SemGroup Corp
Form 10-K
February 26, 2016
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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, 2015
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

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. o

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

Large Accelerated Filer	ý	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 30, 2015, was $3,466,750,266, based on the closing price of the Class A Common Stock on the New York Stock Exchange on June 30, 2015.

At January 31, 2016, there were 43,932,174 shares of Class A Common Stock and 0 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 17, 2016, are incorporated by reference into Part III of this Form 10-K.

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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, 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,” “conti 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 and our current and expected dividends or to fund our other liquidity needs;
- The ability of our subsidiary, Rose Rock Midstream, L.P., to generate sufficient cash flow from operations to provide the level of cash distributions we expect;
- Any sustained reduction in demand for, or supply of, the petroleum products we gather, transport, process, market and store;
- 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;
- Our ability to access the debt and equity markets, which will depend on general market conditions and the credit ratings for our debt obligations and equity;
- The loss of, or a material nonpayment or nonperformance by, any of our key customers;
- The amount of cash distributions, capital requirements and performance of our investments and joint ventures;
- The amount of collateral required to be posted from time to time in our purchase, sale or derivative transactions;
- The impact of operational and developmental hazards and unforeseen interruptions;
- Our ability to obtain new sources of supply of petroleum products;
- Competition from other midstream energy companies;
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Our ability to comply with the covenants contained in our credit agreements and the indentures governing our senior notes, including requirements under our credit agreements to maintain certain financial ratios;

- Our ability to renew or replace expiring storage, transportation and related contracts;
- The overall forward markets for crude oil, natural gas and natural gas liquids;
- The possibility that the construction or acquisition of new assets may not result in the corresponding anticipated revenue increases;
- Changes in currency exchange rates;
- Weather and other natural phenomena, including climate conditions;

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- A cyber attack involving our information systems and related infrastructure, or that of our business associates;
- The risks and uncertainties of doing business outside of the U.S., including political and economic instability and changes in local governmental laws, regulations and policies;
- Costs of, or changes in, laws and regulations and our failure to comply with new or existing laws or regulations, particularly with regard to taxes, safety and protection of the environment;
- The possibility that our hedging activities may result in losses or may have a negative impact on our financial results; and
- General economic, market and business conditions.

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.”

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PART I

Items 1 and 2. Business and Properties

Overview

We provide gathering, transportation, storage, distribution, marketing and other midstream services primarily to 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 in 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 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

The market we serve, which begins at the source of production and extends to the crude oil refiner, is commonly referred to as the "midstream" market.

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Crude Oil Midstream Market

Our crude oil business operates primarily in Colorado, Kansas, Minnesota, Montana, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas and Wyoming. 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.

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 NYMEX crude oil futures contracts. The Cushing Interchange has multiple inbound and outbound pipeline interconnections and shell capacity of approximately 88 million barrels. 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.

Natural Gas Midstream Market

We operate natural gas gathering and processing assets in the U.S. and Canada. 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.

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. 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.

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 supply and 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.

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Mexican Asphalt Industry

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, while the regional and rural networks are the responsibility of state governments. These networks help establish the annual demand for asphalt. Asphalt demand can increase, or decline, at a pace comparable to the level of highway expansion and maintenance projects. Such projects rely on the availability of government concessions, continued public-private partnership undertakings and locally funded ventures.

Our Property, Plant and Equipment

Assets include:

