	$ (0.06)

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

SEMGROUP CORPORATION
Consolidated Statements of Changes in Owners' Equity
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Owners' Equity
Balance at December 31, 2010	$ 415	$ 1,023,727	$ —	$ (170,189)	$ 1,115	$ —	$ 855,068
Net income	—	—	—	2,377	—	435	2,812
Other comprehensive loss	—	—	—	—	(14,990)	—	(14,990)
Non-cash equity compensation	—	8,641	—	—	—	—	8,641
Issuance of common stock under compensation plans	3	(3)	—	—	—	—	—
Net proceeds from public offering of Rose Rock Midstream, L.P. interests	—	—	—	—	—	127,134	127,134
Balance at December 31, 2011	418	1,032,365	—	(167,812)	(13,875)	127,569	978,665
Net income	—	—	—	22,100	—	9,797	31,897
Other comprehensive income	—	—	—	—	12,576	—	12,576
Distributions to noncontrolling interests	—	—	—	—	—	(8,502)	(8,502)
Non-cash equity compensation	—	6,195	—	—	—	308	6,503
Warrants exercised	—	631	—	—	—	—	631
Issuance of common stock under compensation plans	2	(2)	—	—	—	—	—
Repurchase of common stock	—	—	(242)	—	—	—	(242)
Other	—	—	—	38	—	(38)	—
Balance at December 31, 2012	420	1,039,189	(242)	(145,674)	(1,299)	129,134	1,021,528
Net income	—	—	—	48,102	—	17,710	65,812
Other comprehensive loss	—	—	—	—	(1,555)	—	(1,555)
Distributions to noncontrolling interests	—	—	—	—	—	(17,647)	(17,647)
Rose Rock Midstream, L.P. equity issuance	—	—	—	—	—	210,226	210,226
Transfer of SemCrude Pipeline interest to Rose Rock	—	112,929	—	—	—	(180,220)	(67,291)
Warrants exercised	4	21,375	—	—	—	—	21,379
Dividends paid	—	(25,429)	—	—	—	—	(25,429)
Unvested dividend equivalent rights	—	(71)	—	—	—	(48)	(119)
Non-cash equity compensation	—	6,524	—	—	—	806	7,330
Issuance of common stock under compensation plans	1	(1)	—	—	—	—	—
Repurchase of common stock	—	—	(371)	—	—	—	(371)
Balance at December 31, 2013	**$ 425**	**$ 1,154,516**	**$ (613)**	**$ (97,572)**	**$ (2,854)**	**$ 159,961**	**$ 1,213,863**

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

SEMGROUP CORPORATION
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Cash flows from operating activities:			
Net income	$ 65,812	$ 31,897	$ 2,812
Adjustments to reconcile net income to net cash provided by operating activities:			
Net unrealized (gain) loss related to derivative instruments	(974)	1,196	(14,114)
Depreciation and amortization	66,409	48,646	51,189
Loss (gain) on disposal or impairment of long-lived assets, net	(216)	(6,621)	9,497
Equity earnings from investments	(52,477)	(36,036)	(15,004)
Gain on issuance of common units by equity method investee	(26,873)	—	—
Distributions from equity investments	63,651	36,440	15,004
Amortization and write down of debt issuance costs	2,732	2,425	30,338
Deferred tax benefit	(36,274)	(11,818)	(9,847)
Non-cash compensation expense	7,330	6,503	8,641
Loss (gain) on fair value of warrants	46,433	21,310	(5,012)
Provision for uncollectible accounts receivable, net of recoveries	(372)	(315)	(7,421)
Currency (gain) loss	(1,633)	298	(3,450)
Changes in operating assets and liabilities (Note 23)	39,861	(14,283)	11,408
Net cash provided by operating activities	173,409	79,642	74,041
Cash flows from investing activities:			
Capital expenditures	(215,609)	(119,319)	(65,995)
Proceeds from sale of long-lived assets	1,279	2,641	1,125
Investments in non-consolidated subsidiaries	(173,868)	(78,253)	(3,717)
Payments to acquire businesses	(362,456)	—	—
Proceeds from sale of non-consolidated affiliate	—	3,500	—
Proceeds from the sale of SemStream assets	—	12,250	93,054
Distributions in excess of equity in earnings of affiliates	12,246	17,290	12,455
Net cash provided by (used in) investing activities	(738,408)	(161,891)	36,922
Cash flows from financing activities:			
Debt issuance costs	(14,936)	(707)	(12,533)
Borrowings on debt and other obligations	1,268,474	318,000	263,905
Principal payments on debt and other obligations	(859,412)	(222,066)	(503,189)
Distributions to noncontrolling interests	(17,647)	(8,502)	—
Proceeds from warrant exercises	225	—	—
Repurchase of common stock	(371)	(242)	—
Dividends paid	(25,429)	—	—
Proceeds from issuance of Rose Rock Midstream, L.P. common units, net of offering costs	210,226	—	127,134
Net cash provided by (used in) financing activities	561,130	86,483	(124,683)
Effect of exchange rate changes on cash and cash equivalents	3,191	(610)	(34)
Change in cash and cash equivalents	(678)	3,624	(13,754)
Change in cash and cash equivalents included in discontinued operations	—	2,792	(454)
Change in cash and cash equivalents from continuing operations	(678)	6,416	(14,208)
Cash and cash equivalents at beginning of period	80,029	73,613	87,821
Cash and cash equivalents at end of period	$ 79,351	$ 80,029	$ 73,613

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

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

1. OVERVIEW

SemGroup Corporation is a Delaware corporation headquartered in Tulsa, Oklahoma that provides diversified services for end-users and consumers of crude oil, natural gas, natural gas liquids, refined products and asphalt. SemGroup Corporation began operations on November 30, 2009, as the successor entity of SemGroup, L.P., which was an Oklahoma limited partnership.

On July 22, 2008 (the “Petition Date”), SemGroup, L.P. and certain subsidiaries filed petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Also on July 22, 2008, SemGroup, L.P.’s Canadian subsidiaries filed applications for creditor protection in Canada under the Companies’ Creditors Arrangement Act (the “CCAA”). Later during 2008, certain other U.S. subsidiaries filed petitions for reorganization. While in bankruptcy, SemGroup, L.P. filed a Plan of Reorganization with the court, which was confirmed on October 28, 2009. The Plan of Reorganization determined, among other things, how pre-Petition Date obligations would be settled, the equity structure of the reorganized company upon emergence, and the financing arrangements upon emergence. SemGroup Corporation emerged from bankruptcy on November 30, 2009 (the “Emergence Date”).

The accompanying consolidated financial statements include the activities of SemGroup Corporation and its subsidiaries. The terms “we,” “our,” “us,” “the Company” and similar language used in these notes to consolidated financial statements refer to SemGroup Corporation and its subsidiaries.

Our reportable segments include the following:

- Crude conducts crude oil transportation, storage, terminalling, gathering and marketing operations in the United States. Crude’s assets include:
  - the 2% general partner interest and a 51.6% limited partner interest in Rose Rock Midstream, L.P. ("Rose Rock"), which owns an approximate 624-mile crude oil pipeline network in Kansas and Oklahoma, a crude oil gathering, storage and marketing business in the Bakken Shale in North Dakota and Montana, a crude oil storage facility in Cushing, Oklahoma with a capacity of 7.35 million barrels and a crude oil trucking fleet of over 130 transport trucks and trailers;
  - a 51% ownership interest in White Cliffs Pipeline, L.L.C. (“White Cliffs”), which owns a 527-mile pipeline that transports crude oil from Platteville, Colorado to Cushing, Oklahoma (the "White Cliffs Pipeline"); and
  - a 50% ownership interest in Glass Mountain Pipeline LLC ("Glass Mountain" or "GMP"), which constructed and will maintain and operate a 210-mile crude oil pipeline system (the "Glass Mountain Pipeline") originating in Alva and Arnett, Oklahoma and terminating at Cushing, Oklahoma.
- SemStream, which owns 9,133,409 common units representing 12.8% of the total limited partner interests, as of September 30, 2013, in NGL Energy Partners LP (“NGL Energy”) (NYSE: NGL), which owns and operates wholesale and retail propane storage and distribution assets, crude oil logistics and water treatment services in the United States, and a 11.78% interest in the general partner of NGL Energy. We report the results of our investment in NGL Energy on a one-quarter lag (Note 5).
- SemCAMS, which provides natural gas gathering and processing services in Alberta, Canada. SemCAMS owns working interests in, and operates, four natural gas processing plants and a network of approximately 600 miles of natural gas gathering and transportation pipelines.
- SemGas, which provides natural gas gathering and processing services in the United States. SemGas owns and operates over 1,300 miles of gathering pipelines in Kansas, Oklahoma, and Texas and three processing plants in Oklahoma and Texas.
- SemLogistics, which provides refined product and crude oil storage services in the United Kingdom. SemLogistics owns a facility in Wales that has a storage capacity of approximately 8.7 million barrels.
- SemMexico, which purchases, produces, stores, and distributes liquid asphalt cement products in Mexico. SemMexico operates twelve manufacturing plants, one emulsion distribution terminal and three portable rail unloading facilities.

2. CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Consolidated subsidiaries

Our consolidated financial statements include the accounts of our controlled subsidiaries, including Rose Rock. All significant transactions between our consolidated subsidiaries have been eliminated. Outside ownership interests in consolidated subsidiaries are reported as noncontrolling interests in the consolidated financial statements.

Proportionally consolidated assets

Our SemCAMS segment owns undivided interests in certain natural gas gathering and processing assets, for which we record only our proportionate share of the assets on the consolidated balance sheets. The net book value of the property, plant and equipment recorded by us associated with these undivided interests is approximately $206.4 million at December 31, 2013. We serve as operator of these facilities and incur the costs of operating the facilities (recorded as operating expenses in the consolidated statements of operations) and charge the other owners for their proportionate share of the costs (recorded as other revenue in the consolidated statements of operations).

Equity method investments

We own a 51% interest in White Cliffs. The other owners have substantive rights to participate in the management of White Cliffs. Because of this, we account for it under the equity method. In 2013, we sold two-thirds of our interest in SemCrude Pipeline, which holds the 51% interest in White Cliffs, to our consolidated subsidiary Rose Rock. We will continue to account for our interest under the equity method. No gain was recorded on the transaction as it was between entities under common control.

On November 1, 2011, we contributed the long-lived assets and certain working capital of our SemStream segment to NGL Energy in return for limited partner interests in NGL Energy, an interest in the general partner of NGL Energy, and cash for working capital (Note 7). We hold two seats on the board of directors of the general partner of NGL Energy, and we account for our investment in NGL Energy and its general partner under the equity method.

In April 2012, we formed a joint venture, Glass Mountain, to construct, maintain and operate a 210-mile crude oil pipeline system originating in Alva and Arnett, Oklahoma and terminating at Cushing, Oklahoma. Construction was completed in January 2014. The Glass Mountain Pipeline is accounted for under the equity method. Our joint venture partner is Gavilon, LLC ("Gavilon"), a subsidiary of NGL Energy.

Discontinued operations

During 2012, we completed the disposition of SemStream's residential propane supply business in Arizona, which is accounted for as a discontinued operation (Note 8).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Our significant estimates include, but are not limited to: (1) allowances for doubtful accounts receivable; (2) estimated useful lives of assets, which impact depreciation; (3) estimated fair values of long-lived assets used in impairment tests; (4) fair values of derivative instruments; and (5) accrual and disclosure of contingent losses. Although management believes these estimates are reasonable, actual results could differ materially from these estimates.

CASH AND CASH EQUIVALENTS—Cash includes currency on hand and demand and time deposits with banks or other financial institutions. Cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase. Balances at financial institutions may exceed federally insured limits.

RESTRICTED CASH—Our Plan of Reorganization specified the total amount of consideration we would provide to all pre-petition creditors in settlement of their claims. At December 31, 2013, we had not yet completed the process of disbursing funds to settle pre-petition claims, as we had not yet completed the process of resolving all of the claims. The restricted cash balance of $5.1 million at December 31, 2013 is primarily restricted for this purpose.

ACCOUNTS RECEIVABLE—Accounts receivable are reported net of the allowance for doubtful accounts. Our assessment of the allowance for doubtful accounts is based on several factors, including the overall creditworthiness of our customers, existing economic conditions, and the amount and age of past due accounts. We enter into netting

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

arrangements with certain counterparties to help mitigate credit risk. Receivables subject to netting are presented as gross receivables (with the related accounts payable also presented gross) until such time as the balances are settled. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

INVENTORIES—Inventories primarily consist of natural gas and natural gas liquids, crude oil, and asphalt. Inventories are valued at the lower of cost or market, with cost generally determined using the weighted-average method. The cost of inventory includes applicable transportation costs.

We enter into exchanges with third parties whereby we acquire products that differ in location, grade, or delivery date from products we have available for sale. These exchanges are valued at cost, and although a transportation, location or product differential may be recorded, generally no gain or loss is recognized.

PROPERTY, PLANT AND EQUIPMENT—Property, plant and equipment is recorded at cost. We capitalize costs that extend or increase the future economic benefits of property, plant and equipment, and expense maintenance costs that do not. When assets are disposed of, their cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is recorded as a gain or loss on disposal or impairment of long-lived assets in the consolidated statements of operations.

Our SemCAMS segment operates plants which periodically undergo planned major maintenance activities, typically occurring every four to five years. Planned major maintenance projects that do not increase the overall life or capacity of the related assets are recorded in operating expense as incurred, whereas major maintenance activity costs that materially increase the life or capacity of the underlying assets are capitalized. When maintenance expenses are recoverable from the producers who use the plants, they are recorded as revenue, and typically include a 10% overhead fee.

Depreciation is calculated primarily on the straight-line method over the following estimated useful lives:

Pipelines and related facilities	10 – 31 years
Storage and terminal facilities	10 – 25 years
Natural gas gathering and processing facilities	10 – 31 years
Office and other property and equipment	3 – 31 years

Construction in process is reclassified to the fixed asset categories above and depreciation commences once the asset has been placed in-service.

LINEFILL—Pipelines and storage facilities generally require a minimum volume of product in the system to enable the system to operate. Such product, known as linefill, is generally not available to be withdrawn from the system. Linefill owned by us in facilities operated by us is recorded at historical cost, is included in property, plant and equipment in the consolidated balance sheets, and is not depreciated. We also own linefill in third-party facilities, which is included in inventory on the consolidated balance sheets.

IMPAIRMENT OF LONG-LIVED ASSETS—We test long-lived asset groups for impairment when events or circumstances indicate that the net book value of the asset group may not be recoverable. We test an asset group for impairment by estimating the undiscounted cash flows expected to result from its use and eventual disposition. If the estimated undiscounted cash flows are lower than the net book value of the asset group, we then estimate the fair value of the asset group and record a reduction to the net book value of the assets and a corresponding impairment loss.

GOODWILL—We test goodwill for impairment on an annual basis, or more often if circumstances warrant, by estimating the fair value of the asset group to which the goodwill relates and comparing this fair value to the net book value of the asset group. If fair value is less than net book value, we estimate the implied fair value of goodwill, reduce the book value of the goodwill to the implied fair value, and record a corresponding impairment loss. Our policy is to test goodwill for impairment on October 1 of each year. See Note 7 for discussion of goodwill impairment.

During September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-08, “Testing Goodwill for Impairment”. This ASU is designed to simplify how entities test goodwill for impairment. Under the new standard, an entity may first assess qualitative factors to determine whether it is more likely than not that the fair value of an asset group is less than the carrying amount, for the purpose of determining whether it is necessary to estimate the fair value of the asset group to which the goodwill relates. We adopted this

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

guidance on January 1, 2012. We tested goodwill for impairment on October 1st in accordance with our policy. However, we did not elect to perform the qualitative assessment for impairment testing.

INTANGIBLE ASSETS—Intangible assets are stated at cost, net of accumulated amortization, which is recorded on a straight-line or accelerated basis over the life of the asset. We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of amortizable intangible assets is not recoverable, we reduce the carrying amount of such assets to fair value.

EQUITY METHOD INVESTMENTS—We account for an investment under the equity method when we have significant influence over, but not control of, the significant operating decisions of the investee. Under the equity method, we record in the consolidated statements of operations our share of the earnings or losses of the investee, with a corresponding adjustment to the investment balance on our consolidated balance sheet. When we receive a distribution from an equity method investee, we record a corresponding reduction to the investment balance. When an equity method investee issues additional ownership interests which dilute our ownership interest, we recognize a gain or loss in our consolidated statements of operations.

For equity method investments for which we do not expect financial information to be consistently available on a timely basis to apply the equity method currently, our policy is to apply the equity method consistently on a one-quarter lag.

DEBT ISSUANCE COSTS—Costs incurred in connection with the issuance of long-term debt are reported as other noncurrent assets and are amortized to interest expense using the straight-line method over the term of the related debt. Use of the straight-line method of amortization does not differ materially from the “effective interest” method.

COMMODITY DERIVATIVE INSTRUMENTS—We generally record the fair value of commodity derivative instruments on the consolidated balance sheets and the change in fair value as an increase or decrease to product revenue.

As shown in Note 14, the fair value of commodity derivatives at December 31, 2013 and 2012 are recorded to other current assets or other current liabilities on the consolidated balance sheets. Related margin deposits are recorded to other current assets or other current liabilities on the consolidated balance sheets. Margin deposits are not generally netted against derivative assets or liabilities.

The fair value of a derivative contract is determined based on the nature of the transaction and the market in which the transaction was executed. Quoted market prices, when available, are used to value derivative transactions. In situations where quoted market prices are not readily available, we estimate the fair value using other valuation techniques that reflect the best information available under the circumstances. Fair value measurements of derivative assets include consideration of counterparty credit risk. Fair value measurements of derivative liabilities include consideration of our creditworthiness.

We have elected “normal purchase” and “normal sale” treatment for certain commitments to purchase or sell petroleum products at future dates. This election is only available when a transaction that would ordinarily meet the definition of a derivative but instead is expected to result in physical delivery of product over a reasonable period in the normal course of business and is not expected to be net settled. Agreements accounted for under this election are not recorded at fair value; instead, the transaction is recorded when the product is delivered.

On January 31, 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," which clarifies the scope of the offsetting disclosure requirements in ASU 2011-11, "Disclosures About Offsetting Assets and Liabilities." Under ASU 2013-01, the disclosure requirements apply to derivative instruments accounted for in accordance with Accounting Standards Codification ("ASC") 815, "Derivatives and Hedging," including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending arrangements that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement. ASU 2013-01 is effective for fiscal years beginning on or after January 1, 2013, and interim periods within those years. Retrospective application is required for all comparative periods presented. We adopted this guidance in the first quarter of 2013. The impact of adoption was not material.

PAYABLES TO PRE-PETITION CREDITORS—Our Plan of Reorganization specified the total amount of consideration we would provide to all pre-petition creditors in settlement of their claims. At December 31, 2013, we had not yet completed the process of disbursing funds to settle pre-petition claims, as we had not yet completed the process of resolving all of the claims. We recorded a liability of $3.2 million at December 31, 2013 associated with these

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

obligations and a liability of $0.7 million which is associated with discontinued operations and is reported within other current liabilities. Restricted cash of $5.1 million primarily relates to payables to pre-petition creditors and is held in accounts restricted for this purpose.

CONTINGENT LOSSES—We record a liability for a contingent loss when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We record attorneys' fees incurred in connection with a contingent loss at the time the fees are incurred. We do not record liabilities for attorneys' fees that are expected to be incurred in the future.

ASSET RETIREMENT OBLIGATIONS—Asset retirement obligations include legal or contractual obligations associated with the retirement of long-lived assets, such as requirements to incur costs to dispose of equipment or to remediate the environmental impacts of the normal operation of the assets. We record liabilities for asset retirement obligations when a known obligation exists under current law or contract and when a reasonable estimate of the value of the liability can be made.

DISCONTINUED OPERATIONS—We classify a component of our business as a discontinued operation when we commit to a plan to sell the component and believe it is probable that a sale will be completed within one year. A component that is disposed of in a manner other than by sale is classified as discontinued when the component is actually disposed. Investments accounted for under the equity method, or the cost method, do not qualify for treatment as discontinued operations. A component that is disposed of may not qualify for treatment as a discontinued operation if we have significant continuing involvement in the operations of the component after the disposal.

Once a component meets the requirements to be classified as a discontinued operation, previous financial statements are retrospectively adjusted to reflect the component as a discontinued operation for all periods presented. Income and losses of discontinued operations (excluding corporate general and administrative expense allocations) are combined into one line on the consolidated statements of operations. The cash flows from discontinued operations are not separately identified in the consolidated statements of cash flows.

REVENUE RECOGNITION—Sales of product, as well as gathering and marketing revenues, are recognized at the time title to the product transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser. Terminal and storage revenues are recognized at the time the service is performed. Revenue for the transportation of product is recognized upon delivery of the product to its destination. Certain revenue transactions are reported on a net basis, including derivative instruments considered held for trading purposes and certain buy/sell transactions (see "Purchases and Sales of Inventory with the Same Counterparty"). Other revenue primarily represents operating cost recovery from working interest owners in certain processing plants and is recorded when earned in accordance with the terms of related agreements. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis (excluded from revenue).

COSTS OF PRODUCTS SOLD—Costs of products sold consists of the cost to purchase the product, the cost to transport the product to the point of sale, and the cost to store the product until it is sold.

PURCHASES AND SALES OF INVENTORY WITH THE SAME COUNTERPARTY—We routinely enter into transactions to purchase inventory from, and sell inventory to, the same counterparty. Such transactions that are entered into in contemplation of one another are recorded on a net basis.

CURRENCY TRANSLATION—The consolidated financial statements are presented in U.S. dollars. Our segments operate in four countries, and each segment has identified a "functional currency," which is the primary currency in the environment in which the segment operates. The functional currencies include the U.S. dollar, the Canadian dollar, the British pound sterling, and the Mexican peso.

At the end of each reporting period, the assets and liabilities of each segment are translated from its functional currency to U.S. dollars using the exchange rate at the end of the month. The monthly results of operations of each segment are generally translated from its functional currency to U.S. dollars using the average exchange rate during the month. Changes in exchange rates result in currency translation gains and losses, which are recorded within other comprehensive income (loss).

Certain segments also enter into transactions in currencies other than their functional currencies. At the end of each reporting period, each segment re-measures the related receivables, payables, and cash to its functional currency using the exchange rate at the end of the period. Changes in exchange rates between the time the transactions were entered into

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

and the end of the reporting period result in currency transaction gains or losses, which are recorded in the consolidated statements of operations.

INCOME TAXES—Deferred income taxes are accounted for under the liability method, which takes into account the differences between the basis of the assets and liabilities for financial reporting purposes and amounts recognized for income tax purposes. We record valuation allowances on deferred tax assets when, in the opinion of management, it is more likely than not that the asset will not be recovered.

We monitor uncertain tax positions and we recognize tax benefits only when management believes the relevant tax positions would more likely than not be sustained upon examination. We record any interest and any penalties related to income taxes within income tax expense in the consolidated statements of operations.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which requires an unrecognized tax benefit to be classified as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. For public entities, this ASU is effective for fiscal years beginning on or after December 15, 2013, and interim periods within those years. The Company will adopt this guidance in the first quarter of 2014. The impact is not expected to be material.

RECLASSIFICATIONS—Certain reclassifications have been made to conform prior year balances to the current year presentation.

PENSION BENEFITS—Pension cost and obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases, and employee turnover rates. We evaluate our assumptions periodically and make adjustments to these assumptions and the recorded liability as necessary. Actuarial gains or losses are amortized on a straight-line basis over the expected remaining service life of employees in the pension plan.

EQUITY-BASED COMPENSATION—We grant certain of our employees equity-based compensation awards which vest contingent on continued service of the recipient and, in some cases, on their achievement of specific performance targets. We record compensation expense for these outstanding awards over applicable service or performance periods based on their grant date fair value with a corresponding increase to additional paid-in capital. The expense to be recorded over the life of the awards is discounted for expected forfeitures during the vesting period.

NONCONTROLLING INTERESTS IN CONSOLIDATED SUBSIDIARIES—Noncontrolling interests represents third-party limited partner unitholders' interests in our consolidated subsidiary, Rose Rock. Rose Rock allocates net income to its limited partners based on the distributions pertaining to the current period's available cash as defined by Rose Rock's partnership agreement. After adjusting for the appropriate period's distributions, the remaining undistributed earnings or excess distributions over earnings, if any, are allocated to Rose Rock's general partner, limited partners and participating securities in accordance with the contractual terms of Rose Rock's partnership agreement and as further prescribed under the two-class method. Incentive distribution rights do not participate in undistributed earnings.

COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)—Comprehensive income (loss) is defined as a change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Our comprehensive income (loss) consists of currency translation adjustments, changes in the funded status of pension benefit plans and changes in the fair value of interest rate swaps.

On February 5, 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". This ASU adds new disclosure requirements for items reclassified out of AOCI. The ASU is intended to help entities improve the transparency of changes in other comprehensive income ("OCI") and items reclassified out of AOCI in their financial statements. It does not amend any existing requirements for reporting net income or OCI in the financial statements. We adopted this guidance in the first quarter of 2013. The impact of adoption was not material.

On March 4, 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment Upon Derecognition of Certain Subsidiaries or Groups of Assets Within a Foreign Entity or of an Investment in a Foreign Entity - a consensus of the FASB Emerging Issues Task Force", which indicates that the entire amount of a

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

cumulative translation adjustment ("CTA") related to an entity's investment in a foreign entity should be released when there has been a:

- sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity;
- loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated); or
- step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity).

The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. For public entities, this ASU is effective for fiscal years beginning on or after December 15, 2013, and interim periods within those years. The Company will adopt this guidance in the first quarter of 2014. The impact is not expected to be material.

4. ROSE ROCK MIDSTREAM, L.P.

On December 14, 2011, our subsidiary Rose Rock completed an initial public offering ("IPO") in which it sold 7.0 million common units representing limited partner interests. We received proceeds of $127.1 million from this offering, net of underwriter discounts and other fees associated with the offering. We used these proceeds to make principal payments on long-term debt.

On January 11, 2013, we contributed a 33% interest in SemCrude Pipeline, L.L.C. ("SCPL") to Rose Rock in exchange for (i) cash of approximately $189.5 million, (ii) the issuance of 1.5 million common units, (iii) the issuance of 1.25 million Class A units and (iv) an increase of the capital account of the general partner of Rose Rock and a related issuance of general partner interest, to allow the general partner of Rose Rock to maintain its 2% general partner interest. SCPL owns a 51% membership interest in White Cliffs.

The Class A units are not entitled to receive any distribution of available cash (other than upon liquidation) prior to the first day of the month immediately following the first month for which the average daily throughput volumes on the White Cliffs Pipeline for such month are 125,000 barrels per day or greater. Upon such date, the Class A units will automatically convert into common units.

In connection with this transaction, Rose Rock issued and sold 2.0 million common units to third-party purchasers in a private placement for aggregate consideration of approximately $59.3 million. In addition, Rose Rock exercised the accordion feature of its revolving credit facility and increased the total borrowing capacity under the credit facility from $150 million to $385 million and made a borrowing of $133.5 million under the credit facility. The proceeds from the private placement and the borrowing were used by Rose Rock to fund the cash consideration in the transaction with us and to pay certain related transaction costs and expenses.

On December 16, 2013, we contributed an additional 33% interest in SCPL to Rose Rock in exchange for (i) cash of approximately $173.1 million, (ii) the issuance of 1.5 million common units, (iii) the issuance of 1.25 million Class A units, and (iv) an increase of the capital account of the general partner of Rose Rock and a related issuance of general partner interest, to allow the general partner of Rose Rock to maintain its 2% general partner interest. The cash consideration was funded through a borrowing under Rose Rock's credit facility.

As these transactions were between parties under common control, Rose Rock recorded its interest in SCPL at SemGroup's historical value and as such no gain on the sales was recognized by SemGroup. Proceeds in excess of the historical value were accounted for as a dividend from Rose Rock to SemGroup and resulted in a $180.2 million reduction to noncontrolling interests in consolidated subsidiaries and an offsetting increase to additional paid-in capital of $112.9 million (net of tax impact of $67.3 million). This non-cash entry represents the portion of the proceeds in excess of historical cost which were attributed to Rose Rock's third-party unitholders. SemGroup used the proceeds from these transactions to pay amounts owed under its revolving credit facility.

SemGroup incurred approximately $2.2 million of expense associated with these transactions, including expenses of Rose Rock. Rose Rock incurred approximately $4.1 million of cost, of which approximately $1.6 million of equity issuance costs were offset against proceeds, $1.6 million were related to the January 2013 borrowing and were deferred, and $0.9 million were expensed.

4. ROSE ROCK MIDSTREAM, L.P., Continued

In August 2013, Rose Rock sold 4.75 million common limited partner units to third-party purchasers for $152.5 million, net of underwriting discounts and commissions. Proceeds were used to repay borrowings on the Rose Rock credit facility.

At December 31, 2013, we owned the 2% general partner interest and a 51.6% limited partner interest that included 4,389,709 common units, 8,389,709 subordinated units and 2,500,000 Class A units of Rose Rock. We also own certain incentive distribution rights, which are described below. We control the operations of Rose Rock through our ownership of the general partner interest, and we continue to consolidate Rose Rock. The outside ownership interests in Rose Rock are reflected in “noncontrolling interests in consolidated subsidiaries” on our consolidated balance sheets. The portion of the net income of Rose Rock subsequent to the initial public offering that is attributable to outside owners is reflected within “net income attributable to noncontrolling interests” in our consolidated statements of operations.

Rose Rock intends to pay a minimum quarterly distribution of $0.3625 per unit to the extent it has sufficient available cash, as defined in Rose Rock’s partnership agreement. Rose Rock’s partnership agreement requires Rose Rock to distribute all of its available cash each quarter in the following manner:

	Total Quarterly Distributions Per Unit Target Amount						Marginal Percentage Interest in Distributions		
							Unitholders	General Partner	Incentive Distribution Rights
Minimum Quarterly Distributions					$	0.362500	98.0%	2.0%	—
First Target Distribution	above	$	0.362500	up to	$	0.416875	98.0%	2.0%	—
Second Target Distribution	above	$	0.416875	up to	$	0.453125	85.0%	2.0%	13.0%
Third Target Distribution	above	$	0.453125	up to	$	0.543750	75.0%	2.0%	23.0%
Thereafter				above	$	0.543750	50.0%	2.0%	48.0%

The following table shows the distributions paid (in thousands, except for per unit amounts):

				Distributions Paid					
				SemGroup					
Quarter Ended	Record Date	Payment Date	Distribution Per Unit	General Partner	Incentive Distributions	Common Units	Subordinated Units	Noncontrolling Interest Common Units	Total Distributions
December 31, 2011 *	February 3, 2012	February 13, 2012	$ 0.0670 *	$ 23	$ —	$ 93	$ 561	$ 470	$ 1,147
March 31, 2012	May 7, 2012	May 15, 2012	$ 0.3725	$ 128	$ —	$ 517	$ 3,125	$ 2,607	$ 6,377
June 30, 2012	August 6, 2012	August 14, 2012	$ 0.3825	$ 131	$ —	$ 532	$ 3,209	$ 2,678	$ 6,550
September 30, 2012	November 5, 2012	November 14, 2012	$ 0.3925	$ 134	$ —	$ 545	$ 3,294	$ 2,748	$ 6,721
December 31, 2012	February 4, 2013	February 14, 2013	$ 0.4025	$ 167	$ —	$ 1,163	$ 3,377	$ 3,624	$ 8,331
March 31, 2013	May 6, 2013	May 15, 2013	$ 0.4300	$ 179	$ 41	$ 1,242	$ 3,607	$ 3,872	$ 8,941
June 30, 2013	August 5, 2013	August 14, 2013	$ 0.4400	$ 183	$ 72	$ 1,271	$ 3,692	$ 3,962	$ 9,180
September 30, 2013	November 5, 2013	November 14, 2013	$ 0.4500	$ 232	$ 127	$ 1,301	$ 3,775	$ 6,189	$ 11,624
December 31, 2013	February 4, 2014	February 14, 2014	$ 0.4650	$ 257	$ 244	$ 2,041	$ 3,901	$ 6,398	$ 12,841

*Minimum quarterly distribution for quarter ended December 31, 2011 was prorated for the period beginning immediately after the closing of Rose Rock’s IPO, December 14, 2011 through December 31, 2011.

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

4. ROSE ROCK MIDSTREAM, L.P., Continued

Certain summarized balance sheet information of Rose Rock is shown below (in thousands):

	December 31, 2013	December 31, 2012
Cash	$ 15,459	$ 108
Other current assets	306,128	250,509
Property, plant and equipment	311,616	291,530
Equity method investment	224,095	—
Goodwill	28,322	—
Other noncurrent assets	11,627	2,579
Total assets	$ 897,247	$ 544,726
Current liabilities	$ 293,031	$ 231,843
Long-term debt	245,088	4,562
Partners' capital attributable to SemGroup	120,610	179,187
Partners' capital attributable to noncontrolling interests	159,961	129,134
Noncontrolling interest in consolidated subsidiaries retained by SemGroup	78,557	—
Total liabilities and partners' capital	$ 897,247	$ 544,726

Certain summarized income statement information of Rose Rock for the years ended December 31, 2013, 2012, and 2011 is shown below (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenue	$ 766,526	$ 620,417	$ 431,321
Costs of products sold	$ 663,759	$ 546,966	$ 366,265
Operating, general and administrative expenses	$ 51,082	$ 35,385	$ 28,816
Depreciation and amortization expense	$ 23,165	$ 12,131	$ 11,379
Earnings from equity method investment	$ 17,571	$ —	$ —
Net income	$ 38,005	$ 23,954	$ 23,235
Noncontrolling interest in consolidated subsidiaries retained by SemGroup	$ 1,256	$ —	$ —
Net income attributable to Rose Rock Midstream, L.P.	$ 36,749	$ 23,954	$ 23,235

The results of Rose Rock included in the table above for the year ended December 31, 2011 include the activity of its predecessor prior to November 29, 2011. The predecessor included SemCrude, L.P., a wholly-owned subsidiary of SemGroup Corporation (exclusive of SemCrude's ownership interests in SemCrude Pipeline, L.L.C., which holds a 51% ownership interest in White Cliffs, and Eaglwing, L.P. ("Eaglwing"), which is also a wholly-owned subsidiary of SemGroup Corporation).

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

5. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

Our investments in affiliates over which we have significant influence, but for which we do not control the operating decisions of the investee, are accounted for under the equity method. Under the equity method, we do not report the individual assets and liabilities of our investees on our consolidated balance sheets. Instead, our ownership interest is reflected in one line as a noncurrent asset on our consolidated balance sheets. Our equity method investments consist of the following (in thousands):

	December 31, 2013	December 31, 2012
White Cliffs	$ 224,095	$ 138,970
NGL Energy	208,848	174,398
Glass Mountain	132,181	74,434
Total equity method investments	$ 565,124	$ 387,802

Under the equity method, we do not report the individual revenues and expenses of our investees in our consolidated statements of operations. Instead, our interest in the earnings of our investees is reflected in one line item on our consolidated statements of operations. Our earnings from equity method investments consist of the following (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
White Cliffs	$ 45,459	$ 36,439	$ 15,004
NGL Energy*	7,123	(403)	—
Glass Mountain	(105)	—	—
Total earnings from equity method investments	$ 52,477	$ 36,036	$ 15,004

* Excluding gain on issuance of common units of $26.9 million.

Cash distributions received from equity method investments consist of the following (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
White Cliffs	$ 57,576	$ 44,514	$ 27,459
NGL Energy	18,321	9,217	—
Glass Mountain	—	—	—
Total cash distributions received from equity method investments	$ 75,897	$ 53,731	$ 27,459

White Cliffs

We account for our 51% ownership of White Cliffs under the equity method, as the other members have substantive rights to participate in its management.

In August 2012, the members of White Cliffs approved an expansion project to construct a 12" pipeline from Platteville, Colorado to Cushing, Oklahoma. The project is expected to cost approximately $300 million which will be funded by capital calls to members. Our funding requirement will be 51% of the total cost. For the years ended December 31, 2013 and 2012, we contributed approximately $95.5 million and $2.3 million, respectively, for project funding and estimate our expected remaining contributions to be $53.3 million, which will be made in 2014.

Certain summarized balance sheet information of White Cliffs is shown below (in thousands):

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

5. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES, Continued

	December 31, 2013	December 31, 2012
Current assets	$ 98,457	$ 21,508
Property, plant and equipment, net	312,831	210,710
Goodwill	17,000	17,000
Other intangible assets, net	20,802	26,369
Total assets	$ 449,090	$ 275,587
Current liabilities	$ 9,648	$ 3,412
Members' equity	439,442	272,175
Total liabilities and members' equity	$ 449,090	$ 275,587

Certain summarized income statement information of White Cliffs for the years ended December 31, 2013, 2012 and 2011 is shown below (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenue	$ 133,310	$ 108,125	$ 66,097
Operating, general and administrative expenses	$ 23,825	$ 14,821	$ 12,746
Depreciation and amortization expense	$ 18,668	$ 19,963	$ 20,842
Net income	$ 90,817	$ 73,341	$ 32,509

The equity in earnings of White Cliffs for the years ended December 31, 2013, 2012 and 2011 reported in our consolidated statements of operations is less than 51% of the net income of White Cliffs for the same period. This is due to certain general and administrative expenses we incur in managing the operations of White Cliffs that the other members are not obligated to share. Such expenses are recorded by White Cliffs, and are allocated to our membership interests. White Cliffs recorded $1.8 million, $2.0 million and $3.2 million of such general and administrative expense for the years ended December 31, 2013, 2012 and 2011, respectively.

Our membership interest in White Cliffs is significant as defined by Securities and Exchange Commission's Regulation S-X Rule 1-02(w). Accordingly, as required by Regulation S-X Rule 3-09, we have included the audited financial statements of White Cliffs as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 as an exhibit to this Form 10-K.

NGL Energy

We own 9,133,409 common units representing limited partner interests in NGL Energy, which represents approximately 12.8% of the total 71,216,230 limited partner units of NGL Energy outstanding at September 30, 2013, and a 11.78% interest in the general partner of NGL Energy.

At December 31, 2013, the fair value of our 9,133,409 common units in NGL Energy was $315 million, based on a December 31, 2013 closing price of $34.50 per common unit. This does not reflect our 11.78% interest in the general partner of NGL Energy. The fair value of our limited partner investment in NGL Energy is categorized as a Level 1 measurement as it is based on quoted market prices.

The excess of the recorded amount of our investment over the book value of our share of the underlying net assets primarily represents equity method goodwill.

Certain unaudited summarized balance sheet information of NGL Energy is shown below (in thousands):

5. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES, Continued

	(unaudited) September 30, 2013	(unaudited) September 30, 2012
Current assets	$ 1,013,859	$ 736,297
Property plant and equipment, net	631,663	425,641
Goodwill	840,287	515,881
Intangible and other assets, net	540,684	351,600
Total assets	$ 3,026,493	$ 2,029,419
Current liabilities	$ 800,658	$ 653,101
Long-term debt	906,066	569,903
Other noncurrent liabilities	2,673	2,599
Partners' equity	1,317,096	803,816
Total liabilities and partners' equity	$ 3,026,493	$ 2,029,419

Our policy is to record our equity in earnings of NGL Energy on a one-quarter lag, as we do not expect information on the earnings of NGL Energy to always be available in time to consistently record the earnings in the quarter in which they are generated. Accordingly, the equity in earnings from NGL Energy, which is reflected in our consolidated statements of operations and comprehensive income for the years ended December 31, 2013 and 2012, relates to the earnings of NGL Energy for the twelve months ended September 30, 2013 and 2012, prorated for the period of time we held our ownership interest in NGL Energy.

Our limited partnership interest was diluted primarily in connection with an NGL public equity offering completed on July 5, 2013, an NGL acquisition completed August 2, 2013 and an NGL public equity offering completed on September 25, 2013. Accordingly, we recorded a non-cash gain of $26.9 million in the fourth quarter of 2013 related to these transactions, which is included in "gain on issuance of common units by equity method investee" in our consolidated statements of operations. On December 2, 2013, NGL Energy announced it completed the issuance of common units in a private placement in connection with the completion of an acquisition. As a result of this transaction, we expect to record an estimated non-cash gain of $8.1 million in the first quarter 2014.

Certain unaudited summarized income statement information of NGL Energy for the twelve months ended September 30, 2013 and 2012 is shown below (in thousands):

	(unaudited) Twelve Months Ended September 30, 2013	(unaudited) Twelve Months Ended September 30, 2012
Revenue	$ 5,935,715	$ 2,371,524
Costs of products sold	$ 5,478,361	$ 2,182,263
Operating, general and administrative expenses	$ 276,905	$ 125,889
Depreciation and amortization expense	$ 94,050	$ 34,621
Net income	$ 44,378	$ 5,405

Our ownership interest in NGL Energy is significant as defined by Securities and Exchange Commission's Regulation S-X Rule 1-02(w). Accordingly, as required by Regulation S-X Rule 3-09, we will amend this Form 10-K to include the audited financial statements of NGL Energy as of March 31, 2014 and 2013 and for each of the three years in the period ended March 31, 2014 as an exhibit, when available.

Glass Mountain

In April 2012, we formed a joint venture, GMP, to construct, maintain and operate a 210-mile crude oil pipeline system originating in Alva and Arnett, Oklahoma and terminating at Cushing, Oklahoma. Construction was completed in January 2014. The pipeline is operated by a subsidiary of Rose Rock. We hold a 50% interest in Glass Mountain. The owner of the remaining 50% is a related party (Note 25). As of December 31, 2013, we have invested $132.2 million in GMP, including our capital contributions, amounts paid to acquire the additional ownership percentage, and capitalized

5. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES, Continued

interest. We invested $57.8 million and $74.4 million in GMP for the years ended December 31, 2013 and 2012, respectively.

The excess of the recorded amount of our investment over the book value of our share of the underlying net assets represents equity method goodwill and capitalized interest of $31.0 million and $3.7 million, respectively, at December 31, 2013.

As of December 31, 2013, we expect to make additional contributions of approximately $9.5 million in 2014. We account for our investment in GMP using the equity method.

Our ownership interest in GMP is not significant as defined by Securities and Exchange Commission's Regulation S-X Rule 1-02(w). Accordingly, no audited financial statements of GMP pursuant to Regulation S-X 3-09 have been included as an exhibit to this Form 10-K.

6. ACQUISITIONS

Mid-America Midstream Gas Services, L.L.C.

On August 1, 2013, we acquired the equity interest of Mid-America Midstream Gas Services, L.L.C. ("MMGS"), a wholly owned subsidiary of Chesapeake Energy Corporation (NYSE: CHK)("Chesapeake"), which is the owner of gas gathering and processing assets in the Mississippi Lime play for approximately $313.5 million in cash. We incurred approximately $3.6 million in transaction related general and administrative expenses. The transaction was funded through the combination of a portion of the net proceeds from the sale of $300 million of 7.50% senior unsecured notes (Note 16) and a borrowing under the revolving credit facility under SemGroup's corporate credit agreement. Highlights of the acquisition include the following:

- 200 miles of gathering pipeline;
- Rose Valley I plant - A 200 mmcf/d (million cubic feet per day) cryogenic processing plant, expected to be in operation in the first quarter of 2014;
- Rose Valley II plant - A 200 mmcf/d cryogenic processing plant, expected to be in operation in the first quarter of 2016;
- Approximately 540,000 net acre dedication in the core of the Mississippi Lime play, supported by a recently announced joint venture between Chesapeake and Sinopec International Petroleum Exploration and Production Corporation ("Sinopec"); and
- A 20-year, 100% fee based, gas gathering and processing agreement with certain affiliates of Chesapeake and Sinopec.

Rose Valley plants I and II will require approximately $125 million of post-acquisition capital expenditures for completion as well as additional capital related to future well connections.

We have included MMGS in our consolidated financial statements as of August 1, 2013 in our SemGas segment. During the year ended December 31, 2013, our consolidated statements of operations and comprehensive income (loss) did not include material amounts of revenue or operating income related to MMGS. The proforma impact to comparative prior year periods, had the acquisition occurred at the beginning of the comparative prior year period, is not significant as the business is in the development stage.

We have received a preliminary independent appraisal of the fair value of the assets acquired in the MMGS acquisition. The estimates of fair value reflected as of December 31, 2013 are subject to change and such changes could be material. We expect to finalize the purchase price allocation in early 2014. During 2013, the estimated acquisition cost was adjusted related to payment of invoices for the period between the acquisition agreement and closing of the acquisition. We have preliminarily estimated the fair value of the assets acquired as follows (in thousands):

Property, plant and equipment	$	123,316
Customer contract intangible		166,332
Goodwill		23,839
Total assets acquired	$	313,487

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6. ACQUISITIONS, Continued

Goodwill represents the excess of the estimated consideration paid for the acquired business over the fair value of the individual assets acquired. Goodwill primarily represents the value of synergies between the acquired entity and the Company and the opportunity to use the acquired business as a platform for growth.

Barcas Field Services, LLC

On August 1, 2013, our consolidated subsidiary, Rose Rock, executed a definitive agreement to acquire the assets of Barcas Field Services, LLC ("Barcas"), which owns and operates a crude oil trucking fleet, for $49.0 million in cash. The transaction closed on September 1, 2013. Highlights of the acquisition include the following:

- 114 trucks, 120 trailers and miscellaneous equipment; and
- a long-term take-or-pay customer transportation agreement.

We have included Barcas in our consolidated financial statements as of September 1, 2013 in our Crude segment. During the year ended December 31, 2013, our consolidated statements of operations and comprehensive income (loss) did not include material amounts of revenue or operating income related to Barcas. The proforma impact to comparative prior year periods, had the acquisition occurred at the beginning of the comparative prior year period, is not significant. During 2013, the acquisition price was reduced by approximately $1.0 million due to a computer system which was ultimately not purchased.

We have received an independent appraisal of the fair value of the assets acquired in the Barcas acquisition and have recorded the following acquisition date fair values for the assets acquired (in thousands):

Property, plant and equipment	$	13,717
Customer contract intangible		6,930
Goodwill		28,322
Total assets acquired	$	48,969

Goodwill represents the excess of the estimated consideration paid for the acquired business over the fair value of the individual assets acquired. Goodwill primarily represents the value of synergies between the acquired entity and the Company, the opportunity to use the acquired business as a platform for growth, and the acquired assembled workforce.

NGL Energy

On November 1, 2011, we acquired 8,932,031 common units representing limited partner interests in NGL Energy and a 7.5% interest in the general partner of NGL Energy. As part of this transaction, we agreed to waive our distribution rights on certain of the common units for a specified period of time. We recorded our investment in NGL Energy at the acquisition date fair value, estimated to be $184.0 million. We derived our estimate of the fair value of our limited partner interests in NGL Energy using the closing price of limited partner units on October 31, 2011, adjusted to reflect the waiver of certain distribution rights. The waiver on these distribution rights expired in September 2012.

In conjunction with a June 2012 transaction, we received 201,378 additional common units bringing our total ownership to 9,133,409 common units representing limited partner interests in exchange for a percentage of our general partner interest. Subsequent to the transaction, we held a 6.42% interest in the general partner of NGL.

On August 6, 2013, we completed the acquisition of approximately 5.36% of the general partner of NGL Energy, which increased our ownership of NGL Energy's general partner to 11.78%.

Our equity method investment in NGL Energy is included in our SemStream segment. See Note 5 for additional information related to our equity method investment in NGL Energy.

Glass Mountain

In September 2012, we acquired an additional 25% ownership interest in GMP, bringing our total ownership percentage in GMP to 50%. See Note 5 for additional information related to our equity method investment in GMP.

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7. DISPOSALS AND IMPAIRMENTS OF LONG-LIVED ASSETS

Year Ended December 31, 2013

There were no significant gains (losses) recorded during the year ended December 31, 2013 related to the disposal or impairment of long-lived assets.

Year Ended December 31, 2012

Gains (losses) recorded during the year ended December 31, 2012 related to the disposal or impairment of long-lived assets included the following (in thousands):

Event	Segment		Pre-Tax Gain
White Cliffs settlement (a)	Crude	$	3,500
Sale of SemStream residential division assets and liabilities (b)	SemStream	$	3,090

(a) We sold a portion of our ownership interest in White Cliffs during September 2010. At the time, we recorded a loss of $6.8 million on disposal of that asset. In September 2012, we reached a settlement in a dispute concerning the selling price of that ownership interest and reduced the loss by $3.5 million. This $3.5 million gain is reported in "gain on disposal or impairment of long-lived assets, net" in the consolidated statements of operations and comprehensive income (loss).

(b) On September 12, 2012, we entered into a definitive agreement to sell the assets and liabilities of SemStream's Arizona residential business which was subject to regulatory approval by the Arizona Corporation Commission (the "ACC"). In early December 2012, the ACC granted SemStream regulatory approval to proceed with the sale. The sale closed on December 31, 2012 and resulted in a gain of $3.1 million on a cash sales price of $12.3 million. The $3.1 million gain is reported in "income from discontinued operations, net of income taxes" in the consolidated statement of operations and comprehensive income (loss). Property, plant, and equipment with a carrying value of $9.4 million represented the majority of assets included in the sale.

Year Ended December 31, 2011

Gains (losses) recorded during the year ended *December 31, 2011* related to the disposal or impairment of long-lived assets included the following (in thousands):

Event	Segment		Pre-Tax Gain (Loss)
Contribution of SemStream assets to NGL Energy (a)	SemStream	$	44,266
SemStream residential division impairment (b)	SemStream	$	(8,684)
SemLogistics goodwill impairment (c)	SemLogistics	$	(44,663)

(a) On November 1, 2011, we contributed certain assets and liabilities of our SemStream segment to NGL Energy. On that date these assets and liabilities had the net book values (in thousands) below. However, these values were subject to post closing adjustments, which have since been completed, and resulted in a $2.1 million working capital adjustment.

Inventory	$	107,858
Other current assets		11,263
Property plant and equipment		47,756
Goodwill		50,071
Other intangible assets		12,408
Other noncurrent assets		2,818
Other current liabilities		(2,947)
Other noncurrent liabilities		(172)
Net assets contributed	$	229,055

7. DISPOSALS AND IMPAIRMENTS OF LONG-LIVED ASSETS, Continued

In return for this contribution, we received $93.0 million of cash and ownership interests in NGL Energy and its general partner with an estimated fair value of $184.0 million. We recorded a gain of $44.3 million on this transaction, which includes the impact of a $2.1 million working capital adjustment and the write-off of $1.6 million of software. Additionally, $2.2 million of capitalized loan fees were written-off as a result of long-term debt payments made from the proceeds of this transaction.

(b) We test all of our goodwill for impairment as of October 1 of each year. Upon completing this impairment test for 2011, we concluded that the goodwill and other intangible assets attributable to the Arizona residential business of our SemStream segment (which was not contributed to NGL Energy) were impaired. To calculate the impairment loss, we estimated the fair value of this reporting unit using the present value of estimated future cash flows, discounted at a rate of 9.4%, and recorded a full impairment of the $3.6 million balance of goodwill and the $5.0 million balance of other intangible assets associated with customer relationships. No impairment was recorded related to the regulated assets of the Arizona residential business in accordance with ASC 980, "Regulated Operations".

(c) High crude oil prices and backwardated market conditions in 2011 had a negative effect on SemLogistic's storage economics. As a result, the demand for storage is depressed and SemLogistics has had difficulty securing contract renewals. SemLogistics successfully passed the initial 2011 goodwill impairment test. However, a review of the sensitivity of the test results indicated that a ten percent reduction in the estimated revenue in 2012 and 2013 would result in a test failure. In addition, we received notice in late January 2012 from two customers that their intentions were not to renew their storage contracts upon expiration. These notifications, coupled with the sensitivity of the test results to loss of revenue, led us to conclude that impairment of the goodwill of SemLogistics was required. Accordingly, we impaired the full amount of goodwill which was $44.7 million at October 1, 2011.

8. DISCONTINUED OPERATIONS

As described in Note 7, on November 1, 2011, we contributed the primary operating assets of our SemStream segment to NGL Energy; however, at that time we did not contribute any of the assets or liabilities of SemStream's Arizona residential business to NGL Energy. On September 12, 2012, we entered into a definitive agreement to sell those assets and liabilities. This sale was subject to regulatory approval by the ACC and closed on December 31, 2012 after that approval was granted; therefore, the operations of SemStream's Arizona residential business are classified as discontinued. The sale resulted in a gain of $3.1 million. There continues to be an insignificant amount of activity related to ongoing bankruptcy matters which is reflected in the results below and is related to operations discontinued during bankruptcy.

Certain summarized information on the results of discontinued operations is shown below (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
External revenue	$ —	$ 13,518	$ 14,264
Gain (loss) on disposal of long-lived assets, net	$ —	$ 3,090	$ (9,196)
Income (loss) from discontinued operations before income taxes	$ 59	$ 2,935	$ (9,652)
Income tax expense (benefit)	—	(4)	(104)
Income (loss) from discontinued operations, net of income taxes	$ 59	$ 2,939	$ (9,548)

9. SEGMENTS

As described in Note 1, our businesses are organized based on the nature and location of the services they provide. Certain summarized information related to our reportable segments is shown in the tables below. None of the operating segments have been aggregated, other than Rose Rock, White Cliffs and Glass Mountain, which have been included within the Crude segment and were aggregated based on similarity of operations, customer base and other considerations. Our investment in NGL Energy is represented by our SemStream segment. Although "Corporate and Other" does not represent an operating segment, it is included in the tables below to reconcile segment information to that of the consolidated Company. Eliminations of transactions between segments are also included within "Corporate and Other" in the tables below.

The accounting policies of each segment are the same as the accounting policies of the consolidated Company. Transactions between segments are generally recorded based on prices negotiated between the segments. Certain general and administrative and interest expenses incurred at the corporate level were allocated to the segments, based on our allocation policies in effect at the time.

	Year Ended December 31, 2013							
	Crude	SemStream	SemCAMS	SemGas	SemLogistics	SemMexico	Corporate and Other	Consolidated
	(in thousands)							
Revenues:								
External	$ 767,202	$ —	$ 198,450	$ 207,134	$ 11,671	$ 242,559	$ —	$ 1,427,016
Intersegment	—	—	—	23,985	—	—	(23,985)	—
Total revenues	767,202	—	198,450	231,119	11,671	242,559	(23,985)	1,427,016
Expenses:								
Costs of products sold, exclusive of depreciation and amortization shown below	663,759	—	305	169,800	380	209,841	(23,985)	1,020,100
Operating	36,242	1	150,319	20,200	7,444	9,379	—	223,585
General and administrative	16,766	600	14,940	7,971	5,854	10,700	21,766	78,597
Depreciation and amortization	23,708	—	10,766	14,517	9,426	5,991	2,001	66,409
Loss (gain) on disposal or impairment of long-lived assets, net	(56)	6	—	665	—	(854)	—	(239)
Total expenses	740,419	607	176,330	213,153	23,104	235,057	(218)	1,388,452
Earnings from equity method investments	45,354	7,123	—	—	—	—	—	52,477
Gain on issuance of common units by equity method investee	—	26,873	—	—	—	—	—	26,873
Operating income (loss)	72,137	33,389	22,120	17,966	(11,433)	7,502	(23,767)	117,914
Other expenses (income), net								
Interest expense (income)	14,923	(4,810)	18,928	3,268	1,435	188	(8,790)	25,142
Other expense (income), net	(14)	128	(20)	(3)	(400)	(652)	45,234	44,273
Total other expenses (income)	14,909	(4,682)	18,908	3,265	1,035	(464)	36,444	69,415
Income (loss) from continuing operations before income taxes	$ 57,228	$ 38,071	$ 3,212	$ 14,701	$ (12,468)	$ 7,966	$ (60,211)	$ 48,499
Additions to long-lived assets	$ 66,995	$ —	$ 56,122	$ 97,021	$ 2,071	$ 6,375	$ 734	$ 229,318
Total assets at December 31, 2013 (excluding intersegment receivables)	$ 1,070,484	$ 208,847	$ 306,001	$ 552,095	$ 168,835	$ 104,154	$ 60,198	$ 2,470,614
Equity investments at December 31, 2013	$ 356,276	$ 208,848	$ —	$ —	$ —	$ —	$ —	$ 565,124

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9. SEGMENTS, Continued

	Year Ended December 31, 2012							
	Crude	SemStream	SemCAMS	SemGas	SemLogistics	SemMexico	Corporate and Other	Consolidated
	(in thousands)							
Revenues:								
External	$ 620,797	$ 7	$ 223,219	$ 117,264	$ 12,341	$ 263,870	$ (1)	$ 1,237,497
Intersegment	—	—	—	10,606	—	—	(10,606)	—
Total revenues	620,797	7	223,219	127,870	12,341	263,870	(10,607)	1,237,497
Expenses:								
Costs of products sold, exclusive of depreciation and amortization shown below	546,966	33	768	100,677	196	236,851	(10,606)	874,885
Operating	24,143	(37)	174,284	12,712	5,921	7,677	—	224,700
General and administrative	13,321	930	14,020	6,195	5,652	9,433	22,367	71,918
Depreciation and amortization	12,131	—	10,589	7,043	9,780	6,171	2,496	48,210
Loss (gain) on disposal or impairment of long-lived assets, net	(3,501)	214	—	46	—	(290)	—	(3,531)
Total expenses	593,060	1,140	199,661	126,673	21,549	259,842	14,257	1,216,182
Earnings from equity method investments	36,439	(403)	—	—	—	—	—	36,036
Operating income (loss)	64,176	(1,536)	23,558	1,197	(9,208)	4,028	(24,864)	57,351
Other expenses (income), net								
Interest expense (income)	(409)	(3,449)	18,727	1,461	2,486	314	(10,228)	8,902
Other expense (income), net	31	(21)	14	—	(420)	(38)	22,003	21,569
Total other expenses (income)	(378)	(3,470)	18,741	1,461	2,066	276	11,775	30,471
Income (loss) from continuing operations before income taxes	$ 64,554	$ 1,934	$ 4,817	$ (264)	$ (11,274)	$ 3,752	$ (36,639)	$ 26,880
Additions to long-lived assets	$ 41,364	$ —	$ 13,340	$ 47,140	$ 1,188	$ 3,396	$ 14,827	$ 121,255
Total assets at December 31, 2012 (excluding intersegment receivables)	$ 771,140	$ 175,028	$ 302,143	$ 133,864	$ 174,218	$ 94,594	$ 97,192	$ 1,748,179
Equity investments at December 31, 2012	$ 213,404	$ 174,398	$ —	$ —	$ —	$ —	$ —	$ 387,802

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9. SEGMENTS, Continued

	Year Ended December 31, 2011							
	Crude	SemStream	SemCAMS	SemGas	SemLogistics	SemMexico	Corporate and Other	Consolidated
	(in thousands)							
Revenues:								
External	$ 431,321	$ 561,596	$ 163,367	$ 66,660	$ 23,314	$ 218,187	$ 801	$ 1,465,246
Intersegment	—	46,738	—	38,588	—	—	(85,326)	—
Total revenues	431,321	608,334	163,367	105,248	23,314	218,187	(84,525)	1,465,246
Expenses:								
Costs of products sold, exclusive of depreciation and amortization shown below	366,265	595,434	218	75,066	152	192,068	(84,764)	1,144,439
Operating	17,470	6,448	110,814	9,027	6,206	5,006	70	155,041
General and administrative	9,757	7,336	16,816	6,521	6,712	11,560	16,745	75,447
Depreciation and amortization	11,379	3,501	10,233	5,986	9,271	6,502	2,951	49,823
Loss (gain) on disposal or impairment of long-lived assets, net	64	(45,821)	(8)	4	44,663	(200)	1,599	301
Total expenses	404,935	566,898	138,073	96,604	67,004	214,936	(63,399)	1,425,051
Earnings from equity method investments	15,004	—	—	—	—	—	—	15,004
Operating income (loss)	41,390	41,436	25,294	8,644	(43,690)	3,251	(21,126)	55,199
Other expenses (income):								
Interest expense	3,749	17,152	24,685	2,346	1,005	365	10,836	60,138
Other expense (income), net	(1,600)	(2,112)	(2,811)	(10)	46	(173)	(8,329)	(14,989)
Total other expenses	2,149	15,040	21,874	2,336	1,051	192	2,507	45,149
Income (loss) from continuing operations before income taxes	$ 39,241	$ 26,396	$ 3,420	$ 6,308	$ (44,741)	$ 3,059	$ (23,633)	$ 10,050
Additions to long-lived assets	$ 32,397	$ 2,197	$ 4,874	$ 14,952	$ 5,313	$ 4,667	$ 2,080	$ 66,480

Income tax expense (benefit) relates to the following segments (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
SemCAMS	$ 6,348	$ 720	$ 552
SemLogistics	(5,699)	(7,736)	(3,331)
SemMexico	2,589	2,285	629
Corporate and other	(20,492)	2,653	(160)
Total	$ (17,254)	$ (2,078)	$ (2,310)

10. INVENTORIES

Inventories consist of the following (in thousands):

	December 31, 2013	December 31, 2012
Crude oil	$ 30,779	$ 24,840
Asphalt and other	13,516	9,593
Total inventories	$ 44,295	$ 34,433

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11. OTHER ASSETS

Other current assets consist of the following (in thousands):

	December 31, 2013	December 31, 2012
Product prepayments	$ 779	$ 1,550
Other prepaid expenses	4,917	13,593
Margin deposits	838	1,850
Deferred tax asset	7,325	875
Other	152	648
Total other current assets	$ 14,011	$ 18,516

Other noncurrent assets consist of the following (in thousands):

	December 31, 2013	December 31, 2012
Debt issuance costs, net	$ 17,149 *	$ 4,945 *
Deferred tax asset	2,832	—
Other	8,908	3,236
Total other noncurrent assets, net	$ 28,889	$ 8,181

* See Note 16 for discussion of debt issuance costs.

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	December 31, 2013	December 31, 2012
Land	$ 72,484	$ 53,491
Pipelines and related facilities	312,730	206,345
Storage and terminal facilities	281,819	268,738
Natural gas gathering and processing facilities	347,962	280,750
Linefill	14,701	13,158
Office and other property and equipment	65,679	47,679
Construction-in-progress	199,073	75,449
Property, plant and equipment, gross	1,294,448	945,610
Accumulated depreciation	(188,720)	(130,886)
Property, plant and equipment, net	$ 1,105,728	$ 814,724

We recorded depreciation expense of $60.4 million, $46.2 million and $45.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

We include within the cost of property, plant and equipment interest costs incurred while an asset is being constructed. We capitalized $4.3 million and $0.8 million of interest costs during the years ended December 31, 2013 and 2012, respectively.

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13. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill relates to the following segment (in thousands):

	December 31, 2013	December 31, 2012
Crude	$ 28,322	$ —
SemGas	23,839	—
SemMexico	9,860	9,884
Total Goodwill	$ 62,021	$ 9,884

In addition to the amounts in the table above, approximately $82.2 million of our investment in NGL Energy, $8.7 million of our investment in White Cliffs and $31.0 million of our investment in GMP represent equity method goodwill. Equity method goodwill is not amortized and is tested for impairment with the equity method investment in accordance with ASC 323.

As described in Note 3, we test goodwill for impairment annually, or more often if circumstances warrant. To perform these tests, we must determine which asset groups the goodwill relates to (such asset groups are referred to as reporting units). SemMexico represents a separate reporting unit. To estimate the fair value of our SemMexico reporting unit, we used two generally accepted valuation approaches, an income approach and a market approach, using assumptions consistent with a market participant's perspective. Under the income approach, we use a discounted cash flow analysis to determine the estimated fair value of our SemMexico reporting unit. Significant judgments and assumptions including the discount rate, anticipated revenue growth rate and gross margins, estimated operating and interest expense, and capital expenditures are inherent in these fair value estimates, which are based on our operating and capital budgets as well as strategic plans. A significant underlying assumption in our strategic plan is that the Mexican government will continue current spending levels for the maintenance and construction of its national road infrastructure (requiring asphalt). If current spending levels by the Mexican government decreased, the impact would negatively affect our key assumptions and could trigger an impairment. At October 1, 2013, fair value exceeded carrying value by 11.7%.

Under the market approach, we apply multiples to forecasted cash flows from certain guideline public companies in our industry.

For the October 1, 2013 goodwill impairment tests, we developed estimates of cash flows for SemMexico for a period of 18 years, and also developed an estimated terminal value using an assumed 3% growth rate. We discounted the estimated cash flows to present value using a discount rate of 13.0% for SemMexico.

No impairments were indicated for the recently acquired Crude and SemGas goodwill (Note 6).

Changes in goodwill balances during the period from December 31, 2010 to December 31, 2013 are shown below (in thousands):

Balance, December 31, 2010	$ 107,823
Impairments (Note 7)	(47,804)
Contribution of SemStream assets to NGL Energy (Note 7)	(50,071)
Currency translation adjustments	(495)
Balance, December 31, 2011	9,453
Currency translation adjustments	431
Balance, December 31, 2012	9,884
Barcas acquisition (Note 6)	28,322
MMGS acquisition (Note 6)	23,839
Currency translation adjustments	(24)
Balance, December 31, 2013	$ 62,021

For U.S. federal income tax purposes, goodwill is amortized on a straight-line basis over 15 years.

13. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

Other intangible assets

Other intangible assets relate to the following segments (in thousands):

	December 31, 2013	December 31, 2012
Crude	$ 5,775	$ —
SemGas	163,144	—
SemMexico	5,888	7,549
Corporate and other	31	36
Total other intangible assets	$ 174,838	$ 7,585

Changes in other intangible asset balances are shown below (in thousands):

Balance, December 31, 2010	**$ 32,264**
Amortization	(4,664)
Impairment (Note 7)	(5,048)
Contribution of SemStream assets to NGL Energy (Note 7)	(12,408)
Currency translation adjustments	(1,194)
Balance, December 31, 2011	**8,950**
Amortization	(2,017)
Currency translation adjustments	652
Balance, December 31, 2012	**7,585**
Amortization	(6,018)
Barcas acquisition (Note 6)	6,930
MMGS acquisition (Note 6)	166,332
Currency translation adjustments	9
Balance, December 31, 2013	**$ 174,838**

Our other intangible assets consist primarily of customer relationships at our Crude, SemGas and SemMexico segments and unpatented technology of our SemMexico segment, which represented $172.8 million and $1.8 million, respectively, of the balance at December 31, 2013. These assets may be subject to impairments in the future if we are unable to maintain the relationships with the customers to which the assets relate.

We recorded a $6.9 million customer contract intangible asset related to the Barcas acquisition. The intangible is being amortized on a straight-line basis over 24 months. We recorded a $166.3 million customer contract intangible asset related to the MMGS acquisition. The intangible is being amortized on a straight-line basis over 20 years.

We estimate that future amortization of other intangible assets will be as follows (in thousands):

For year ending:	
December 31, 2014	$ 13,113
December 31, 2015	11,687
December 31, 2016	9,164
December 31, 2017	8,996
December 31, 2018	8,863
Thereafter	123,015
Total estimated amortization expense	$ 174,838

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14. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK

Fair value of financial instruments

We record certain financial assets and liabilities at fair value at each balance sheet date. The tables below summarize the balances of these assets and liabilities at December 31, 2013 and 2012 (in thousands):

	December 31, 2013			December 31, 2012		
	Level 1	Netting*	Total	Level 1	Netting*	Total
Assets:						
Commodity derivatives	$ 36	$ (36)	$ —	$ 22	$ (22)	$ —
Total assets	$ 36	$ (36)	$ —	$ 22	$ (22)	$ —
Liabilities:						
Commodity derivatives	$ 96	$ (36)	$ 60	$ 1,056	$ (22)	$ 1,034
Warrants	58,134	—	58,134	32,858	—	32,858
Total liabilities	$ 58,230	$ (36)	$ 58,194	$ 33,914	$ (22)	$ 33,892
Net assets (liabilities) at fair value	$ (58,194)	$ —	$ (58,194)	$ (33,892)	$ —	$ (33,892)

* Relates primarily to exchange traded futures. Gain and loss positions on multiple contracts are settled net on a daily basis with the exchange.

“Level 1” measurements are based on inputs consisting of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. These include commodity futures contracts that are traded on an exchange. These also include common stock warrants (Note 18) which are traded on the New York Stock Exchange.

“Level 2” measurements are based on inputs consisting of market observable and corroborated prices for similar commodity derivative contracts. Assets and liabilities classified as Level 2 include over-the-counter ("OTC") traded forwards contracts and swaps.

“Level 3” measurements were obtained using information from a pricing service and internal valuation models incorporating observable and unobservable market data. These include commodity derivatives, such as forwards and swaps for which there is not a highly liquid market, and therefore are not included in Level 2 above. Level 3 measurements also included common stock warrants until September 2011, when the warrants began to be traded on the New York Stock Exchange. Prior to that point, we used a Black-Scholes pricing model to estimate the fair value of the warrants.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value levels.

The following table summarizes changes in the fair value of our net financial assets (liabilities) classified as Level 3 in the fair value hierarchy (in thousands):

14. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	Year Ended December 31, 2013			Year Ended December 31, 2012			Year Ended December 31, 2011		
	Warrants	Commodity Derivatives	Total	Warrants	Commodity Derivatives	Total	Warrants	Commodity Derivatives	Total
Net assets (liabilities)—beginning balance	$ —	$ —	$ —	$ —	$ —	$ —	$ (17,192)	$ (547)	$ (17,739)
Transfers out of Level 3(*)	—	—	—	—	—	—	8,934	(419)	8,515
Total realized and unrealized gain (loss) included in earnings(**)	—	—	—	—	—	—	8,258	2,783	11,041
Settlements	—	—	—	—	—	—	—	(1,817)	(1,817)
Net assets (liabilities)—ending balance	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Amount of total gain or loss included in earnings for the period attributable to the change in unrealized gain or loss relating to assets and liabilities still held at the reporting date	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(*) In these tables, transfers in and transfers out are recognized as of the beginning of the reporting period for commodity derivatives and as of the transfer date for warrants.

(**) Gains and losses related to commodity derivatives are reported in product revenue. Gains and losses related to warrants are recorded in other expense (income).

Commodity derivative contracts

Our consolidated results of operations and cash flows are impacted by changes in market prices for petroleum products. This exposure to commodity price risk is managed, in part, by entering into various commodity derivatives.

We seek to manage the price risk associated with our marketing operations by limiting our net open positions through (i) the concurrent purchase and sale of like quantities of crude oil to create back-to-back transactions that are intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered or (ii) derivative contracts. Our storage and transportation assets also can be used to mitigate location and time basis risk. All marketing activities are subject to our comprehensive risk management policy, which establishes limits in order to manage risk and mitigate financial exposure.

We contributed the primary operating assets of SemStream to NGL Energy on November 1, 2011, including all of SemStream's commodity derivatives. Prior to November 1, 2011, SemStream managed commodity price risk by limiting its net open positions subject to outright price risk and basis risk resulting from grade, location or time differences. SemStream did so by selling and purchasing similar quantities of natural gas liquids with purchase and sale transactions for current or future delivery, by entering into future delivery and purchase obligations with futures contracts or other commodity derivatives and employing its storage and transportation assets. SemStream at times hedged its natural gas liquids commodity price exposure with derivatives on commodities other than natural gas liquids due to the limited size of the market for natural gas liquids derivatives. In addition, physical transaction sale and purchase strategies were intended to lock in positive margins for SemStream, e.g., the sales price was sufficient to cover purchase costs, any other fixed and variable costs and SemStream's profit. All marketing activities were subject to our risk management policy, which establishes limits to manage risk and mitigate financial exposure.

Our commodity derivatives can be comprised of swaps, future contracts, and forward contracts of crude oil and natural gas liquids. These are defined as follows:

Swaps—Over the counter transactions where a floating price, basis or index is exchanged for a fixed (or a different floating) price, basis, or index at a preset schedule in the future according to an agreed-upon formula.

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14. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

Futures contracts—Exchange traded contracts to buy or sell a commodity. These contracts are standardized by the exchange in terms of quality, quantity, delivery period and location for each commodity.

Forward contracts—Over the counter contracts to buy or sell a commodity at an agreed upon future date. The buyer and seller agree on specific terms (price, quantity, delivery period, and location) and conditions at the inception of the contract.

The following table sets forth the notional quantities for derivative instruments entered into (in thousands of barrels):

	Year Ended December 31, 2013	Year Ended December 31, 2012
Sales	2,595	1,743
Purchases	2,575	1,636

We have not designated any of our commodity derivative instruments as accounting hedges. We record the fair value of our commodity derivative instruments on our consolidated balance sheets in other current assets and other current liabilities in the following amounts (in thousands):

December 31, 2013		December 31, 2012	
Other Current Assets	Other Current Liabilities	Other Current Assets	Other Current Liabilities
$ —	$ 60	$ —	$ 1,034

We have posted margin deposits as collateral with brokers who have the right of set off associated with these funds. Our margin deposit balance was $0.8 million and $1.9 million at December 31, 2013 and 2012, respectively. These margin account balances have not been offset against our net commodity derivative instrument (contract) positions. Had these margin account balances been netted against our net commodity derivative instrument (contract) positions as of December 31, 2013 and 2012, we would have had net asset positions of $0.8 million and $0.8 million, respectively.

Realized and unrealized gains (losses) from our commodity derivatives were recorded to product revenue in the following amounts (in thousands):

Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
$ (1,593)	$ 149	$ 2,153

Interest rate swaps

During February 2011, we entered into interest rate swaps in connection with certain SemLogistics credit facilities. For 2011, the swaps were recorded at fair value in other noncurrent liabilities on the consolidated balance sheet, with changes in the fair value (net of income taxes) recorded to other comprehensive income (loss). The swaps were terminated in March 2012 with a loss on closure of $0.4 million, including a reclass of $0.3 million from accumulated other comprehensive income to earnings.

Concentrations of risk

During the year ended December 31, 2013, one customer of our Crude segment accounted for more than 10% of our consolidated revenue at approximately 17%. At December 31, 2013, one customer of our Crude segment accounted for approximately 16% of our consolidated accounts receivable.

During the year ended December 31, 2012, no individual customer accounted for more than 10% of our consolidated revenue. At December 31, 2012, one customer of the Crude segment accounted for approximately 16% of our consolidated accounts receivable.

During the year ended December 31, 2011, no individual customer accounted for more than 10% of our consolidated revenue.

Assets and liabilities of subsidiaries outside the United States

The following table summarizes the assets and liabilities (excluding affiliate balances) at December 31, 2013 of our subsidiaries outside the United States (in thousands):

14. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	Canada	United Kingdom	Mexico	Total
Cash and cash equivalents	$ 49,221	$ 1,845	$ 11,862	$ 62,928
Other current assets	59,472	2,896	45,751	108,119
Noncurrent assets	212,567	164,094	46,541	423,202
Total assets	$ 321,260	$ 168,835	$ 104,154	$ 594,249
Current liabilities	$ 51,124	$ 1,788	$ 27,450	$ 80,362
Noncurrent liabilities	70,392	21,826	1,865	94,083
Total liabilities	121,516	23,614	29,315	174,445
Net assets	$ 199,744	$ 145,221	$ 74,839	$ 419,804

Employees

At December 31, 2013, we had approximately 890 employees, including approximately 500 employees outside the U.S. Approximately 110 of the employees in Canada and Mexico are represented by labor unions and are subject to collective bargaining agreements governing their employment with us. Of these employees, approximately 60 are subject to collective bargaining agreements that renew annually and 50 have collective bargaining agreements that expire in January 2016. We have never had a labor related work stoppage and believe our employee relations are good.

15. INCOME TAXES

Income tax expense (benefit)

Our consolidated income from continuing operations before income taxes was generated in the following jurisdictions (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
U.S.	$ 40,002	$ 21,498	$ 39,936
Foreign	8,497	5,382	(29,886)
Consolidated	$ 48,499	$ 26,880	$ 10,050

15. INCOME TAXES, Continued

The following table summarizes income tax benefit from continuing operations by jurisdiction (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Current income tax provision:			
Foreign	$ 15,546	$ 9,662	$ 7,427
U.S. federal	2,067	—	—
U.S. state	1,435	74	4
	19,048	9,736	7,431
Deferred income tax provision (benefit):			
Foreign	(10,222)	(12,070)	(7,252)
U.S. federal	(23,756)	222	(2,159)
U.S. state	(2,324)	34	(330)
	(36,302)	(11,814)	(9,741)
Benefit for income taxes	$ (17,254)	$ (2,078)	$ (2,310)

The following table reconciles income tax benefit at the U.S. federal statutory rate to the consolidated benefit for income taxes (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Income from continuing operations before income taxes	$ 48,499	$ 26,880	$ 10,050
U.S. federal statutory rate	35%	35%	35%
Provision at statutory rate	16,975	9,408	3,518
State income taxes—net of federal benefit	(577)	71	(221)
Effect of rates other than statutory	(1,041)	(829)	(1,360)
Effect of U.S. taxation on foreign branches	2,974	1,883	(10,460)
Foreign tax adjustment, prior years	4,533	—	—
Impairment of goodwill	—	—	15,745
Warrants	24,625	—	—
Noncontrolling interest	(6,096)	(3,429)	—
Foreign tax credit and offset to branch deferreds	(2,876)	(12,360)	9,339
Impact of valuation allowance on deferred tax assets	(53,218)	6,233	(16,421)
Other, net	(2,553)	(3,055)	(2,450)
Benefit for income taxes	$ (17,254)	$ (2,078)	$ (2,310)

For the years ended December 31, 2013, 2012, and 2011, the foreign subsidiaries are disregarded entities for U.S. federal income tax purposes. The foreign earnings are taxed in foreign jurisdictions as well as in the U.S. Foreign tax credits, subject to limitations, are available to reduce U.S. taxes.

Deferred tax positions

Deferred income taxes reflect the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. Significant components of deferred tax assets and liabilities are as follows at December 31, 2013 and 2012 (in thousands):

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15. INCOME TAXES, Continued

	December 31, 2013	December 31, 2012
Deferred tax assets:		
Net operating loss and other credit carryforwards	$ 9,498	$ 47,910
Compensation and benefits	7,991	1,573
Inventories	118	96
Intangible assets	44,444	52,444
Pension plan	2,849	3,384
Allowance for doubtful accounts	2,140	2,507
Deferred revenue	5,910	3,925
Foreign tax credit and offset to branch deferreds	95,435	92,559
Other	8,243	16,046
less: valuation allowance	(95,438)	(155,757)
Net deferred tax assets	81,190	64,687
Deferred tax liabilities:		
Intangible assets	(6,927)	(8,952)
Prepaid expenses	(153)	(150)
Property, plant and equipment	(113,030)	(78,413)
Equity investment in partnerships	(49,720)	(36,749)
Other	(1,471)	(5,876)
Total deferred tax liabilities	(171,301)	(130,140)
Net deferred tax liabilities	$ (90,111)	$ (65,453)

At December 31, 2013, we had a cumulative U.S. federal net operating loss of approximately $10.9 million that can be carried forward to apply against taxable income generated in future years. This carry forward begins to expire in 2031. We had cumulative U.S. state net operating losses of approximately $40.0 million available for carryforward, which begin to expire in 2014. We had a foreign net operating loss of $16.1 million available for indefinite carry forward. We had foreign tax credits of approximately $44.6 million available for carry forward, which begin to expire in 2020.

Due to our emergence from bankruptcy and overall restructuring, we recorded a full valuation allowance on all U.S. federal and state deferred tax assets in all prior periods. Deferred tax assets are reduced by a valuation allowance when a determination is made that it is more likely than not that some or all of the deferred tax assets will not be realized based on the weight of all available evidence. Evidence which is objectively verifiable carries a higher weight in the analysis. The ultimate realization of deferred tax assets is dependent upon the existence of sufficient taxable income of the appropriate character within the carryback and carryforward period available under the tax law. Sources of taxable income include future reversals of existing taxable temporary differences, future earnings and available tax planning strategies.

In 2013, we recorded a discrete tax benefit for the partial release of our valuation allowance. Gain recognition for tax purposes on the contribution of a one-third interest in SCPL to Rose Rock as disclosed in Note 4 had a material impact to the available positive and objectively verifiable evidence for the first quarter and combined with other factors resulted in the change in our assessment of recoverability of the deferred tax assets. Under ASC 740, such evidence was not considered in the valuation allowance at December 31, 2012 due to fundamentals of the transaction which remained subject to market influence until closed. We did not release the valuation allowance attributable to a small portion of our state net operating loss carryforwards which have shorter carryover periods. We have not released the valuation allowance on the foreign tax credits due to the foreign tax credit limitation and the relative subjectivity of forecasts of the relational magnitude of U.S. and foreign taxable income in future periods as well as the shorter carryover period available for the credits. The valuation allowance decreased by $60.3 million during the year. The net change was primarily related to a decrease caused by the recognition of discrete tax benefits for our federal and state net operating

15. INCOME TAXES, Continued

losses totaling $52.5 million and a net increase of $2.9 million for Foreign tax credits and offset to branch deferreds and a decrease of $10.7 million primarily related to the reclassification of prior warrant expense as non-deductible for tax.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns and determined that no accruals related to uncertainty in tax positions are required. All income tax years of the Company ending after the Emergence Date remain open for examination in all jurisdictions. In foreign jurisdictions, all tax years within the relevant statute of limitations for periods prior to the Emergence Date remain open for examination. Currently, there are no examinations in progress for our federal and state jurisdictions. Canada Revenue Agency has initiated an income tax audit of SemCAMS ULC for the tax year 2009 which remains in progress. We have recorded $4.5 million current tax expense related to the audit for prior periods. The tax results from a tax election in the pre-emergence period which was not timely filed. No other foreign jurisdictions are currently under audit.

16. LONG-TERM DEBT

Our long-term debt consisted of the following (in thousands):

	December 31, 2013	December 31, 2012
SemGroup 7.50% senior unsecured notes	$ 300,000	$ —
SemGroup corporate revolving credit facility	70,000	201,500
Rose Rock credit facility	245,000	4,500
SemLogistics credit facility	—	—
SemMexico credit facility	—	—
Capital leases	125	86
Total long-term debt	615,125	206,086
less: current portion of long-term debt	37	24
Noncurrent portion of long-term debt	$ 615,088	$ 206,062

SemGroup senior unsecured notes

On June 14, 2013, we completed an offering of $300 million of 7.50% senior unsecured notes due 2021 (the “Notes”) to certain initial purchasers for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and to non-U.S. persons outside the United States pursuant to Regulation S of the Securities Act. The Notes are guaranteed by certain of our subsidiaries: SemGas, L.P., SemCanada, L.P., SemCanada II, L.P., SemMaterials, L.P., SemGroup Europe Holding, L.L.C., SemOperating G.P., L.L.C., SemMexico, L.L.C., SemDevelopment, L.L.C., Rose Rock Midstream Holdings, LLC, Wattenberg Holding, LLC, Glass Mountain Holding, LLC and Mid-America Midstream Gas Services, L.L.C. (collectively, the "Guarantors").

The net proceeds from the offering were $294.0 million, after underwriters' fees. We used the net proceeds from the offering to (i) fund a portion of our acquisition on August 1, 2013, of all the outstanding equity interests in Mid-America Midstream Gas Services, L.L.C., a subsidiary of Chesapeake Energy Corporation, and (ii) during the second quarter of 2013, repay amounts borrowed under our revolving credit facility.

The Notes are governed by an indenture, as supplemented, between the Company and its subsidiary Guarantors and Wilmington Trust, N.A., as trustee (the “Indenture”). The Indenture includes customary covenants, including limitations on our ability to incur additional indebtedness or issue certain preferred shares; pay dividends and make certain distributions, investments and other restricted payments; create certain liens; sell assets; enter into transactions with affiliates; enter into sale and lease-back transactions; merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and designate our subsidiaries as unrestricted under the Indenture.

The Indenture includes customary events of default, including events of default relating to non-payment of principal and other amounts owing from time to time, failure to provide required reports, failure to comply with agreements in the indenture, cross payment-defaults to any material indebtedness, bankruptcy and insolvency events, certain unsatisfied judgments, and invalidation or cessation of the subsidiary guarantee of a significant subsidiary. A default would permit holders to declare the Notes and accrued interest due and payable.

16. LONG-TERM DEBT, Continued

The Notes are effectively subordinated in right of payment to any of our, and the Guarantors', existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness and are structurally subordinated to the obligations of any subsidiary that is not a guarantor of the Notes.

The Company may issue additional Notes under the Indenture from time to time, subject to the terms of the Indenture.

Except as described below, the Notes are not redeemable at the Company's option prior to June 15, 2016. From and after June 15, 2016, the Company may redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if redeemed during the twelve-month period beginning on June 15 of each of the years indicated below:

Year	Percentage
2016	105.625%
2017	103.750%
2018	101.875%
2019 and thereafter	100.000%

Prior to June 15, 2016, the Company may, at its option, on one or more occasions, redeem up to 35% of the sum of the original aggregate principal amount of the Notes at a redemption price equal to 107.500% of the aggregate principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of one or more equity offerings of the Company, subject to certain conditions.

Prior to June 15, 2016, the Company may also redeem all or part of the Notes at a price equal to the principal plus a premium equal to the greater of 1% of the principal or the excess of the present value of the June 15, 2016 redemption price from the table above plus all required interest payments due through June 15, 2016, computed using a discount rate based on a published United States Treasury Rate plus 50 basis points, over the principal value of such Note.

In the event of a change of control, the Company is required to offer to repurchase the Notes at an amount equal to 101% of the principal plus accrued and unpaid interest.

In accordance with a Registration Rights Agreement, in December 2013 the Company filed a registration statement with the SEC, which was declared effective by the SEC on January 2, 2014, so that holders of the Notes could exchange the Notes and related guarantees for registered notes (the "Exchange Notes") and guarantees that have substantially identical terms as the Notes and related guarantees. An exchange offer was commenced on January 3, 2014 and expired on February 4, 2014. All of the Notes were exchanged. The guarantees of the Exchange Notes are full and unconditional and constitute the joint and several obligations of the Guarantors.

Interest on the Notes is payable in arrears on June 15th and December 15th to holders of record on June 1st and December 1st each year until maturity. For the year ended December 31, 2013, we incurred $12.7 million of interest expense related to the Notes including the amortization of debt issuance costs. At December 31, 2013, we had $6.2 million of unamortized debt issuance costs related to the Notes included in other noncurrent assets on our consolidated balance sheet.

At December 31, 2013, we were in compliance with the terms of the Notes.

SemGroup corporate credit agreement

Our revolving credit facility has a capacity of $500 million at December 31, 2013. This capacity may be used either for cash borrowings or letters of credit, although the maximum letter of credit capacity is $250 million. At December 31, 2013, we had outstanding cash borrowings of $70.0 million on this facility and outstanding letters of credit of $4.0 million. During 2013, the credit agreement was amended to (i) permit the increase of the revolving commitments under the credit agreement by an aggregate amount of $300 million subject to the satisfaction of certain conditions, (ii) extend the availability period of the revolving commitments, and the maturity date of the extensions of credit thereunder, to December 11, 2018, (iii) reduce the interest rate payable in respect of the revolving and term commitments and (iv) modify the commitment fees payable in respect of revolving commitments. Earlier principal payments may be required if we enter into certain transactions to sell assets or obtain new borrowings. We have the right to make additional principal payments without incurring any penalties for early repayment.

16. LONG-TERM DEBT, Continued

Interest on revolving credit cash borrowings is charged at either a Eurodollar rate or an alternate base rate ("ABR"), at our election. The Eurodollar rate is calculated as:

- the London Interbank Offered Rate ("LIBOR") for U.S. dollar deposits adjusted for currency requirements; plus
- a margin that can range from 2.0% to 3.25%, depending on a leverage ratio specified in the agreement.

The ABR is calculated as:

- the greater of i) the U.S. Prime Rate, ii) the Federal Funds Effective Rate plus 0.5%, or iii) one-month LIBOR plus 1%; plus
- a margin that can range from 1.0% to 2.25%, depending on a leverage ratio specified in the agreement.

At December 31, 2013, there was $70.0 million of outstanding revolving cash borrowings of which $30.0 million incurred interest at the ABR and $40.0 million incurred interest at the Eurodollar rate. The interest rate in effect at December 31, 2013 on the $30.0 million of alternate base rate borrowings was 4.75%, calculated as the prime rate of 3.25% plus a margin of 1.5%. The interest rate in effect at December 31, 2013 on the $40 million of Eurodollar rate borrowings was 2.66%, calculated as the LIBOR of 0.16% plus a margin of 2.5%.

At each interest payment date, we have the option of electing whether interest will be charged at the Eurodollar rate or at the ABR for the following interest period. If we elect the ABR, the following interest payment date will be at the end of the calendar quarter. If we elect the Eurodollar rate, we may elect for the next interest payment date to occur after one, two, three, or six months, or any other period acceptable to the lenders.

Fees are charged on any outstanding letters of credit at a rate that ranges from 2.0% to 3.25%, depending on a leverage ratio specified in the credit agreement. At December 31, 2013, the rate in effect was 2.5%. In addition, a fronting fee of 0.25% is charged on outstanding letters of credit. A commitment fee that ranges from 0.375% to 0.5%, depending on a leverage ratio defined in the credit agreement, is charged on any unused capacity on the revolving credit facility. In addition, we are charged an annual administrative fee of $0.1 million. At December 31, 2013, we had unamortized capitalized loan fees of $6.2 million net of accumulated amortization, which was recorded in other noncurrent assets and is being amortized over the life of the agreement.

We recorded interest expense related to the revolving credit facility of $7.7 million, $6.9 million and $2.8 million for the years ended December 31, 2013, 2012 and 2011, respectively, including amortization of capitalized loan fees.

The credit agreement includes customary affirmative and negative covenants, including limitations on the creation of new indebtedness, liens, sale and lease-back transactions, new investments, making fundamental changes including mergers and consolidations, making of dividends and other distributions, making material changes in our business, modifying certain documents and maintenance of a consolidated leverage ratio and an interest coverage ratio. In addition, the credit agreement prohibits any commodity transactions that are not permitted by our comprehensive risk management policy.

The credit agreement includes customary events of default, including events of default relating to non-payment of principal and other amounts owing under the credit agreement from time to time, including in respect of letter of credit disbursement obligations, inaccuracy of representations and warranties in any material respect when made or when deemed made, violation of covenants, cross payment-defaults to any material indebtedness, cross acceleration to any material indebtedness, bankruptcy and insolvency events, the occurrence of a change of control, certain unsatisfied judgments, certain ERISA events, certain environmental matters and certain assertions of or actual invalidity of certain loan documents. A default under the credit agreement would permit the participating banks to terminate commitments, require immediate repayment of any outstanding loans with interest and any unpaid accrued fees, and require the cash collateralization of outstanding letter of credit obligations.

The terms of our current credit facility restrict, to some extent, the payment of cash dividends on our common stock. The credit agreement is guaranteed by all of our material domestic subsidiaries (except for Rose Rock and its general partner and subsidiaries) and secured by a lien on substantially all of our property and assets, subject to customary exceptions.

At December 31, 2013, we were in compliance with the terms of the credit agreement.

16. LONG-TERM DEBT, Continued

Previous SemGroup Corporation term loan and revolving credit facilities

Pursuant to the Plan of Reorganization, on November 30, 2009, we entered into a revolving credit facility and a term loan. We retired these facilities in June 2011 upon entering into a new credit agreement (described above). The revolving credit facility included capacity for cash borrowings and letters of credit.

We paid $27 million in fees to the lenders at the inception of the agreement, which we recorded in other noncurrent assets and amortized over the life of the agreement.

Interest on revolving cash borrowings was charged at a floating rate, which was calculated as 5.5% plus whichever of the following yielded the highest rate: a) the Federal Funds Effective Rate plus 0.5%; b) the Prime Rate; c) the three-month LIBOR rate plus 1.5%, or d) 2.5%. In addition, a facility fee of $0.4 million was charged each year.

The facility included a fee that was payable at maturity. Interest was charged on this fee at a floating rate, which was calculated as 7.0% plus the greater of LIBOR or 1.5%.

Certain of the letters of credit were prefunded. Fees were charged on this prefunded tranche at a range of 7.0% to 8.5%. Fees on additional outstanding letters of credit were charged at a rate of 7.0%.

Fees ranging from 1.5% to 2.5% were charged on any lender commitments that we did not utilize.

Interest was charged on the term loan at a rate of 9%. We had the option under certain circumstances to defer interest on the term loan; when we selected this option, interest was charged during that period at a rate of 11%.

We recorded interest expense related to these facilities of $39.3 million during the year ended December 31, 2011. These facilities were retired in 2011, as described above. Included in interest expense was the amortization of debt issuance costs of $22.2 million for the year ended December 31, 2011, which included a $17.4 million write-down due to the refinancing of the credit facility.

Rose Rock credit facility

On November 10, 2011, our subsidiary Rose Rock entered into a senior secured revolving credit facility agreement. This credit facility became effective upon completion of the Rose Rock IPO on December 14, 2011. Subsequent to amendments in 2013, this credit agreement provides for a revolving credit facility of $585 million and includes a $150 million sub-limit for letters of credit. The credit agreement was amended to extend the agreement to September 20, 2018 and permit the increase of the facility by not more than $200 million, subject to certain conditions. The amended agreement allows Rose Rock to incur unsecured or subordinated debt without limitation, subject to certain conditions, and provides alternative financial performance covenants at Rose Rock's election after the issuance of $200 million or more unsecured or subordinated debt, in aggregate. Additionally, the interest rate and commitment fees related to the revolving facility were lowered.

At Rose Rock’s option, amounts borrowed under the credit agreement will bear interest at either the Eurodollar rate or an ABR, plus, in each case, an applicable margin. The applicable margin will range from 1.75% to 3.00% in the case of a Eurodollar rate loan, and from 0.75% to 2.00% in the case of an ABR loan, in each case, based on a leverage ratio specified in the credit agreement. At December 31, 2013, we had outstanding cash borrowings of $245.0 million which incurred interest at the ABR plus an applicable margin. The interest rate at December 31, 2013 was 1.92%.

Fees are charged on any outstanding letters of credit at a rate that ranges from 1.75% to 3.00%, depending on a leverage ratio specified in the credit agreement. At December 31, 2013, there were $34.5 million in outstanding letters of credit, and the rate in effect was 1.75%. In addition, a fronting fee of 0.25% is charged on outstanding letters of credit.

A commitment fee that ranges from 0.375% to 0.50%, depending on a leverage ratio specified in the credit agreement, is charged on any unused capacity of the revolving credit facility. In addition, we are charged an annual administrative fee of $0.1 million. The credit facility also allows for the use of Secured Bilateral Letters of Credit, which are issued external to the credit facility and do not reduce revolver availability. At December 31, 2013, we had $61.3 million of Bilateral Letters of Credit outstanding and the interest rate in effect was 1.75%.

At December 31, 2013, we had $4.8 million in capitalized loan fees, net of accumulated amortization, which is recorded in other noncurrent assets and is being amortized over the life of the agreement.

We recorded interest expense related to this facility of $7.2 million, $1.9 million and $0.1 million for the years ended December 31, 2013, 2012 and 2011, respectively, including amortization of debt issuance costs.

16. LONG-TERM DEBT, Continued

The credit agreement includes customary representations and warranties and affirmative and negative covenants. The covenants in the agreement include limitations on creation of new indebtedness and liens, entry into sale and lease-back transactions, investments, and fundamental changes including mergers and consolidations, dividends and other distributions, material changes in Rose Rock's business and modifying certain documents. In addition, the agreement prohibits any commodity transactions that are not permitted by Rose Rock's comprehensive risk management policy.

Additionally, the agreement requires Rose Rock to maintain a minimum ratio of consolidated EBITDA to consolidated cash interest expense at the end of any fiscal quarter, for the immediately preceding four quarter period, of 2.50 to 1.00 and a maximum ratio of consolidated net debt to consolidated EBITDA at the end of any fiscal quarter, for the immediately preceding four quarter period, of 5.00 to 1.00 (or 5.50 to 1.00 during a temporary period from the date of funding of the purchase price of certain acquisitions (as described in the credit facility) until the last day of the third fiscal quarter following such acquisitions).

Upon the initial incurrence of at least $200 million of unsecured debt, Rose Rock will have a one-time option to elect to comply with the ratio of consolidated EBITDA to consolidated cash interest expense and the ratio of consolidated net debt to consolidated EBITDA as detailed above or the following alternative covenants:

- a minimum ratio of consolidated EBITDA to consolidated cash interest expense at the end of any fiscal quarter, for the immediately preceding four quarter period, of 2.50 to 1.00;
- a maximum ratio of consolidated net debt to consolidated EBITDA at the end of any fiscal quarter, for the immediately preceding four quarter period, of 5.50 to 1.00; and
- a maximum ratio of senior secured debt to consolidated EBITDA of 3.50 to 1.00.

The credit agreement includes customary events of default, including events of default relating to non-payment of principal and other amounts owing under the agreement from time to time, including in respect of letter of credit disbursement obligations, inaccuracy of representations and warranties in any material respect when made or when deemed made, violation of covenants, cross payment-defaults of Rose Rock and its restricted subsidiaries to any material indebtedness, cross acceleration to any material indebtedness, bankruptcy and insolvency events, the occurrence of a change of control, certain unsatisfied judgments, certain ERISA events, certain environmental matters and certain assertions of or actual invalidity of certain loan documents. A default under the Rose Rock credit agreement would permit the participating banks to terminate commitments, require immediate repayment of any outstanding loans with interest and any unpaid accrued fees, and require the cash collateralization of outstanding letter of credit obligations.

The credit agreement restricts Rose Rock's ability to make certain types of payments relating to its units, including the declaration or payment of cash distributions; provided that Rose Rock may make quarterly distributions of available cash so long as no default under the agreement then exists or would result therefrom. The agreement is:

- guaranteed by all of Rose Rock's material domestic subsidiaries; and
- secured by a lien on substantially all of the property and assets of Rose Rock and the guarantors, subject to customary exceptions.

At December 31, 2013, we were in compliance with the terms of the credit agreement.

SemLogistics credit facilities

SemLogistics entered into a credit agreement in December 2010, which included a £15 million term loan and a £15 million revolving credit facility (U.S. $24.7 million each, at the December 31, 2013 exchange rate). This facility was terminated in March 2012.

SemLogistics recorded interest expense of $1.4 million and $1.0 million for the years ended December 31, 2012 and 2011, respectively, including amortization of debt issuance costs.

During February 2011, we entered into three interest swap agreements. The intent of the swaps was to offset a portion of the variability in interest payments due under the term loan. These swaps were terminated in March 2012 with a loss on closure of $0.4 million, including a reclass of $0.3 million from accumulated other comprehensive income to earnings.

16. LONG-TERM DEBT, Continued

SemMexico facilities

During 2013, SemMexico renewed a credit agreement that allows SemMexico to borrow up to 56 million Mexican pesos (U.S. $4.3 million at the December 31, 2013 exchange rate) at any time during the term of the facility, which matures in July 2014. Borrowings are unsecured and bear interest at the bank prime rate in Mexico plus 1.7%. At December 31, 2013, there were no outstanding borrowings on this facility.

On June 13, 2012, SemMexico entered into a revolving credit agreement that allows SemMexico to borrow up to 44 million Mexican pesos (U.S. $3.4 million at the December 31, 2013 exchange rate) at any time during the term of the facility, which matures in June 2015. Borrowings are unsecured and bear interest at the bank prime rate in Mexico plus 2.0%. At December 31, 2013, there were no outstanding borrowings on this facility.

During 2011, SemMexico entered into a credit agreement that allowed SemMexico to borrow up to 56 million Mexican pesos (U.S. $4.3 million at the December 31, 2013 exchange rate) at any time during the term of the facility. This facility matured in August 2012. Borrowings were unsecured and bore interest at the bank prime rate in Mexico plus 1.7%.

During 2010, SemMexico entered into a credit agreement that allowed SemMexico to borrow up to 80 million Mexican pesos (U.S. $6.1 million at the December 31, 2013 exchange rate) at any time through June 2011. Borrowings on this facility were required to be repaid with monthly payments through May 2013.

SemMexico also has outstanding letters of credit of 292.8 million Mexican pesos at December 31, 2013 (U.S. $22.4 million). Fees are generally charged on outstanding letters of credit at a rate of 0.5% .

SemMexico recorded interest expense of $0.2 million, $0.4 million and $0.4 million during the years ended December 31, 2013, 2012 and 2011, respectively, related to these facilities.

At December 31, 2013, we were in compliance with the terms of these facilities.

Scheduled principal payments

The following table summarizes the scheduled principal payments as of December 31, 2013 (in thousands). As described above, our credit agreements require accelerated principal payments under certain circumstances. As a result, principal payments may occur earlier than shown in the table below.

	7.50% Senior Unsecured Notes	SemGroup Facility	Rose Rock Facility	SemMexico Facility	Capital Leases	Total
For the year ended:						
December 31, 2014	$ —	$ —	$ —	$ —	$ 37	$ 37
December 31, 2015	—	—	—	—	39	39
December 31, 2016	—	—	—	—	21	21
December 31, 2017	—	—	—	—	15	15
December 31, 2018	—	70,000	245,000	—	13	315,013
Thereafter	300,000	—	—	—	—	300,000
Total	$ 300,000	$ 70,000	$ 245,000	$ —	$ 125	$ 615,125

Fair value

The fair value of our 7.5% senior unsecured notes was $317 million at December 31, 2013, based on unadjusted, transacted market prices, which is categorized as a Level 1 measurement. We estimate that the fair value of our other long-term debt was not materially different than the recorded values at December 31, 2013. It is our belief that neither the market interest rates nor our credit profile have changed significantly enough to have had a material impact on the fair value of our other debt outstanding at December 31, 2013. This estimate is categorized as a Level 3 measurement.

17. COMMITMENTS AND CONTINGENCIES

Bankruptcy matters

(a) Confirmation order appeals

Luke Oil appeal. On October 21, 2009, Luke Oil Company, C&S Oil/Cross Properties, Inc., Wayne Thomas Oil and Gas and William R. Earnhardt Company (collectively, "Luke Oil") filed an objection to the Plan of Reorganization "to the extent that the Plan of Reorganization may alter, impair, or otherwise adversely affect Luke Oil's legal rights or other interests." On October 28, 2009, the bankruptcy court overruled the Luke Oil objection and entered the confirmation order. On November 6, 2009, Luke Oil filed a Notice of Appeal. On December 23, 2009, Luke Oil's appeal was docketed in the United States District Court for the District of Delaware. We filed a motion to dismiss the appeal as equitably moot. On May 21, 2012, the District Court entered an order granting our motion to dismiss Luke Oil's appeal of the confirmation order. On June 18, 2012, Luke Oil filed its Notice of Appeal, notifying the District Court and the parties to the lawsuit that it was appealing the decision of the District Court to the United States Court of Appeals for the Third Circuit. On August 27, 2013, the United States Court of Appeals for the Third Circuit issued an opinion, and on September 18, 2013 issued a judgment, reversing the District Court's dismissal of the confirmation order and remanding the case to the District Court for consideration on the merits of Luke Oil's appeal of the confirmation order. On January 28, 2014, the parties reached agreement to settle all outstanding disputes. Once the written settlement agreement is finalized and executed, the Appeal will be dismissed and the parties will release each other from all claims and causes of action.

(b) Investigations

Around the time of our predecessor's bankruptcy filings, several governmental agencies launched investigations regarding the circumstances of the filings. The mandate and scope of these investigations were very broad and the investigations are ongoing.

Bankruptcy examiner. On October 14, 2008, the bankruptcy court appointed an examiner to (i) investigate the circumstances surrounding our predecessor's trading strategy prior to bankruptcy filings; (ii) investigate the circumstances surrounding certain insider transactions and the formation of SemGroup Energy Partners L.P. (a former subsidiary); (iii) investigate the circumstances surrounding the potential improper use of borrowed funds and funds generated from operations and the liquidation of assets to satisfy margin calls related to our predecessor's trading strategy and that of certain entities owned or controlled by former officers and directors of the general partner of SemGroup, L.P.; (iv) determine whether any directors, officers or employees of the general partner of SemGroup, L.P. participated in fraud, dishonesty, incompetence, misconduct, mismanagement, or irregularity in the management of our affairs; and (v) determine whether the SemGroup debtor estates have causes of action against current or former officers, directors, or employees of the general partner of SemGroup, L.P. arising from such participation. The examiner's report was filed with the bankruptcy court on April 15, 2009.

Certain current and prior employees of the general partner of SemGroup, L.P. are referenced in the examiner's report and the report's conclusions may suggest possible civil or criminal liability on their part. To the extent such claims exist, they are property of a litigation trust that was established for the benefit of pre-petition creditors pursuant to the Plan of Reorganization, and are not property of the reorganized SemGroup Corporation. This litigation trust is pursuing claims against certain former officers, at its own expense. We may incur expenses, which are not expected to be material, related to information and document requests of the litigation trust related to such claims. Any indemnification obligations to such officers by SemGroup, L.P. were discharged under the Plan of Reorganization.

CFTC. On June 19, 2008, we received a request for voluntary production from the Commodity Futures Trading Commission ("CFTC"). Subsequent to the bankruptcy filings, the CFTC sent other requests for voluntary production. The CFTC has also served subpoenas upon us requiring us to produce various documents and for the depositions of our representatives. We continue to comply with the CFTC's requests. We are unaware of any currently pending formal charges against us by the CFTC.

17. COMMITMENTS AND CONTINGENCIES, Continued

(c) Claims reconciliation process

A large number of parties have made claims against us for obligations alleged to have been incurred prior to our predecessor's bankruptcy filing. On September 15, 2010, the bankruptcy court entered an order estimating the contingent, unliquidated and disputed claims and authorizing distributions to holders of allowed claims. Pursuant to that order we have begun making distributions to the claimants. We continue to attempt to settle unresolved claims.

Pursuant to the Plan of Reorganization, we committed to settle authorized and allowed bankruptcy claims by paying a specified amount of cash, issuing a specified number of warrants, and issuing a specified number of shares of SemGroup Corporation common stock. We do not believe the resolution of the remaining outstanding claims will exceed the total amount of consideration established under the Plan of Reorganization for all claimants; instead, the resolution of the remaining claims in some cases will impact the relative share of the established pool of common stock and warrants that certain claimants receive.

However, under certain circumstances we could be required to pay additional funds to settle the specified group of claims to be settled with cash. Pursuant to the Plan of Reorganization, a specified amount of restricted cash was set aside at the Emergence Date, which we expect to be sufficient to settle this group of claims. Since the Emergence Date, we have made significant progress in resolving these claims, and we continue to believe that the cash set aside at the Emergence Date will be sufficient to settle these claims. However, we have not yet reached a resolution of all of these claims, and if the total settlement amount of all of these claims exceeds the specified amount, we will be required to pay additional funds to satisfy the total settlement amount for this specified group of claims. If this were to become probable of occurring, we would be required to record a liability and a corresponding expense.

Blueknight claim

Blueknight Energy Partners, L.P. (“Blueknight”), which was formerly a subsidiary of SemGroup, together with other entities related to Blueknight, entered into a Shared Services Agreement on April 7, 2009, with SemCrude, L.P., now known as Rose Rock Midstream Crude, L.P. (“SemCrude”) and SemManagement, L.L.C. (which are currently subsidiaries of SemGroup). The services provided by SemCrude to Blueknight under this agreement included assisting Blueknight with movement of crude oil belonging to Blueknight’s customers and with the operation of Blueknight’s Oklahoma pipeline system and its Cushing, Oklahoma terminal. Under the subsequent amendments to the agreements beginning in May 2010, certain of these services were phased out, and Blueknight began to perform all services necessary for the movement of its crude oil and the operation of its Cushing terminal without SemCrude’s assistance.

In a letter dated August 18, 2011, Blueknight claimed that SemCrude owes Blueknight approximately 141,000 barrels of crude oil. We responded to Blueknight’s letter denying their charges and requesting documentation from Blueknight of its claim. On February 14, 2012, after months of interaction between the parties through which Blueknight was requested to substantiate its claim, Blueknight filed suit against SemCrude and other related companies in the District Court of Oklahoma County, Oklahoma. On May 1, 2012, the case was transferred to Tulsa County, Oklahoma. On July 2, 2012, the Tulsa County District Court appointed a Special Master to review terminal operations accounting records and determine whether 141,000 barrels of crude oil owned by Blueknight is missing after three months of operations in April through June, 2010. On June 11, 2013, the Special Master’s Report was filed with the District Court finding a shortage in Blueknight’s Cushing terminal and Oklahoma pipeline system of 148,000 barrels. However, after a review of all records created during that three month time period, the Special Master was unable to determine how the shortage might have occurred and was unable to determine the ownership of the potential shortage.

We are currently seeking discovery in the District Court of documentation and testimony on the potential cause and the impact, if any, of the shortage found by the Special Master. Blueknight is resisting discovery and has asked for summary judgment against SemCrude and the other defendants for the entire terminal and pipeline system shortage. On February 20, 2014, the Court overruled all requests for summary judgment and ordered Blueknight to allow SemGroup to take further discovery. We will continue to defend our position; however, we cannot predict the outcome.

17. COMMITMENTS AND CONTINGENCIES, Continued

Environmental

We may from time to time experience leaks of petroleum products from our facilities, as a result of which we may incur remediation obligations or property damage claims. In addition, we are subject to numerous environmental regulations. Failure to comply with these regulations could result in the assessment of fines or penalties by regulatory authorities.

The Kansas Department of Health and Environment ("the KDHE") initiated discussions during our bankruptcy proceeding regarding six of our sites in Kansas (five owned by Crude and one owned by SemGas) that KDHE believes, based on their historical use, may have soil or groundwater contamination in excess of state standards. KDHE sought our agreement to undertake assessments of these sites to determine whether they are contaminated. We reached an agreement with KDHE on this matter and entered into a Consent Agreement and Final Order with KDHE to conduct environmental assessments on the sites and to pay KDHE's costs associated with their oversight of this matter. We have conducted phase II investigations at all sites and results indicate that four of the sites have limited amounts of soil contamination that will require remediation and ground water contamination that may require further delineation and/or ongoing monitoring. Work plans have been submitted to, and approved by, the KDHE. We do not anticipate any penalties or fines for these historical sites. Remediation costs are expected to be immaterial.

A water pipeline break occurred at a SemCAMS facility during August 2010. This resulted in a spill of material that was predominantly salt water containing a small amount of hydrocarbons. The incident was investigated by Environment Canada and Alberta Environment. On February 14, 2012, charges were filed against SemCAMS by the Federal Government of Canada (Department of Fisheries) and the Province of Alberta (Alberta Environment) in connection with this incident. On June 4, 2013, the Federal and Provincial Crown Prosecutors submitted a settlement offer consisting of approximately $400 thousand in fines and a guilty plea on two counts. Following negotiation with the prosecutors, on December 23, 2013, SemCAMS appeared in the Alberta Provincial Court and pled guilty to one count under the Fisheries Act and one count under provincial environmental legislation and agreed to pay a fine of $350 thousand (CAD). This matter is now settled.

Other matters

We are party to various other claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of our management, the ultimate resolution of these claims, legal actions, and complaints, after consideration of amounts accrued, insurance coverage, and other arrangements, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, the outcome of such matters is inherently uncertain, and estimates of our consolidated liabilities may change materially as circumstances develop.

Asset retirement obligations

We will be required to incur significant removal and restoration costs when we retire our natural gas gathering and processing facilities in Canada. We have recorded a liability associated with these obligations, which is reported within other noncurrent liabilities on the consolidated balance sheets. The following table summarizes the changes in this liability from December 31, 2010 through December 31, 2013 (in thousands):

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17. COMMITMENTS AND CONTINGENCIES, Continued

Balance at December 31, 2010	$	32,884
Accretion		4,114
Payments made		(341)
Currency translation adjustments		(771)
Balance at December 31, 2011		35,886
Accretion		4,554
Payments made		(1,169)
Currency translation adjustments		834
Balance at December 31, 2012		40,105
Accretion		4,752
Payments made		(808)
Currency translation adjustments		(2,864)
Balance at December 31, 2013	$	41,185

The December 31, 2013 liability was calculated using the $100.9 million cost we estimate we would incur to retire these facilities, discounted based on our risk-adjusted cost of borrowing and the estimated timing of remediation.

The calculation of the liability for an asset retirement obligation requires the use of significant estimates, including those related to the length of time before the assets will be retired, cost inflation over the assumed life of the assets, actual remediation activities to be required, and the rate at which such obligations should be discounted. Future changes in these estimates could result in material changes in the value of the recorded liability. In addition, future changes in laws or regulations could require us to record additional asset retirement obligations. The $100.9 million estimated cost represents only our proportionate share of the obligations associated with these facilities. An additional $41.7 million of estimated costs are attributable to third-party owners' proportionate share of the obligations. If an owner fails to perform on its obligations, the other owners (including SemGroup) could be obligated to bear that party's share of the remediation costs.

Our other segments may also be subject to removal and restoration costs upon retirement of their facilities. However, we are unable to predict when, or if, our pipelines, storage tanks and other facilities would become completely obsolete and require decommissioning. Accordingly, we have not recorded a liability or corresponding asset, as both the amount and timing of such potential future costs are indeterminable.

Operating leases

We have entered into operating lease agreements for office space, office equipment, land, trucks and tank storage. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2013 are as follows (in thousands):

For year ending:		
December 31, 2014	$	8,618
December 31, 2015		8,890
December 31, 2016		8,752
December 31, 2017		6,737
December 31, 2018		2,785
Thereafter		6,213
Total future minimum lease payments	$	41,995

We recorded lease and rental expenses of $11.4 million, $8.4 million and $9.4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

17. COMMITMENTS AND CONTINGENCIES, Continued

Purchase and sale commitments

We routinely enter into agreements to purchase and sell petroleum products at specified future dates. We account for these commitments as normal purchases and sales, and therefore we do not record assets or liabilities related to these agreements until the product is purchased or sold. At December 31, 2013, such commitments included the following (in thousands):

	Volume (barrels)		Value
Fixed price purchases	337	$	30,767
Fixed price sales	397	$	38,311
Floating price purchases	14,610	$	1,432,982
Floating price sales	15,785	$	1,458,312

Certain of the commitments shown in the table above relate to agreements to purchase product from a counterparty and to sell a similar amount of product (in a different location) to the same counterparty. Many of the commitments shown in the table above are cancellable by either party, as long as notice is given within the time frame specified in the agreement (generally 30 to 120 days).

Our SemGas segment has a take or pay contractual obligation related to the fractionation of natural gas liquids. This obligation began in July 2011 and continues through June 2023, subsequent to the extension of the agreement in the second quarter of 2013. At December 31, 2013, approximately $25.8 thousand was due under the contract and the amount of future obligation is approximately $87.3 million. SemGas also enters into contracts under which we are responsible for marketing the majority of the gas and natural gas liquids produced by the counterparties to the agreements. The majority of SemGas' revenues were generated from such contracts.

See Note 5 for capital commitments related to Glass Mountain Pipeline and the White Cliffs expansion project.

18. EQUITY

Common stock

Upon emergence from bankruptcy, we issued 40,882,496 shares of common stock. The Plan of Reorganization specified that we were to issue an additional 517,500 shares of common stock in settlement of pre-petition claims. As of December 31, 2013, we have issued 228,309 shares of this stock and will issue the remainder as the process of resolving the claims progresses. The owners' equity balances on the consolidated balance sheets include the shares that are required to be issued in settlement of pre-petition claims. The shares of common stock reflected on the consolidated balance sheet at December 31, 2013 are summarized below:

Shares issued on Emergence Date		40,882,496
Shares subsequently issued in settlement of pre-petition claims		228,309
Remaining shares required to be issued in settlement of pre-petition claims		289,191
Issuance of shares under employee and director compensation programs (*)		691,570
Shares issued upon exercise of warrants (**)		441,325
Total shares		42,532,891
Par value per share	$	0.01
Common stock on December 31, 2013 balance sheet (in thousands)	$	425

(*) These shares include 107,988 shares which vested during the year ended December 31, 2013. Of these vested shares, recipients sold back to the Company 8,591 shares to satisfy tax withholding obligations which are being recognized at cost as treasury stock on the consolidated balance sheet.

(**) These shares include 425,618 shares issued during the year ended December 31, 2013.

In addition to the shares in the table above, there are shares of unvested restricted stock outstanding at December 31, 2013. The par value of these shares has not yet been reflected in common stock on the consolidated balance sheet, as these

18. EQUITY, Continued

shares have not yet vested. There are also shares of restricted stock that were returned to treasury upon forfeiture. The par value of these shares is not reflected in the consolidated balance sheet, as no accounting recognition is given to forfeited shares.

The common stock includes Class A and Class B stock. Class A stock is eligible to be listed on an exchange, whereas Class B stock is not. Any share of Class B stock may be converted to Class A at the election of the holder. Both classes of stock have full voting rights. Both classes of stock have a par value of $0.01 per share. The total common stock outstanding at December 31, 2013 and 2012 includes 28,235 shares of Class B stock. The total number of shares authorized for issuance is 90,000,000 shares of Class A stock and 10,000,000 shares of Class B stock.

Warrants

Upon emergence from bankruptcy protection, we issued 1,634,210 warrants. The Plan of Reorganization specified that we were to issue an additional 544,737 warrants in settlement of the pre-petition claims. As of December 31, 2013, we have issued 240,310 of the warrants and will issue the remainder as the process of resolving the claims progresses. Beginning September 2011, the warrants began trading on the New York Stock Exchange under the ticker symbol, SEMGWS. The warrants reflected on the consolidated balance sheet at December 31, 2013 are summarized below:

Warrants issued on Emergence Date		1,634,210
Warrants subsequently issued in settlement of pre-petition claims		240,310
Remaining warrants to be issued in settlement of pre-petition claims		304,427
Warrants exercised		(818,124)
Total warrants at December 31, 2013		1,360,823
Fair value per warrant at December 31, 2013	$	42.72
Warrant liability on December 31, 2013 consolidated balance sheet (in thousands)	$	58,134

Each warrant entitles the holder to purchase one share of common stock for $25 at any time before the November 30, 2014 expiration date. Upon exercise, a holder may elect a cashless exercise, whereby the number of shares to be issued to the holder is reduced, in lieu of a cash payment. In the event of a change in control of the Company, the holders of the warrants would have the right to sell the warrants to us, and we would have the right to purchase the warrants from the holders. In either case, the price to be paid for the warrants would be calculated using a standard pricing model with inputs specified in the warrant agreement.

Dividends

We began paying a quarterly cash dividend in the second quarter of 2013. The following table sets forth the quarterly dividends per share declared and paid to shareholders for the periods indicated:

Quarter Ending		Dividend Per Share	Date Declared	Date of Record	Date Paid
June 30, 2013	$	0.19	May 8, 2013	May 20, 2013	May 30, 2013
September 30, 2013	$	0.20	August 8, 2013	August 19, 2013	August 30, 2013
December 31, 2013	$	0.21	November 11, 2013	November 22, 2013	December 3, 2013
March 31, 2014	$	0.22	February 25, 2014	March 10, 2014	March 20, 2014

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19. EARNINGS PER SHARE

The following summarizes the calculation of basic earnings per share for the years ended December 31, 2013, 2012 and 2011 (in thousands, except per share amounts):

	Year Ended December 31, 2013		
	Continuing Operations	Discontinued Operations	Net
Income	$ 65,753	$ 59	$ 65,812
less: Income attributable to noncontrolling interest	17,710	—	17,710
Numerator	$ 48,043	$ 59	$ 48,102
Common stock issued and to be issued pursuant to Plan of Reorganization	41,400	41,400	41,400
Weighted average common stock outstanding issued under compensation plans and warrant exercises	939	939	939
Denominator	42,339	42,339	42,339
Basic earnings per share	$ 1.13	$ 0.00	$ 1.14

	Year Ended December 31, 2012		
	Continuing Operations	Discontinued Operations	Net
Income	$ 28,958	$ 2,939	$ 31,897
less: Income attributable to noncontrolling interest	9,797	—	9,797
Numerator	$ 19,161	$ 2,939	$ 22,100
Common stock issued and to be issued pursuant to Plan of Reorganization	41,400	41,400	41,400
Weighted average common stock outstanding issued under compensation plans and warrant exercises	539	539	539
Denominator	41,939	41,939	41,939
Basic earnings per share	$ 0.46	$ 0.07	$ 0.53

	Year Ended December 31, 2011		
	Continuing Operations	Discontinued Operations	Net
Income (loss)	$ 12,360	$ (9,548)	$ 2,812
less: Income attributable to noncontrolling interest	435	—	435
Numerator	$ 11,925	$ (9,548)	$ 2,377
Common stock issued and to be issued pursuant to Plan of Reorganization	41,400	41,400	41,400
Weighted average common stock outstanding issued under compensation plans	240	240	240
Denominator	41,640	41,640	41,640
Basic earnings (loss) per share	$ 0.29	$ (0.23)	$ 0.06

The following summarizes the calculation of diluted earnings per share for the years ended December 31, 2013, 2012 and 2011 (in thousands, except per share amounts):

SEMGROUP CORPORATION
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19. EARNINGS PER SHARE, Continued

	Year Ended December 31, 2013		
	Continuing Operations	Discontinued Operations	Net
Income	$ 65,753	$ 59	$ 65,812
less: Income attributable to noncontrolling interest	17,710	—	17,710
Numerator	$ 48,043	$ 59	$ 48,102
Common stock issued and to be issued pursuant to Plan of Reorganization	41,400	41,400	41,400
Weighted average common stock outstanding issued under compensation plans and warrant exercise	939	939	939
Effect of dilutive securities	307	307	307
Denominator	42,646	42,646	42,646
Diluted earnings per share	$ 1.13	$ 0.00	$ 1.13

	Year Ended December 31, 2012		
	Continuing Operations	Discontinued Operations	Net
Income	$ 28,958	$ 2,939	$ 31,897
less: Income attributable to noncontrolling interest	9,797	—	9,797
Numerator	$ 19,161	$ 2,939	$ 22,100
Common stock issued and to be issued pursuant to Plan of Reorganization	41,400	41,400	41,400
Weighted average common stock outstanding issued under compensation plans and warrant exercises	539	539	539
Effect of dilutive securities	315	315	315
Denominator	42,254	42,254	42,254
Diluted earnings per share	$ 0.45	$ 0.07	$ 0.52

	Year Ended December 31, 2011		
	Continuing Operations	Discontinued Operations	Net
Income (loss)	$ 12,360	$ (9,548)	$ 2,812
less: Income attributable to noncontrolling interest	435	—	435
less: Income resulting from change in fair value of warrants	5,012	—	5,012
Numerator	$ 6,913	$ (9,548)	$ (2,635)
Common stock issued and to be issued pursuant to Plan of Reorganization	41,400	41,400	41,400
Weighted average common stock outstanding issued under compensation plans	240	240	240
Denominator	41,640	41,640	41,640
Diluted earnings (loss) per share	$ 0.17	$ (0.23)	$ (0.06)

For the years ended December 31, 2013 and December 31, 2012, we recorded a loss on the change in the fair value of the warrants; because of this, the warrants did not cause any dilution for that period. For the year ended December 31, 2011, we recorded a gain on the change in the fair value of the warrants of $5.0 million.

On January 1, 2014, we issued 75,942 shares of common stock upon the vesting of certain grants of restricted stock and restricted stock units. These shares are not reflected in the shares of common stock shown in the tables above.

20. EQUITY-BASED COMPENSATION

SemGroup Corporation equity awards

We have reserved a total of 2,781,635 shares of common stock for issuance pursuant to employee and director compensation programs. These awards give the recipients the right to receive shares of common stock, once specified service or performance related vesting conditions are met. The awards typically have one year vesting period for non-management directors and three years for employees. We record expense for these awards (and corresponding increases to additional paid-in capital) based on the grant date fair value of the awards. Although these awards are to be settled in shares, we may elect to give participants the option of settling a portion of the awards in cash, to meet statutory minimum tax withholding requirements. The activity related to these awards is summarized below:

	Unvested Shares	Average Grant Date Fair Value(*)
Outstanding at December 31, 2010	502,902	$ 25.00
Awards granted - 2011 (**)	173,982	$ 28.90
Awards vested - 2011	(201,361)	$ 25.00
Awards forfeited - 2011	(65,017)	$ 25.36
Outstanding at December 31, 2011	410,506	$ 26.59
Awards granted - 2012 (**)	246,432	$ 27.81
Awards vested - 2012	(162,986)	$ 25.20
Award forfeited - 2012	(43,400)	$ 27.74
Outstanding at December 31, 2012	450,552	$ 26.87
Awards granted - 2013 (**)	201,451	$ 52.78
Awards vested - 2013	(107,988)	$ 25.71
Award forfeited - 2013	(13,412)	$ 32.36
Outstanding at December 31, 2013	530,603	$ 36.80

(*) The grant date fair value of awards issued prior to our listing on the New York Stock Exchange was estimated at $25 per share, which was the per share reorganization value of the Company. Subsequent to our listing, the grant date fair value is determined based on the closing price on the New York Stock Exchange on the date of issue.

(**) For certain of the awards granted in 2013, 2012 and 2011, the number of shares that will vest is contingent upon our achievement of certain specified targets. Awards with performance conditions are valued based on the grant date closing price on the New York Stock Exchange assuming that 100% of the awards will vest. Awards with market conditions are valued using Monte Carlo simulations. Market awards issued in 2013 were valued using blended volatility of 28.9%, comprised of 50% historical volatility and 50% implied volatility and a risk-free rate based on the three-year United States Treasury spot rate on the grant date. If we meet the specified maximum targets, approximately 74 thousand, 41 thousand and 26 thousand additional shares could vest related to the 2013, 2012 and 2011 awards, respectively.

The following table, which includes potential shares from specified targets, assuming maximum achievement (as discussed above), summarizes the scheduled vesting of awards that have been granted as of December 31, 2013:

Year ended December 31, 2014	165,980	shares
Year ended December 31, 2015	244,912	shares
Year ended December 31, 2016	260,898	shares

During the month of January 2014, 75,942 of these awards vested.

The awards may be subject to accelerated vesting in the event of involuntary terminations.

The holders of certain restricted stock awards granted prior to 2013 are entitled to equivalent dividends (“UDs”) to be received upon vesting of the restricted stock awards. The dividends will be settled in common shares based on the market price of our Class A shares as of the close of business on the vesting date. The UDs are subject to the same forfeiture and acceleration conditions as the associated restricted stock awards. At December 31, 2013, the value of the UDs related to

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Notes to Consolidated Financial Statements

20. EQUITY-BASED COMPENSATION, Continued

unvested restricted stock awards was approximately $120 thousand. This is equivalent to 1,839 Class A shares based on the year end close of business market price of our Class A shares of $65.23 per share. Dividends related to the 2013 restricted stock awards will be settled in cash upon vesting.

Compensation costs expensed for the years ended December 31, 2013, 2012 and 2011 were $6.5 million, $6.2 million and $5.4 million, respectively. As of December 31, 2013, there was $10.3 million of total unrecognized compensation cost related to our nonvested awards, which is expected to be recognized over a weighted-average period of 17 months.

Rose Rock Midstream L.P. equity-based compensation

Certain of our employees who support Rose Rock participate in Rose Rock's equity-based compensation program. Awards under this program generally represent awards of restricted common units representing limited partner interests of Rose Rock, which are typically subject to three year vesting periods. Vesting of these awards dilutes our ownership interest and requires additional equity contributions to Rose Rock to maintain our 2% general partner interest. The activity related to these awards is summarized below:

	Unvested Units	Average Grant Date Fair Value
Outstanding at December 31, 2011	—	$ —
Awards granted - 2012	46,069	$ 21.97
Awards vested - 2012	—	$ —
Awards forfeited - 2012	(2,109)	$ 20.60
Outstanding at December 31, 2012	43,960	$ 21.91
Awards granted - 2013	49,104	$ 34.41
Awards vested - 2013	(9,333)	$ 27.25
Awards forfeited - 2013	(783)	$ 34.40
Outstanding at December 31, 2013	82,948	$ 28.59

The following table summarizes the scheduled vesting of awards that have been granted as of December 31, 2013:

Year ended December 31, 2014	5,712	common units
Year ended December 31, 2015	34,627	common units
Year ended December 31, 2016	42,609	common units

Expense of $0.8 million and $0.3 million related to these awards was recorded for the years ended December 31, 2013 and 2012, respectively, and represents an increase in noncontrolling interests in consolidated subsidiaries. As of December 31, 2013, there was $1.5 million of total unrecognized compensation cost related to the nonvested awards, which is expected to be recognized over a weighted-average period of 19 months.

The holders of certain of these restricted unit awards granted prior to 2013 are entitled to equivalent distributions ("Unvested Unit Distributions" or "UUD's") to be received upon vesting of the restricted unit awards. The distributions will be settled in common units based on the market price of Rose Rock's limited partner common units as of the close of business on the vesting date. The UUD's are subject to the same forfeiture and acceleration conditions as the associated restricted units. For the year ended December 31, 2013, 406 UUDs were issued upon the vesting of these restricted units. At December 31, 2013, the value of the UUD's was approximately $101 thousand. This is equivalent to approximately 2,617 common units based on the year end close of business market price of Rose Rock's common units of $38.70 per unit. Holders of restricted units granted in 2013 are entitled to received distributions made during the vesting period in cash upon vesting.

20. EQUITY-BASED COMPENSATION, Continued

Retention Awards

During June 2010, we granted retention awards to certain officers and employees, which were scheduled to vest in December 2011, contingent on the continued service of the recipients. Each award had a specified value that was payable either in cash or in shares of SemGroup stock.

We recorded $2.4 million of expense during 2011 related to these retention awards. Upon vesting during 2011, we settled awards with a value of $1.2 million by paying cash, and we settled awards with a value of $3.2 million by issuing 125,212 shares of common stock.

21. EMPLOYEE BENEFIT PLANS

Defined contribution plans

We sponsor defined contribution retirement plans in which the majority of employees are eligible to participate. Our contributions to the defined contribution plans were $1.1 million, $0.9 million, and $1.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Pension plans

We sponsor a defined benefit pension plan and a supplemental defined benefit pension plan (collectively, the “Pension Plans”) for certain employees of the SemCAMS segment hired before June 30, 2001. The following table shows the projected benefit obligations and plan assets of the Pension Plans (in thousands):

	December 31, 2013	December 31, 2012
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 28,357	$ 26,767
Service cost	577	596
Interest cost	1,047	1,134
Actuarial (gains) losses	(3,022)	1,436
Benefits paid	(968)	(2,193)
Currency translation adjustment	(1,955)	617
Projected benefit obligation at end of year	24,036	28,357
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	22,727	21,008
Employer contributions	1,144	1,297
Actual return on plan assets	4,397	2,123
Benefits paid	(968)	(2,193)
Currency translation adjustment	(1,718)	492
Fair value of plan assets at end of year	25,582	22,727
Funded status:	$ 1,546	$ (5,630)
Accumulated benefit obligation at end of year	$ 22,687	$ 26,725

The following table sets forth the assumptions used to determine the projected benefit obligation of the Pension Plans for the periods indicated:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Discount rate	4.70%	3.90%
Compensation increase rate	3.50%	3.50%

21. EMPLOYEE BENEFIT PLANS, Continued

We recorded other noncurrent assets of $1.5 million at December 31, 2013, and other noncurrent liabilities of $5.6 million at December 31, 2012, to reflect the funded status of the Pension Plans. We recorded changes in the funded status of the Pension Plans to other comprehensive income (loss), net of income taxes. These amounts were a gain of $4.8 million for the year ended December 31, 2013 and losses of $0.4 million and $1.7 million for the years ended December 31, 2012, and 2011, respectively.

The following table summarizes the components of the net periodic benefit cost related to the Pension Plans (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Service cost	$ 577	$ 596	$ 742
Interest cost	1,047	1,134	1,494
Expected return on plan assets	(1,298)	(1,263)	(1,585)
Settlement loss	—	(55)	703
Other	186	118	—
Net periodic benefit cost	$ 512	$ 530	$ 1,354

The following table sets forth the assumptions used to determine net periodic benefit cost related to the Pension Plans for the periods indicated:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Discount rate	3.90%	4.25%	5.25%
Expected long-term rate of return on plan assets	6.00%	6.00%	6.75%
Compensation increase rate	3.50%	3.50%	3.50%

The expected return on plan assets is determined annually based upon a review of the historical returns experienced, combined with the general economic industry outlook.

We estimate that benefit payments from the Pension Plans will be as follows for the years 2014 – 2023 (in thousands):

Year	Estimated Benefit Payments
2014	$ 1,636
2015	$ 1,826
2016	$ 1,999
2017	$ 2,039
2018	$ 1,808
2019 - 2023	$ 8,732

We estimate that we will make contributions of $1.0 million to the Pension Plans during the year ended December 31, 2014.

Substantially all of the plan's assets are invested in pooled funds that hold highly-liquid securities. The value of each share of a pooled fund is calculated based on the quoted market prices of the assets held by the fund. The following table shows the value of each category of plan assets at December 31, 2013 and 2012 and the target investment allocation under our investment policy at December 31, 2013:

21. EMPLOYEE BENEFIT PLANS, Continued

	Asset Value at December 31, 2013 (in thousands)	Asset Value at December 31, 2012 (in thousands)	Actual Allocation at December 31, 2013	Normal Allocation Per Investment Policy	Minimum Allocation Per Investment Policy	Maximum Allocation Per Investment Policy
Cash and cash equivalents	$ 171	$ —	0.7%	—%	0.0%	10.0%
Pooled funds—fixed income	8,381	8,018	32.8%	40.0%	32.5%	47.5%
Pooled funds—Canadian equities	8,324	7,391	32.5%	30.0%	22.5%	37.5%
Pooled funds—non-Canadian equities	8,706	7,318	34.0%	30.0%	22.5%	37.5%
Total	$ 25,582	$ 22,727				

Our investment policy for plan assets permits investments in a wide variety of assets, including certain types of derivatives. Our policy prohibits investments of plan assets in certain types of assets, including commodities, mineral rights and collectibles. Our investment policy requires us to maintain an investment allocation within the ranges shown in the table above, and also contains more specific requirements that are designed to achieve an appropriate level of diversification.

The following information discloses the fair values of our Pension Plan assets, by asset category, for the periods indicated (in thousands):

	December 31, 2013			December 31, 2012		
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 171	$ —	$ —	$ —	$ —	$ —
Fixed income mutual funds (a)	—	8,381	—	—	8,018	—
Equity mutual funds (a)	—	17,030	—	—	14,709	—
Total	$ 171	$ 25,411	$ —	$ —	$ 22,727	$ —

(a) Mutual funds are valued daily in actively traded markets by an independent custodian for the investment manager. For purposes of calculating the value, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on a basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services. Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services.

Retiree medical plan

We sponsor an unfunded, post-employment health benefit plan (the “Health Plan”) for certain employees of the SemCAMS segment. The projected benefit obligation related to the Health Plan was $1.6 million at December 31, 2013 and $1.8 million at December 31, 2012, and is reported within other noncurrent liabilities on the consolidated balance sheets.

Termination benefits

The laws in Canada, the United Kingdom and Mexico require us to pay certain benefits to employees if their employment is terminated without cause. We recorded $0.4 million of expense during 2011 for termination benefits related to the wind-down of certain operations of SemCanada Crude.

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22. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents changes in the components of accumulated other comprehensive income (loss) (in thousands):

	Currency Translation	Employee Benefit Plans	Interest Rate Swaps	Total
Balance, December 31, 2010	$ 2,295	$ (1,180)	$ —	$ 1,115
Currency translation adjustment	(13,075)	—	—	(13,075)
Changes related to interest rate swaps, net of income tax benefit of $74	—	—	(284)	(284)
Changes related to benefit plans, net of income tax benefit of $553	—	(1,631)	—	(1,631)
Balance, December 31, 2011	(10,780)	(2,811)	(284)	(13,875)
Currency translation adjustment, net of income tax expense of $1,168	12,635	—	—	12,635
Settlement of interest rate swaps	—	—	284	284
Changes related to benefit plans, net of income tax benefit of $117	—	(343)	—	(343)
Balance, December 31, 2012	1,855	(3,154)	—	(1,299)
Currency translation adjustment, net of income tax benefit of $3,993	(6,363)	—	—	(6,363)
Changes related to benefit plans, net of income tax expense of $1,603	—	4,808	—	4,808
Balance, December 31, 2013	$ (4,508)	$ 1,654	$ —	$ (2,854)

23. SUPPLEMENTAL CASH FLOW INFORMATION

Operating assets and liabilities

The following table summarizes the changes in the components of operating assets and liabilities (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Decrease (increase) in restricted cash	$ 29,467	$ 4,907	$ 25,827
Decrease (increase) in accounts receivable	11,172	(129,102)	28,568
Decrease (increase) in receivable from affiliates	(61,095)	230	(6,071)
Decrease (increase) in inventories	(11,352)	(936)	(8,908)
Decrease (increase) in derivatives and margin deposits	1,012	(1,245)	14,287
Decrease (increase) in other current assets	9,361	4,197	(7,214)
Decrease (increase) in other assets	137	2,467	(1,874)
Increase (decrease) in accounts payable and accrued liabilities	31,030	114,776	(9,446)
Increase (decrease) in payable to affiliates	62,279	(6,871)	6,614
Increase (decrease) in payables to pre-petition creditors	(29,609)	(5,206)	(34,490)
Increase (decrease) in other noncurrent liabilities	(2,541)	2,500	4,115
	$ 39,861	$ (14,283)	$ 11,408

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23. SUPPLEMENTAL CASH FLOW INFORMATION, Continued

Non-cash transactions

On November 1, 2011, we contributed certain assets and liabilities to NGL Energy in return for cash and ownership interests in NGL Energy and its general partner. The assets and liabilities we contributed are summarized in Note 7.

In 2013, we recorded a $180.2 million reduction to noncontrolling interests in consolidated subsidiaries and an offsetting increase to additional paid-in capital of $112.9 million (net of tax impact of $67.3 million). This non-cash entry represents the portion of the proceeds in excess of historical cost which were attributed to Rose Rock's third-party unitholders related to Rose Rock's purchase of a two-thirds interest in SCPL (Note 4).

During the year ended December 31, 2013, we issued 425,618 shares of Class A common stock related to the exercise of warrants resulting in the non-cash reclassification of $21.4 million from other noncurrent liabilities to common stock and additional paid-in capital. Cash proceeds of $0.2 million were received in connection with the warrant exercises.

Other supplemental disclosures

We paid cash for interest totaling $23.9 million, $8.0 million and $32.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

We paid cash for income taxes (net of refunds received) in the amount of $13.9 million, $11.4 million and $10.1 million during the years ended December 31, 2013, 2012 and 2011, respectively.

We accrued $10.1 million, $1.6 million and $4.0 million at December 31, 2013, 2012 and 2011, respectively, for purchases of property, plant and equipment.

24. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized information on our consolidated results of operations for the quarters during the year ended December 31, 2013 is shown below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$ 287,696	$ 324,244	$ 357,748	$ 457,328	$ 1,427,016
Loss (gain) on disposal of long-lived assets, net	(162)	(376)	408	(109)	(239)
Other operating costs and expenses	282,813	312,103	344,979	448,796	1,388,691
Total expenses	282,651	311,727	345,387	448,687	1,388,452
Earnings from equity method investments	17,345	14,861	7,483	12,788	52,477
Gain on issuance of common units by equity method investee	—	—	—	26,873	26,873
Operating income	22,390	27,378	19,844	48,302	117,914
Other expenses, net	27,862	10,613	13,294	17,646	69,415
Income (loss) from continuing operations before income taxes	(5,472)	16,765	6,550	30,656	48,499
Income tax expense (benefit)	(54,006)	9,288	3,413	24,051	(17,254)
Income from continuing operations	48,534	7,477	3,137	6,605	65,753
Income (loss) from discontinued operations, net of income taxes	32	35	(2)	(6)	59
Net income	48,566	7,512	3,135	6,599	65,812
Less: net income attributable to noncontrolling interests	5,143	3,943	5,054	3,319	17,710
Net income (loss) attributable to SemGroup	$ 43,423	$ 3,569	$ (1,919)	$ 3,280	$ 48,102
Earnings (loss) per share—basic	$ 1.03	$ 0.08	$ (0.05)	$ 0.08	$ 1.14
Earnings (loss) per share—diluted	$ 1.03	$ 0.08	$ (0.05)	$ 0.08	$ 1.13

Summarized information on our consolidated results of operations for the quarters during the year ended December 31, 2012 is shown below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$ 312,031	$ 331,777	$ 277,852	$ 315,837	$ 1,237,497
Loss (gain) on disposal of long-lived assets, net	—	119	(3,615)	(35)	(3,531)
Other operating costs and expenses	311,067	330,768	270,958	306,920	1,219,713
Total expenses	311,067	330,887	267,343	306,885	1,216,182
Earnings from equity method investments	7,498	12,289	3,116	13,133	36,036
Operating income	8,462	13,179	13,625	22,085	57,351
Other expenses, net	7,616	5,587	11,701	5,567	30,471

Income from continuing operations before income taxes	846	7,592	1,924	16,518	26,880
Income tax expense (benefit)	(1,012)	(92)	2,092	(3,066)	(2,078)
Income (loss) from continuing operations	1,858	7,684	(168)	19,584	28,958
Income (loss) from discontinued operations, net of income taxes	252	(441)	(264)	3,392	2,939
Net income (loss)	2,110	7,243	(432)	22,976	31,897
Less: net income attributable to noncontrolling interests	3,483	2,096	2,336	1,882	9,797
Net income (loss) attributable to SemGroup	$ (1,373)	$ 5,147	$ (2,768)	$ 21,094	$ 22,100
Earnings (loss) per share—basic	$ (0.03)	$ 0.12	$ (0.07)	$ 0.50	$ 0.53
Earnings (loss) per share—diluted	$ (0.03)	$ 0.12	$ (0.07)	$ 0.50	$ 0.52

In the third quarter of 2012, we classified SemStream Arizona's residential business as discontinued operations. Prior periods were recast to reflect the discontinued operations classification. See Notes 7 and 8 for additional information.

25. RELATED PARTY TRANSACTIONS

NGL Energy

As described in Note 5, we own interests in NGL Energy, which we account for under the equity method.

During the years ended December 31, 2013, 2012 and 2011 we purchased condensate and propane from and sold natural gas liquids to NGL Energy. During the years ended December 31, 2013, 2012 and 2011 we received payments from NGL Energy for transition services and certain on-going services. The amounts were as follows for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues	$ 103,203	$ 58,643	$ 9,708
Purchases	$ 15,255	$ 42,741	$ 11,270
Reimbursements from NGL Energy for services	$ 198	$ 575	$ 346

25. RELATED PARTY TRANSACTIONS, Continued

High Sierra Crude Oil and Marketing, LLC

We generated revenues from High Sierra Crude Oil and Marketing, LLC ("High Sierra"), which is a subsidiary of NGL Energy, of $132.8 million and $42.6 million for the years ended December 31, 2013 and 2012, respectively. Purchases from High Sierra were $102.2 million and $44.4 million for the years ended December 31, 2013 and 2012, respectively. Transactions with High Sierra primarily relate to transportation and marketing of crude oil and condensate. In accordance with ASC 845-10-15, these transactions were reported as revenue on a net basis in our consolidated statements of operations and comprehensive income (loss) as the purchases of inventory and subsequent sales of the inventory were with the same counterparty.

White Cliffs

We generated approximately $2.9 million, $2.5 million and $2.2 million of revenue from services we provided to White Cliffs during the years ended December 31, 2013, 2012 and 2011, respectively.

Glass Mountain

As described in Note 5, in April 2012, we formed a joint venture, Glass Mountain, to construct, maintain and operate a 210-mile crude oil pipeline system originating in Alva and Arnett, Oklahoma and terminating at Cushing, Oklahoma. In connection with the pipeline project, Glass Mountain entered into a Pipeline Construction Management Agreement with Glass Mountain Holding, LLC (“GMH”), a wholly-owned subsidiary of SemGroup. The Pipeline Construction Management Agreement appoints GMH as construction manager of the pipeline project for which GMH received $0.9 million prorated over the period of construction. For the years ended December 31, 2013 and 2012, Glass Mountain paid $0.5 million and $0.4 million, respectively, to GMH pursuant to this agreement.

Gavilon, LLC

In December 2013, our equity method investee, NGL Energy, announced the acquisition of Gavilon, LLC ("Gavilon"). Through the acquisition, NGL Energy acquired the 50% interest in Glass Mountain held by Gavilon. We generated sales to Gavilon of $560.4 million for the year ended December 31, 2013. Purchases from Gavilon were $552.1 million for the year ended December 31, 2013. Transactions with Gavilon primarily relate to leased storage and transportation services of crude oil, including buy/sell transactions. In accordance with ASC 845-10-15, buy/sell transactions were reported as revenue on a net basis in our consolidated statements of operations and comprehensive income (loss) as the purchases of inventory and subsequent sales of the inventory were with the same counterparty.

Legal Services

The law firm of Conner & Winters, LLP, of which Mark D. Berman is a partner, performs legal services for us. Mr. Berman is the spouse of Candice L. Cheeseman, General Counsel and Secretary. Mr. Berman does not perform any legal services for us. SemGroup paid $1.9 million, $1.7 million and $1.8 million in legal fees and related expenses to this law firm during the years ended December 31, 2013, 2012 and 2011, respectively (of which $0.2 million, $0.1 million and $0.2 million was paid by White Cliffs, respectively).

26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS

On June 14, 2013, we completed an offering of $300 million of 7.50% senior unsecured notes due 2021 (the “Notes”) to certain initial purchasers for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and to non-U.S. persons outside the United States pursuant to Regulation S of the Securities Act. The Notes are guaranteed by certain of our subsidiaries as follows: SemGas, L.P., SemCanada, L.P., SemCanada II, L.P., SemMaterials, L.P., SemGroup Europe Holding, L.L.C., SemOperating G.P., L.L.C., SemMexico, L.L.C., SemDevelopment, L.L.C., Rose Rock Midstream Holdings, LLC, Wattenberg Holding, LLC, Glass Mountain Holding, LLC and Mid-America Midstream Gas Services, L.L.C. (collectively, the "Guarantors").

In accordance with a Registration Rights Agreement, in December 2013 the Company filed a registration statement with the SEC, which was declared effective on January 2, 2014, so that holders of the Notes could exchange the Notes and related guarantees for registered notes (the "Exchange Notes") and guarantees that have substantially identical terms as the Notes and related guarantees. An exchange offer was commenced on January 3, 2014 and expired on February 4, 2014. All of the Notes were exchanged. The guarantees of the Exchange Notes are full and unconditional and constitute the joint and several obligations of the Guarantors.

Each of the Guarantors is 100% owned by SemGroup Corporation (the "Parent"). There are no significant restrictions upon the ability of the Parent or any of the Guarantors to obtain funds from its respective subsidiaries by dividend or loan. None of the assets of the Guarantors represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act.

Condensed consolidating financial statements for the Parent, the Guarantors and non-guarantors as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 is as follows (in thousands).

Intercompany receivable and payable balances, including notes receivable and payable, are capital transactions primarily to facilitate the capital needs of our subsidiaries. As such, subsidiary intercompany balances have been reported as a reduction to equity on the condensed consolidating Guarantor balance sheets. The Parent's net intercompany balance, including note receivable, and investments in subsidiaries have been reported in equity method investments on the condensed consolidating Guarantor balance sheets. Intercompany transactions, such as daily cash management activities, have been reported as financing activities within the condensed consolidating Guarantor statements of cash flows. Quarterly cash distributions from Rose Rock representing a return on capital have been included in the Parent's cash flows from operations. Dispositions of the Parent's investments in subsidiaries have been treated as investing activities in the cash flow statement, consistent with the presentation of investments in subsidiaries as equity method investments. These balances are eliminated through consolidating adjustments below.

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26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Balance Sheets

	December 31, 2013				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2,545	$ —	$ 78,364	$ (1,558)	$ 79,351
Restricted cash	3,851	—	1,268	—	5,119
Accounts receivable	649	14,642	308,674	—	323,965
Receivable from affiliates	1,519	14,063	56,040	(4,349)	67,273
Inventories	—	1,046	43,249	—	44,295
Other current assets	8,712	193	5,106	—	14,011
Total current assets	17,276	29,944	492,701	(5,907)	534,014
Property, plant and equipment	4,114	366,067	735,547	—	1,105,728
Equity method investments	1,511,922	461,056	159,321	(1,567,175)	565,124
Goodwill	—	23,839	38,182	—	62,021
Other intangible assets	31	163,144	11,663	—	174,838
Other noncurrent assets, net	15,263	1,302	12,324	—	28,889
Total assets	$ 1,548,606	$ 1,045,352	$ 1,449,738	$ (1,573,082)	$ 2,470,614
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 1,172	$ 24,234	$ 229,061	$ —	$ 254,467
Payable to affiliates	17	115	67,062	(4,915)	62,279
Accrued liabilities	10,072	17,341	56,011	5	83,429
Payables to pre-petition creditors	3,124	—	53	—	3,177
Deferred revenue	—	—	25,538	—	25,538
Other current liabilities	61,875	715	7,697	—	70,287
Current portion of long-term debt	—	—	37	—	37
Total current liabilities	76,260	42,405	385,459	(4,910)	499,214
Long-term debt	370,000	—	245,088	—	615,088
Deferred income taxes	48,436	—	52,509	—	100,945
Other noncurrent liabilities	8	—	41,496	—	41,504
Commitments and contingencies					
Owners' equity excluding noncontrolling interests in consolidated subsidiaries	1,053,902	1,002,947	565,225	(1,568,172)	1,053,902
Noncontrolling interests in consolidated subsidiaries	—	—	159,961	—	159,961
Total owners' equity	1,053,902	1,002,947	725,186	(1,568,172)	1,213,863
Total liabilities and owners' equity	$ 1,548,606	$ 1,045,352	$ 1,449,738	$ (1,573,082)	$ 2,470,614

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26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	December 31, 2012				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 19,123	$ —	$ 63,844	$ (2,938)	$ 80,029
Restricted cash	33,324	—	1,354	—	34,678
Accounts receivable	1,155	7,927	337,087	—	346,169
Receivable from affiliates	827	7,222	109	(1,980)	6,178
Inventories	—	181	34,252	—	34,433
Other current assets	2,528	312	15,676	—	18,516
Total current assets	56,957	15,642	452,322	(4,918)	520,003
Property, plant and equipment	5,399	122,899	686,426	—	814,724
Equity method investments	1,104,832	468,033	138,970	(1,324,033)	387,802
Goodwill	—	—	9,884	—	9,884
Other intangible assets	36	—	7,549	—	7,585
Other noncurrent assets, net	3,606	1,317	3,258	—	8,181
Total assets	$ 1,170,830	$ 607,891	$ 1,298,409	$ (1,328,951)	$ 1,748,179
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 70	$ 12,304	$ 241,249	$ —	$ 253,623
Accrued liabilities	8,972	4,546	50,313	—	63,831
Payables to pre-petition creditors	32,876	—	57	—	32,933
Deferred revenue	—	—	18,973	—	18,973
Other current liabilities	134	580	4,263	(17)	4,960
Current portion of long-term debt	—	—	24	—	24
Total current liabilities	42,052	17,430	314,879	(17)	374,344
Long-term debt	201,500	—	4,562	—	206,062
Deferred income taxes	2,018	—	63,602	—	65,620
Other noncurrent liabilities	32,866	—	47,759	—	80,625
Commitments and contingencies					
Owners' equity excluding noncontrolling interests in consolidated subsidiaries	892,394	590,461	738,473	(1,328,934)	892,394
Noncontrolling interests in consolidated subsidiaries	—	—	129,134	—	129,134
Total owners' equity	892,394	590,461	867,607	(1,328,934)	1,021,528
Total liabilities and owners' equity	$ 1,170,830	$ 607,891	$ 1,298,409	$ (1,328,951)	$ 1,748,179

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Operations

	Year Ended December 31, 2013				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 224,072	$ 944,984	$ (23,952)	$ 1,145,104
Service	—	3,868	136,330	—	140,198
Other	—	—	141,714	—	141,714
Total revenues	—	227,940	1,223,028	(23,952)	1,427,016
Expenses:					—
Costs of products sold, exclusive of depreciation and amortization shown below	—	166,735	877,317	(23,952)	1,020,100
Operating	—	19,541	204,044	—	223,585
General and administrative	21,560	9,437	47,600	—	78,597
Depreciation and amortization	2,001	14,452	49,956	—	66,409
Loss (gain) loss on disposal of long-lived assets, net	—	668	(907)	—	(239)
Total expenses	23,561	210,833	1,178,010	(23,952)	1,388,452
Earnings from equity method investments	67,965	54,995	44,203	(114,686)	52,477
Gain on issuance of common units by equity method investee	26,873	—	—	—	26,873
Operating income	71,277	72,102	89,221	(114,686)	117,914
Other expenses (income):					—
Interest expense	4,826	9,781	15,947	(5,412)	25,142
Foreign currency transaction loss (gain)	—	—	(1,633)	—	(1,633)
Other expense (income), net	40,928	—	(434)	5,412	45,906
Total other expenses, net	45,754	9,781	13,880	—	69,415
Income from continuing operations before income taxes	25,523	62,321	75,341	(114,686)	48,499
Income tax expense (benefit)	(22,579)	—	5,325	—	(17,254)
Income from continuing operations	48,102	62,321	70,016	(114,686)	65,753
Income (loss) from discontinued operations, net of income taxes	—	65	(6)	—	59
Net income	48,102	62,386	70,010	(114,686)	65,812
Less: net income attributable to noncontrolling interests	—	—	17,710	—	17,710
Net income attributable to SemGroup	$ 48,102	$ 62,386	$ 52,300	$ (114,686)	$ 48,102
Net income	$ 48,102	$ 62,386	$ 70,010	$ (114,686)	$ 65,812
Other comprehensive loss, net of income taxes	(1,517)	—	(38)	—	(1,555)
Comprehensive income	46,585	62,386	69,972	(114,686)	64,257
Less: comprehensive income attributable to noncontrolling interests	—	—	17,710	—	17,710
Comprehensive income attributable to SemGroup	$ 46,585	$ 62,386	$ 52,262	$ (114,686)	$ 46,547

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2012				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 123,424	$ 840,892	$ (10,578)	$ 953,738
Service	—	1,198	116,523	—	117,721
Other	—	387	165,651	—	166,038
Total revenues	—	125,009	1,123,066	(10,578)	1,237,497
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	98,224	787,239	(10,578)	874,885
Operating	—	12,719	211,981	—	224,700
General and administrative	22,105	8,360	41,453	—	71,918
Depreciation and amortization	2,496	6,448	39,266	—	48,210
(Gain) loss on disposal of long-lived assets, net	—	276	(3,807)	—	(3,531)
Total expenses	24,601	126,027	1,076,132	(10,578)	1,216,182
Earnings from equity method investments	66,671	85,330	36,439	(152,404)	36,036
Operating income	42,070	84,312	83,373	(152,404)	57,351
Other expenses (income):					
Interest expense	3,942	(240)	11,056	(5,856)	8,902
Foreign currency transaction loss	—	—	298	—	298
Other expense (income), net	15,698	(21)	(262)	5,856	21,271
Total other expenses (income), net	19,640	(261)	11,092	—	30,471
Income from continuing operations before income taxes	22,430	84,573	72,281	(152,404)	26,880
Income tax expense (benefit)	334	—	(2,412)	—	(2,078)
Income from continuing operations	22,096	84,573	74,693	(152,404)	28,958
Income (loss) from discontinued operations, net of income taxes	4	(17)	2,952	—	2,939
Net income	22,100	84,556	77,645	(152,404)	31,897
Less: net income attributable to noncontrolling interests	—	—	9,797	—	9,797
Net income attributable to SemGroup	$ 22,100	$ 84,556	$ 67,848	$ (152,404)	$ 22,100
Net income	$ 22,100	$ 84,556	$ 77,645	$ (152,404)	$ 31,897
Other comprehensive income, net of income taxes	917	—	11,659	—	12,576
Comprehensive income	23,017	84,556	89,304	(152,404)	44,473
Less: comprehensive income attributable to noncontrolling interests	—	—	9,797	—	9,797
Comprehensive income attributable to SemGroup	$ 23,017	$ 84,556	$ 79,507	$ (152,404)	$ 34,676

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2011				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 712,724	$ 609,870	$ (85,281)	$ 1,237,313
Service	—	2,778	120,567	—	123,345
Other	—	311	104,277	—	104,588
Total revenues	—	715,813	834,714	(85,281)	1,465,246
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	673,927	555,793	(85,281)	1,144,439
Operating	—	14,594	140,447	—	155,041
General and administrative	15,564	13,854	46,029	—	75,447
Depreciation and amortization	2,930	8,892	38,001	—	49,823
(Gain) loss on disposal of long-lived assets, net	1,605	(46,139)	44,835	—	301
Total expenses	20,099	665,128	825,105	(85,281)	1,425,051
Earnings (losses) from equity method investments	32,096	(20,736)	15,004	(11,360)	15,004
Operating income	11,997	29,949	24,613	(11,360)	55,199
Other expenses (income):					
Interest expense	24,352	19,498	21,157	(4,869)	60,138
Foreign currency transaction loss (gain)	—	39	(3,489)	—	(3,450)
Other (income) expense, net	(12,141)	(2,150)	(2,117)	4,869	(11,539)
Total other expenses, net	12,211	17,387	15,551	—	45,149
Income (loss) from continuing operations before income taxes	(214)	12,562	9,062	(11,360)	10,050
Income tax (benefit) expense	(2,485)	—	175	—	(2,310)
Income from continuing operations	2,271	12,562	8,887	(11,360)	12,360
Income (loss) from discontinued operations, net of income taxes	106	28	(9,682)	—	(9,548)
Net income (loss)	2,377	12,590	(795)	(11,360)	2,812
Less: net income attributable to noncontrolling interests	—	—	435	—	435
Net income (loss) attributable to SemGroup	$ 2,377	$ 12,590	$ (1,230)	$ (11,360)	$ 2,377
Net income (loss)	$ 2,377	$ 12,590	$ (795)	$ (11,360)	$ 2,812
Other comprehensive loss, net of income taxes	(1,853)	—	(13,137)	—	(14,990)
Comprehensive income (loss)	524	12,590	(13,932)	(11,360)	(12,178)
Less: comprehensive income attributable to noncontrolling interests	—	—	435	—	435
Comprehensive income (loss) attributable to SemGroup	$ 524	$ 12,590	$ (14,367)	$ (11,360)	$ (12,613)

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Cash Flows

	Year Ended December 31, 2013				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ 20,130	$ 24,642	$ 148,872	$ (20,235)	$ 173,409
Cash flows from investing activities:					
Capital expenditures	(734)	(123,246)	(91,629)	—	(215,609)
Proceeds from sale of long-lived assets	23	19	1,237	—	1,279
Investments in non-consolidated subsidiaries	(18,775)	(57,850)	(97,243)	—	(173,868)
Payments to acquire businesses	—	(313,487)	(48,969)	—	(362,456)
Proceeds from the sale of interest in SemCrude Pipeline, L.L.C. to Rose Rock Midstream, L.P.	362,600	—	—	(362,600)	—
Distributions in excess of equity in earnings of affiliates	—	—	12,246	—	12,246
Net cash provided by (used in) investing activities	343,114	(494,564)	(224,358)	(362,600)	(738,408)
Cash flows from financing activities:					
Debt issuance costs	(10,866)	—	(4,070)	—	(14,936)
Borrowings on debt	706,000	—	562,474	—	1,268,474
Principal payments on debt and other obligations	(537,500)	—	(321,912)	—	(859,412)
Proceeds from issuance of Rose Rock Midstream, L.P. common units, net of offering costs	—	—	210,226	—	210,226
Distributions to noncontrolling interests	—	—	(17,647)	—	(17,647)
Proceeds from warrant exercises	225	—	—	—	225
Repurchase of common stock	(371)	—	—	—	(371)
Dividends paid	(25,429)	—	—	—	(25,429)
Intercompany borrowings (advances), net	(511,881)	469,922	(342,256)	384,215	—
Net cash provided by (used in) financing activities	(379,822)	469,922	86,815	384,215	561,130
Effect of exchange rate changes on cash and cash equivalents	—	—	3,191	—	3,191
Change in cash and cash equivalents	(16,578)	—	14,520	1,380	(678)
Cash and cash equivalents at beginning of period	19,123	—	63,844	(2,938)	80,029
Cash and cash equivalents at end of period	$ 2,545	$ —	$ 78,364	$ (1,558)	$ 79,351

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2012				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ (4,535)	$ 6,236	$ 93,534	$ (15,593)	$ 79,642
Cash flows from investing activities:					
Capital expenditures	(1,977)	(59,317)	(58,025)	—	(119,319)
Proceeds from sale of long-lived assets	19	(202)	2,824	—	2,641
Investments in non-consolidated subsidiaries	(1,740)	(74,434)	(2,079)	—	(78,253)
Proceeds from the sale of non-consolidated affiliate	—	—	3,500	—	3,500
Proceeds from the sale of SemStream assets	12,250	—	—	—	12,250
Distributions in excess of equity in earnings of affiliates	9,218	—	8,072	—	17,290
Net cash provided by (used in) investing activities	17,770	(133,953)	(45,708)	—	(161,891)
Cash flows from financing activities:					
Debt issuance costs	(455)	—	(252)	—	(707)
Borrowings on credit facilities	318,000	—	—	—	318,000
Principal payments on credit facilities and other obligations	(194,000)	—	(28,066)	—	(222,066)
Distributions to noncontrolling interests	—	—	(8,502)	—	(8,502)
Repurchase of common stock	(242)	—	—	—	(242)
Intercompany borrowings (advances), net	(117,526)	127,717	(25,608)	15,417	—
Net cash provided by (used in) financing activities	5,777	127,717	(62,428)	15,417	86,483
Effect of exchange rate changes on cash and cash equivalents	—	—	(610)	—	(610)
Change in cash and cash equivalents	19,012	—	(15,212)	(176)	3,624
Change in cash and cash equivalents included in discontinued operations	—	—	2,792	—	2,792
Change in cash and cash equivalents from continuing operations	19,012	—	(12,420)	(176)	6,416
Cash and cash equivalents at beginning of period	111	—	76,264	(2,762)	73,613
Cash and cash equivalents at end of period	$ 19,123	$ —	$ 63,844	$ (2,938)	$ 80,029

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

26. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2011				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$ 6,817	$ 44,957	$ 17,004	$ 5,263	$ 74,041
Cash flows from investing activities:					
Capital expenditures	(2,080)	(16,865)	(47,050)	—	(65,995)
Proceeds from sale of long-lived assets	—	82	1,043	—	1,125
Investments in non-consolidated subsidiaries	(3,218)	(23)	(476)	—	(3,717)
Proceeds from the sale of SemStream assets	93,054	—	—	—	93,054
Proceeds from sale of limited partner interest in subsidiary, net of offering costs	127,134	—	—	(127,134)	—
Distributions in excess of equity in earnings of affiliates	—	—	12,455	—	12,455
Net cash provided by (used in) investing activities	214,890	(16,806)	(34,028)	(127,134)	36,922
Cash flows from financing activities:					
Debt issuance costs	(10,867)	—	(1,666)	—	(12,533)
Borrowings on credit facilities	255,471	—	8,434	—	263,905
Principal payments on credit facilities and other obligations	(498,515)	(21)	(4,653)	—	(503,189)
Proceeds from issuance of Rose Rock Midstream, L.P. common units, net of offering costs	—	—	127,134	—	127,134
Intercompany borrowings (advances), net	25,099	(28,130)	(116,789)	119,820	—
Net cash provided by (used in) financing activities	(228,812)	(28,151)	12,460	119,820	(124,683)
Effect of exchange rate changes on cash and cash equivalents	—	—	(34)	—	(34)
Change in cash and cash equivalents	(7,105)	—	(4,598)	(2,051)	(13,754)
Change in cash and cash equivalents included in discontinued operations	—	—	(454)	—	(454)
Change in cash and cash equivalents from continuing operations	(7,105)	—	(5,052)	(2,051)	(14,208)
Cash and cash equivalents at beginning of period	7,216	—	81,316	(711)	87,821
Cash and cash equivalents at end of period	$ 111	$ —	$ 76,264	$ (2,762)	$ 73,613

Index to Exhibits

The following documents are included as exhibits to this Form 10-K. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed herewith.

Exhibit Number	Description
2.1	Fourth Amended Joint Plan of Affiliated Debtors filed with the United States Bankruptcy Court for the District of Delaware on October 27, 2009 (filed as Exhibit 2.1 to our registration statement on Form 10, File No. 001-34736 (the “Form 10”)).
2.2	Contribution Agreement dated August 31, 2011, among SemStream, L.P., a wholly-owned subsidiary of SemGroup Corporation, NGL Supply Terminal Company LLC, NGL Energy Partners LP and NGL Energy Holdings LLC (filed as Exhibit 2.1 to our current report on Form 8-K dated November 1, 2011, filed November 4, 2011).
2.3	Second Amended and Restated Limited Liability Company Agreement of NGL Energy Holdings LLC (filed as Exhibit 2.2 to our current report on Form 8-K dated November 1, 2011, filed November 4, 2011).
2.4	First Amended and Restated Registration Rights Agreement dated October 3, 2011, among NGL Energy Partners LP, Hicks Oil & Hicksgas, Incorporated, NGL Holdings, Inc., Krim2010, LLC, Infrastructure Capital Management, LLC, Atkinson Investors, LLC, Stanley A. Bugh, Robert R. Foster, Brian K. Pauling, Stanley D. Perry, Stephen D. Tuttle, Craig S. Jones, Daniel Post, Mark McGinty, Sharra Straight, David Eastin, AO Energy, Inc., E. Osterman, Inc., E. Osterman Gas Service, Inc., E. Osterman Propane, Inc., Milford Propane, Inc., Osterman Propane, Inc., Propane Gas, Inc., and Saveway Propane Gas Service, Inc. (filed as Exhibit 2.3 to our current report on Form 8-K dated November 1, 2011, filed November 4, 2011).
2.5	Amendment No. 1 and Joinder to First Amended and Restated Registration Rights Agreement dated November 1, 2011, between NGL Energy Holdings LLC and SemStream, L.P. (filed as Exhibit 2.4 to our current report on Form 8-K dated November 1, 2011, filed November 4, 2011).
2.6	Contribution Agreement, dated as of January 8, 2013, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, L.L.C. (filed as Exhibit 2.1 to our current report on Form 8-K dated January 8, 2013, filed January 14, 2013).
2.7	Contribution Agreement, dated as of December 12, 2013, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, L.L.C. (filed as Exhibit 2.1 to our current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
2.8	Unit Purchase Agreement dated as of April 30, 2013, by and between Chesapeake Midstream Development, L.L.C. and SemGas, L.P (filed as Exhibit 2.1 to our current report on Form 8-K dated August 1, 2013, filed August 6, 2013).
2.9	First Amendment to Unit Purchase Agreement, dated as of July 31, 2013, by and between Chesapeake Midstream Development, L.L.C. and SemGas, L.P. (filed as Exhibit 2.2 to our current report on Form 8-K dated August 1, 2013, filed August 6, 2013).
3.1	Amended and Restated Certificate of Incorporation, dated as of November 30, 2009, of SemGroup Corporation (filed as Exhibit 3.1 to the Form 10).
3.2	Amended and Restated Bylaws, dated as of October 28, 2011, of SemGroup Corporation (filed as Exhibit 3.1 to our current report on Form 8-K dated October 28, 2011, filed October 28, 2011).
4.1	Form of stock certificate for our Class A Common Stock, par value $0.01 per share (filed as Exhibit 4.1 to the Form 10).
4.2	Form of stock certificate for our Class B Common Stock, par value $0.01 per share (filed as Exhibit 4.2 to the Form 10).

Exhibit Number	Description
4.3	Warrant Agreement dated as of November 30, 2009, by and between SemGroup Corporation and Mellon Investor Services, LLC (filed as Exhibit 4.3 to the Form 10).
4.4	Form of warrant certificate (filed as Exhibit 4.4 to the Form 10).
4.5	First Amendment to Warrant Agreement, dated as of November 1, 2012, by and between SemGroup Corporation and Computershare Shareowner Services LLC (successor-in-interest to Mellon Investor Services, LLC) (filed as Exhibit 4.5 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013 (the "2012 Form 10-K")).
4.6	Indenture, dated as of June 14, 2013, by and among SemGroup Corporation, certain of its wholly-owned subsidiaries, as guarantors, and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to our current report on Form 8-K dated June 14, 2013, filed June 20, 2013).
4.7	Registration Rights Agreement, dated as of June 14, 2013, by and among SemGroup Corporation, certain of its wholly-owned subsidiaries and Citigroup Global Markets Inc., as representative of the Initial Purchasers (as defined therein) (filed as Exhibit 4.2 to our current report on Form 8-K dated June 14, 2013, filed June 20, 2013).
10.1	Credit Agreement (the “Credit Facility”) dated as of June 17, 2011, among SemGroup Corporation, as borrower, the lenders parties thereto from time to time, and The Royal Bank of Scotland PLC, as Administrative Agent and Collateral Agent (filed as Exhibit 10 to our current report on Form 8-K dated June 17, 2011, filed June 21, 2011).
10.2	Second Amendment to the Credit Facility, dated as of September 19, 2011 (filed as Exhibit 10 to our current report on Form 8-K dated September 19, 2011, filed September 23, 2011).
10.3	Fifth Amendment to the Credit Facility, dated as of September 26, 2012 (filed as Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended September 30, 2012, filed November 9, 2012).
10.4	Sixth Amendment to the Credit Facility, dated as of April 22, 2013 (filed as Exhibit 10.1 to our current report on Form 8-K dated April 22, 2013, filed April 24, 2013).
10.5	Seventh Amendment to the Credit Facility, dated as of December 11, 2013 (filed as Exhibit 10.1 to our current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
10.6*	SemGroup Corporation Board of Directors Compensation Plan (filed as Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended June 30, 2013, filed August 9, 2013).
10.7*	SemGroup Corporation Nonexecutive Directors’ Compensation Deferral Program (filed as Exhibit 10.7 to the Form 10).
10.8*	SemGroup Corporation Equity Incentive Plan (filed as Exhibit 10.8 to the Form 10).
10.9*	Form of 2011 Performance Share Unit Award Agreement under the SemGroup Corporation Equity Incentive Plan for executive officers (filed as Exhibit 10.1 to our current report on Form 8-K dated January 24, 2011, filed January 24, 2011).
10.10*	Form of Restricted Stock Award Agreement under the SemGroup Corporation Equity Incentive Plan for executive officers and employees in the United States during 2011 (filed as Exhibit 10.2 to our current report on Form 8-K dated January 24, 2011, filed January 24, 2011).
10.11*	Form of 2012 Performance Share Unit Award Agreement under the SemGroup Corporation Equity Incentive Plan for executive officers (filed as Exhibit 10.20 to our annual report on Form 10-K for the fiscal year ended December 31, 2011, filed February 29, 2012 (the "2011 Form 10-K")).
10.12*	Form of Restricted Stock Award Agreement under the SemGroup Corporation Equity Incentive Plan for executive officers and employees in the United States for awards granted on or after January 1, 2012 (filed as Exhibit 10.21 to the 2011 Form 10-K).
10.13*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for Directors for awards granted on or after May 22, 2012 (filed as Exhibit 10.31 to our Amendment No. 1 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013).

Exhibit Number	Description
10.14*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2013 (filed as Exhibit 10.33 to our 2012 Form 10-K).
10.15*	SemGroup Corporation Equity Incentive Plan Form of Performance Share Unit Award Agreement for executive officers for awards granted on or after March 1, 2013 (filed as Exhibit 10.34 to our 2012 Form 10-K).
10.16*	Employment Agreement dated as of November 30, 2009, by and among SemManagement, L.L.C., SemGroup Corporation and Norman J. Szydlowski (filed as Exhibit 10.11 to the Form 10).
10.17*	Letter Amendment dated March 18, 2010, by and among SemManagement, L.L.C., SemGroup Corporation and Norman J. Szydlowski, amending the Employment Agreement dated as of November 30, 2009 (filed as Exhibit 10.12 to the Form 10).
10.18*	Form of Severance Agreement between SemGroup Corporation and each of its executive officers other than Norman J. Szydlowski (filed as Exhibit 10.13 to the Form 10).
10.19*	Form of Amendment to Severance Agreement between SemGroup Corporation and certain of its executive officers (filed as Exhibit 10.14 to the 2011 Form 10-K).
10.20*	Form of Second Amendment to Severance Agreement between SemGroup Corporation and certain of its executive officers (filed as Exhibit 10.3 to our current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
10.21*	SemGroup Corporation Short-Term Incentive Program (filed as Exhibit 10.1 to our current report on Form 8-K dated February 24, 2011, filed March 2, 2011).
10.22*	SemGroup Employee Stock Purchase Plan (filed as Appendix A to our definitive proxy statement, filed April 19, 2013).
10.23	Credit Agreement dated November 10, 2011, among Rose Rock Midstream, L.P., as borrower, The Royal Bank of Scotland plc, as administrative agent and collateral agent, the other agents party thereto and the lenders and issuing banks party thereto (filed as Exhibit 10.1 to Rose Rock Midstream, L.P.'s registration statement on Form S-1, File No. 333-176260).
10.24	First Amendment dated as of September 26, 2012, to the Credit Agreement among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P. as guarantors, the lenders party thereto and The Royal Bank of Scotland plc, as administrative agent and collateral agent for the lenders (filed as Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended September 30, 2012, filed November 9, 2012).
10.25	Second Amendment to the Credit Agreement and First Amendment to the Guarantee and Collateral Agreement, dated as of September 20, 2013, by and among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P., as guarantors, the lenders party thereto and The Royal Bank of Scotland plc, as administrative agent and collateral agent for the lenders (filed as Exhibit 10.1 to our current report on Form 8-K dated September 20, 2013, filed September 26, 2013).
10.26	Third Amendment to the Credit Agreement, dated as of December 10, 2013, by and among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P., as guarantors, the lenders party thereto and The Royal Bank of Scotland plc, as administrative agent and collateral agent (filed as Exhibit 10.2 to our current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
10.27	Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated December 14, 2011, filed December 20, 2011).
10.28	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated January 8, 2013, filed January 14, 2013).

Exhibit Number	Description
10.29	Amendment No. 2, dated as of December 16, 2013, to the Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated December 10, 2013, filed December 16, 2013).
10.30	First Amended and Restated Limited Liability Company Agreement of Rose Rock Midstream GP, LLC (filed as Exhibit 3.2 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated December 14, 2011, filed December 20, 2011).
10.31*	Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated December 8, 2011, filed December 14, 2011).
10.32*	Form of Restricted Unit Award Agreement (Employees) under the Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.3.1 to Rose Rock Midstream, L.P.'s annual report on Form 10-K for the fiscal year ended December 31, 2011, filed February 29, 2012).
10.33*	Form of Restricted Unit Award Agreement (Employees) under the Rose Rock Midstream Equity Incentive Plan for awards granted on or after March 1, 2013 (filed as Exhibit 10.35 to our 2012 Form 10-K).
21	Subsidiaries of SemGroup Corporation.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Norman J. Szydlowski, Chief Executive Officer.
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of Robert N. Fitzgerald, Chief Financial Officer.
32.1	Section 1350 Certification of Norman J. Szydlowski, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
99.1	White Cliffs Pipeline, L.L.C. financial statements presented pursuant to Rule 3-09 of Regulation S-X.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at December 31, 2013 and 2012, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2013, 2012 and 2011, (iii) the Consolidated Statements of Changes in Owners' Equity for the years ended December 31, 2013, 2012 and 2011, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement

SEMGROUP CORPORATION
Subsidiaries

Entity	Place of Incorporation/Organization
SemGroup Holdings G.P., L.L.C.	Delaware
SemGroup Holdings, L.P.	Delaware
SemOperating G.P., L.L.C.	Oklahoma
SemCap, L.L.C.	Oklahoma
SemGroup Asia, L.L.C.	Delaware
SemManagement, L.L.C.	Delaware
SemStream, L.P.	Delaware
SemGroup Subsidiary Holding, L.L.C.	Delaware
Alpine Holding, LLC	Oklahoma
Rose Rock Midstream Holdings, LLC	Delaware
Rose Rock Midstream Corporation	Delaware
Rose Rock Midstream GP, LLC	Delaware
Rose Rock Midstream, L.P.	Delaware
Rose Rock Midstream Operating, LLC	Delaware
Rose Rock Midstream Energy GP, LLC	Delaware
Rose Rock Finance Corporation	Delaware
Rose Rock Midstream Field Services, LLC	Delaware
Rose Rock Midstream Crude, L.P.	Delaware
SemCrude Pipeline, L.L.C.	Delaware
Wattenberg Holding, LLC	Oklahoma
Eaglwing, L.P.	Oklahoma
SemDevelopment, L.L.C.	Delaware
Rocky Cliffs Pipeline, L.L.C.	Delaware
Glass Mountain Holding, LLC	Oklahoma
Glass Mountain Pipeline, LLC	Delaware
SemFuel, L.P.	Texas
SemFuel Transport, LLC	Wisconsin
SemProducts, L.L.C.	Oklahoma
SemGas, L.P.	Oklahoma
SemKan, L.L.C.	Oklahoma
SemGas Gathering, L.L.C.	Oklahoma
SemGas Storage, L.L.C.	Oklahoma
Greyhawk Gas Storage Company, L.L.C.	Delaware
Steuben Development Company, LLC	Delaware
Grayson Pipeline, L.L.C.	Oklahoma
Mid-America Midstream Gas Services, L.L.C.	Oklahoma
SemCanada, L.P.	Oklahoma
SemCanada Crude Company	Nova Scotia
SemCanada II, L.P.	Oklahoma
SemCAMS ULC	Nova Scotia
SemCAMS Redwillow ULC	Nova Scotia
SemGreen, L.P.	Delaware
SemBio, L.L.C.	Delaware

SemMaterials, L.P.	Oklahoma
New Century Transportation LLC	Delaware
K.C. Asphalt, L.L.C.	Colorado
SemTrucking, L.P.	Oklahoma
SemMaterials Vietnam, L.L.C.	Oklahoma
SemMexico, L.L.C.	Oklahoma
SemMexico Materials HC S. de R.L. de C.V.	Mexico
SemMaterials HC Mexico S. de R.L. de C.V.	Mexico
SemMaterials Mexico S. de R.L. de C.V.	Mexico
SemMaterials SC Mexico S. de R.L. de C.V.	Mexico
SemGroup Europe Holding L.L.C.	Delaware
SemEuro Limited	United Kingdom
SemLogistics Milford Haven Limited	United Kingdom
SemEuro Supply Limited	United Kingdom
SemGroup Netherland B.V.	The Netherlands

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
SemGroup Corporation

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-170968 and 333-189905), Form S-3 (File No. 333-185649) and Form S-4 (File No. 333-193005) of SemGroup Corporation of our reports dated February 28, 2014, relating to the consolidated financial statements and the effectiveness of SemGroup Corporation's internal control over financial reporting and the financial statements of White Cliffs Pipeline, L.L.C., all of which appear in this Form 10-K.

/s/ BDO USA, LLP

BDO USA, LLP
Dallas, Texas
February 28, 2014

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Norman J. Szydlowski, certify that:

1. I have reviewed this annual report on Form 10-K of SemGroup Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ Norman J. Szydlowski

Norman J. Szydlowski
President and Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert N. Fitzgerald, certify that:

1. I have reviewed this annual report on Form 10-K of SemGroup Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the annual report of SemGroup Corporation (the “Company”) on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Norman J. Szydlowski, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: February 28, 2014

/s/ Norman J. Szydlowski

Norman J. Szydlowski
President and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the annual report of SemGroup Corporation (the "Company") on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert N. Fitzgerald, Senior Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: February 28, 2014

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Senior Vice President and
Chief Financial Officer

Index to White Cliffs Pipeline, L.L.C. Financial Statements

Independent Auditor's Report

To the Members
White Cliffs Pipeline, L.L.C.
Tulsa, Oklahoma

We have audited the accompanying financial statements of White Cliffs Pipeline, L.L.C., which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Cliffs Pipeline, L.L.C., as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

BDO USA, LLP
Dallas, Texas
February 28, 2014

WHITE CLIFFS PIPELINE, L.L.C.
Balance Sheets
(Dollars in thousands, except unit amounts)

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 85,209	$ 7,432
Accounts receivable	11,485	10,273
Inventories	1,315	3,451
Other current assets	448	352
Total current assets	98,457	21,508
Property, plant and equipment, net	312,831	210,710
Goodwill	17,000	17,000
Other intangible assets (net of accumulated amortization of $33,198 and $27,631 at December 31, 2013 and 2012, respectively)	20,802	26,369
Total assets	$ 449,090	$ 275,587
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 740	$ 108
Accrued liabilities	8,908	3,304
Total current liabilities	9,648	3,412
Commitments and contingencies (Note 5)		
Members' equity (240,610 units at December 31, 2013 and 2012)	439,442	272,175
Total liabilities and members' equity	$ 449,090	$ 275,587

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Operations
(Dollars in thousands)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues	$ 133,310	$ 108,125	$ 66,097
Expenses:			
Costs of products sold, exclusive of depreciation and amortization shown below	6,023	698	902
Operating	15,541	11,957	8,461
General and administrative	2,248	2,166	3,389
Depreciation and amortization	18,668	19,963	20,842
Total expenses	42,480	34,784	33,594
Operating income	90,830	73,341	32,503
Other expenses (income), net	13	—	(6)
Net income	$ 90,817	$ 73,341	$ 32,509

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Changes in Members' Equity
(Dollars in thousands)

		Members' Equity
Balance at December 31, 2010	$	298,121
Net income		32,509
Member distributions		(53,842)
Member contributions		4,152
Balance at December 31, 2011		280,940
Net income		73,341
Member distributions		(87,283)
Member contributions		5,177
Balance at December 31, 2012		272,175
Net income		90,817
Member distributions		(112,894)
Member contributions		189,344
Balance at December 31, 2013	$	439,442

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Cash Flows
(Dollars in thousands)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Cash flows from operating activities:			
Net income	$ 90,817	$ 73,341	$ 32,509
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,668	19,963	20,842
Loss on disposal of long-lived assets	—	4	9
Changes in operating assets and liabilities:			
Increase in accounts receivable	(1,212)	(4,312)	(1,605)
Decrease (increase) in other current assets	2,040	(2,521)	(1,134)
Increase (decrease) in accounts payable and accrued liabilities	3,134	153	(564)
Net cash provided by operating activities	113,447	86,628	50,057
Cash flows from investing activities:			
Capital expenditures	(112,120)	(1,504)	(1,250)
Proceeds from sale of long-lived assets	—	4	—
Net cash used in investing activities	(112,120)	(1,500)	(1,250)
Cash flows from financing activities:			
Member distributions	(112,894)	(87,283)	(53,842)
Member contributions	189,344	5,177	4,152
Net cash provided by (used in) financing activities	76,450	(82,106)	(49,690)
Net increase (decrease) in cash and cash equivalents	77,777	3,022	(883)
Cash and cash equivalents at beginning of period	7,432	4,410	5,293
Cash and cash equivalents at end of period	$ 85,209	$ 7,432	$ 4,410

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

1. OVERVIEW

White Cliffs Pipeline, L.L.C. (“White Cliffs”) is a Delaware limited liability company. White Cliffs owns a 527-mile crude oil pipeline with origination points in Platteville, Colorado and Healy, Kansas and a termination point in Cushing, Oklahoma.

SemGroup Corporation (“SemGroup”) owns a 51% interest in White Cliffs (17% directly and 34% indirectly through its subsidiary Rose Rock Midstream, L.P. ("Rose Rock") and serves as its manager. As the other members have substantive rights to participate in the management of White Cliffs, SemGroup and Rose Rock account for investments in White Cliffs under the equity method.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Although management believes these estimates are reasonable, actual results could differ materially from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS - Cash includes currency on hand and demand and time deposits with banks or other financial institutions. Cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase. Balances at financial institutions may exceed federally insured limits.

ACCOUNTS RECEIVABLE - Accounts receivable are reported net of the allowance for doubtful accounts. White Cliffs’ assessment of the allowance for doubtful accounts is based on several factors, including the overall creditworthiness of its customers, existing economic conditions, and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. The allowance for doubtful accounts was $0 at December 31, 2013 and 2012.

INVENTORIES—Inventories primarily consist of crude oil. Inventories are valued at the lower of cost or market, with cost generally determined using the weighted-average method. The cost of inventory includes applicable transportation costs.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment is recorded at cost. White Cliffs capitalizes costs that extend or increase the future economic benefits of property, plant and equipment, and expenses maintenance costs that do not. When assets are disposed of, their cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is recorded within operating expenses in the statements of operations.

Depreciation is calculated primarily on the straight-line method over the following estimated useful lives:

Pipelines and related facilities	20 years
Storage and terminal facilities	10 –25 years
Other property and equipment	3 – 7 years

GOODWILL – White Cliffs tests goodwill for impairment each year as of October 1, or more often if circumstances warrant, by estimating the fair value of the asset group to which the goodwill relates and comparing this fair value to the net book value of the asset group. If fair value is less than net book value, White Cliffs estimates the implied fair value of goodwill, reduces the book value of the goodwill to the implied fair value, and records a corresponding impairment loss.

For the October 1, 2013 goodwill impairment test, White Cliffs developed estimates of cash flows for the next nine years, and also developed an estimated terminal value. White Cliffs discounted the estimated cash flows to present value using a rate of 11.0%. No impairment was recorded for the period.

IMPAIRMENT OF LONG-LIVED ASSETS – We test long-lived asset groups for impairment when events or circumstances indicate that the net book value of the asset group may not be recoverable. We test an asset group for impairment by estimating the undiscounted cash flows expected to result from its use and eventual disposition. If the estimated undiscounted cash flows are lower than the net book value of the asset group, we then estimate the fair value of the asset group and record a reduction to the net book value of the assets and a corresponding impairment loss.

CONTINGENT LOSSES – White Cliffs records a liability for a contingent loss when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. White Cliffs records attorneys’ fees incurred in connection

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

with a contingent loss at the time the fees are incurred, and does not record liabilities for attorneys' fees that are expected to be incurred in the future.

ASSET RETIREMENT OBLIGATIONS – Asset retirement obligations include legal or contractual obligations associated with the retirement of long-lived assets, such as requirements to incur costs to dispose of equipment or to remediate the environmental impacts of the normal operation of the assets. White Cliffs records liabilities for asset retirement obligations when a known obligation exists under current law or contract and when a reasonable estimate of the value of the liability can be made.

REVENUE RECOGNITION – Revenue for the transportation of product is recognized upon delivery of the product to its destination.

LINE LOSS DEDUCTIONS AND INVENTORY – The White Cliffs tariff allows White Cliffs to retain a pipeline loss allowance ("PLA") in the amount of two-tenths of one percent of any customer product placed in the system. The PLA is intended to compensate for expenses associated with product shrinkage and evaporation. If the PLA exceeds the actual amount of product loss, White Cliffs is entitled to sell the product overage for its own gain. The PLA is recorded to revenue and inventory in the month in which the shipment occurs. Gains or losses resulting from actual product overages or shortages are also recorded to cost of products sold and inventory during the month the overage or shortage occurs.

White Cliffs recorded $4.0 million, $3.1 million and $2.0 million of revenue related to PLA during the years ended December 31, 2013, 2012 and 2011, respectively. White Cliffs recorded $1.9 million and $0.9 million of cost of sales related to actual product shortages for the years ended December 31, 2013 and 2011, respectively. White Cliffs recorded a reduction of cost of products sold due to actual product overages of $0.1 million for the year ended December 31, 2012. White Cliffs sold $4.9 million and $0.8 million of inventory during the years ended December 31, 2013 and 2012, respectively. Of the amounts sold, $3.3 million and $0.8 million for the years ended December 31, 2013 and 2012, respectively, were sold to Rose Rock. There were no sales of inventory for the year ended December 31, 2011.

INCOME TAXES - White Cliffs is a pass-through entity for federal and state income tax purposes. Its earnings are allocated to its members, who are responsible for any related income taxes. Because of this, no provision for income taxes is reported in the accompanying financial statements.

SUBSEQUENT EVENTS - White Cliffs has evaluated subsequent events for accrual or disclosure in these financial statements through February 28, 2014, which is the date these financial statements were available to be issued.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	December 31, 2013	December 31, 2012
Land	$ 12,649	$ 12,649
Pipelines and related facilities	233,696	233,466
Storage and terminal facilities	1,830	1,830
Other property and equipment	1,663	1,662
Construction-in-progress	116,263	1,273
Property, plant and equipment, gross	366,101	250,880
Accumulated depreciation	(53,270)	(40,170)
Property, plant and equipment, net	$ 312,831	$ 210,710

White Cliffs recorded depreciation expense of $13.1 million, $13.3 million and $13.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

In August 2012, the members of White Cliffs approved an expansion project to construct a 12" pipeline from Platteville, Colorado to Cushing, Oklahoma. Approximately, $105 million of capital spending will be required in 2014 to complete the project.

4. OTHER INTANGIBLE ASSETS

Other intangible assets consist of customer relationships. They are generally amortized on an accelerated basis over the estimated period of benefit and may be subject to impairments in the future if we are unable to maintain the relationships with the customers to which the assets relate. The following table shows the changes in the other intangible asset balances (in thousands):

Balance, December 31, 2010	$ 40,848
Amortization	(7,775)
Balance, December 31, 2011	33,073
Amortization	(6,704)
Balance, December 31, 2012	26,369
Amortization	(5,567)
Balance, December 31, 2013	$ 20,802

White Cliffs estimates that future amortization of other intangible assets will be as follows (in thousands):

For the year ending:	
December 31, 2014	$ 4,759
December 31, 2015	4,069
December 31, 2016	3,478
December 31, 2017	2,972
December 31, 2018	2,541
Thereafter	2,983
Total estimated amortization expense	$ 20,802

5. COMMITMENTS AND CONTINGENCIES

Environmental

White Cliffs may from time to time experience leaks of petroleum products from its facilities, as a result of which it may incur remediation obligations or property damage claims. In addition, White Cliffs is subject to numerous environmental regulations. Failure to comply with these regulations could result in the assessment of fines or penalties by regulatory authorities.

Asset retirement obligations

We may be subject to removal and restoration costs upon retirement of our facilities. However, we are unable to predict when, or if, our pipelines, storage tanks and related facilities would become completely obsolete and require decommissioning. Accordingly, we have not recorded a liability or corresponding asset, as both the amount and timing of such potential future costs are indeterminable.

Other matters

White Cliffs is a party to various other claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these claims, legal actions, and complaints, after consideration of amounts accrued, insurance coverage, and other arrangements, will not have a material adverse effect on White Cliffs' combined financial position, results of operations or cash flows. However, the outcome of such matters is inherently uncertain, and estimates of our consolidated liabilities may change materially as circumstances develop.

Leases

White Cliffs has entered into operating lease agreements for office space, office equipment, land, trucks and tank storage. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2013, are as follows (in thousands):

Years ending:		
December 31, 2014	$	2,952
December 31, 2015		2,731
December 31, 2016		2,406
December 31, 2017		2,100
December 31, 2018		1,313
Thereafter		438
Total future minimum lease payments	$	11,940

White Cliffs recorded lease and rental expenses of $3.2 million, $2.2 million, and $1.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

6. RELATED PARTY TRANSACTIONS

Revenues

All of White Cliffs' revenues for the years ended December 31, 2013, 2012 and 2011 were generated from seven customers, three of which are related parties. Revenues by customer are summarized below (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Customer A (related party)	$ 62,862	$ 50,485	$ 34,972
Customer B (related party)	51,594	38,408	24,352
Customer C (related party)	7,078	7,499	4,204
Customer D	2,377	7,780	549
Customer E	1,886	—	—
Customer F	186	—	—
Product Sales to Affiliate	3,322	835	—
Line loss deduction revenue	4,005	3,118	2,020
Total revenue	$ 133,310	$ 108,125	$ 66,097

Accounts receivable are summarized below (in thousands):

	December 31, 2013	December 31, 2012
Customer A (related party)	$ 5,005	$ 5,004
Customer B (related party)	4,194	4,020
Customer C (related party)	825	541
Customer D	305	708
Customer E	956	—
Customer F	186	—
Receivable from Affiliate	14	—
Total accounts receivable	$ 11,485	$ 10,273

Transactions with SemGroup Corporation

White Cliffs leases storage capacity from SemGroup and pays SemGroup a fee for management services. White Cliffs paid SemGroup $2.9 million, $2.5 million and $2.2 million for such services during the years ended December 31, 2013, 2012 and 2011, respectively.

SemGroup incurs certain general and administrative expenses on behalf of White Cliffs for which the other owners of White Cliffs are not responsible. White Cliffs records the expense and a corresponding member contribution from SemGroup, since White Cliffs is not required to reimburse SemGroup for these expenses. White Cliffs recorded $1.8 million, $2.0 million and $3.2 million of such general and administrative expense during the years ended December 31, 2013, 2012 and 2011, respectively.

In August 2012, the members of White Cliffs approved an expansion project to construct a 12" pipeline from Platteville, Colorado to Cushing, Oklahoma. The project is expected to cost approximately $300 million which will be funded by capital calls to members. SemGroup's funding requirement will be 51% of the total cost. SemGroup contributed approximately $95.5 million and $2.3 million for project funding for the years ended December 31, 2013 and 2012, respectively, and is expected to contribute $53.3 million in 2014. The other members of White Cliffs contributed approximately $92 million and $2.2 million for the years ended December 31, 2013 and 2012, respectively, and are expected to contribute approximately $51 million in 2014.