- the 2% general partner interest and a 55.1% limited partner interest in Rose Rock Midstream, L.P. ("Rose Rock"), a publicly traded master limited partnership, which owns:
  - an approximately 570-mile crude oil gathering and transportation network in Kansas and Oklahoma with 650,000 barrels of associated storage and a crude oil storage facility in Cushing, Oklahoma with a capacity of 7.6 million barrels, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations, blending and marketing activities;
  - a 51% ownership interest in White Cliffs Pipeline, L.L.C ("White Cliffs"), which owns a pipeline system consisting of two 527-mile parallel lines that transport crude oil from Platteville, Colorado to Cushing, Oklahoma (the "White Cliffs Pipeline"), that Rose Rock operates;
  - a 50% ownership interest in Glass Mountain Pipeline, LLC ("Glass Mountain"), which owns a 215-mile crude oil pipeline that transports crude oil in western and north central Oklahoma (the "Glass Mountain Pipeline") that is operated by Rose Rock;
  - the Wattenberg Oil Trunkline ("WOT"), a 75-mile, 12-inch diameter crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the White Cliffs Pipeline. The WOT has a capacity of 85,000 barrels per day as well as 360,000 barrels of operational storage;
  - the Tampa pipeline, a 16-mile crude oil pipeline that connects our Platteville, Colorado crude oil terminal to the Tampa, Colorado crude oil market;
  - a crude oil trucking fleet of over 270 transport trucks and 270 trailers;
  - a 30-lane crude oil truck unloading facility with 350,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline; and
  - approximately 61,800 barrels of crude oil storage capacity in Trenton and Stanley, North Dakota.
- 4.7 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 1,590 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.;
- 11 asphalt cement terminals and modification facilities and two marine terminals 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;
- five natural gas processing plants located in the U.S., with 595 million cubic feet per day of combined capacity; and
- Maurepas Pipeline, a project underway to build 3 pipelines to service refineries in the Gulf Coast region, which is expected to be completed in the fourth quarter of 2016.

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.;

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- 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 eight business segments:

- Crude Transportation;
- Crude Facilities;
- Crude Supply and Logistics;
- SemGas;
- SemCAMS;
- SemLogistics;
- SemMexico; and
- SemStream.

During the year ended December 31, 2015, management made the decision to disaggregate certain activities and functions within the Crude segment to provide additional granularity, both internally and externally, to our operating results. As such, the prior period results have been recast to reflect the resulting operating segments.

Our Crude segments are organized by our key revenue generating activities. Our Crude Transportation segment includes revenue generated through fees charged for the physical movement of crude oil utilizing our truck and pipeline assets, as well as buy/sell activity where we generate the equivalent of a transportation fee by buying crude oil at one location and selling it back to the same counterparty at a different location for a fixed margin. Our Crude Facilities segment includes revenue generated through crude oil storage fees, truck unloading fees and other ancillary activities related to our facilities. Our Crude Supply and Logistics segment includes revenue generated through the marketing of crude oil and includes related derivative activity. Our Crude segments' business operations are conducted through a 2% general partner interest and a 55.1% limited partner interest in Rose Rock and Rose Rock's 51% ownership interest in White Cliffs and 50% interest in Glass Mountain.

For information relating to revenue and total assets for each segment, refer to Note 8 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 Transportation

Crude Transportation operates crude oil pipelines and truck transportation businesses in the U.S.

Assets and Operations

- a 570-mile crude oil gathering and transportation pipeline system with over 650,000 barrels of associated storage capacity in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries and our storage terminal in Cushing;
- the WOT, a 75-mile, 12-inch diameter crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the pipeline owned by White Cliffs. The WOT has a capacity of approximately 85,000 barrels per day as well as 360,000 barrels of operational storage;
- the Tampa pipeline, a 16-mile crude oil pipeline that connects our Platteville, Colorado crude oil terminal to the Tampa, Colorado crude oil market;

• a crude oil trucking fleet of over 270 transport trucks and 270 trailers;

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- Maurepas Pipeline, a project underway to build 3 pipelines to service refineries in the Gulf Coast region, which is expected to be completed in the fourth quarter of 2016;
- a 51% ownership interest (through our interest in Rose Rock) in White Cliffs, which owns a 527-mile pipeline, consisting of two 12-inch common carrier, crude oil pipelines, that transports crude oil from Platteville, Colorado to Cushing, Oklahoma; and
- a 50% ownership interest in Glass Mountain, which owns a 210-mile crude oil pipeline in western and north central Oklahoma.

Delivery Points. Our Kansas and Oklahoma system connects to pipelines owned by Sunoco Logistics Partners L.P., Plains All American Pipeline, L.P., Kaw Pipeline Company, Jayhawk Pipeline LLC and MV Purchasing, LLC in Kansas and Oklahoma, and refineries owned by HollyFrontier Corporation and ConocoPhillips Company, and our storage terminal in Cushing. In addition, we are constructing a 48-mile extension which will connect to Glass Mountain Pipeline.

Competition. Competition for crude oil volumes is primarily based on reputation, commercial terms, reliability, interconnectivity, location and available capacity. There are several new pipelines being built which would be direct competitors of the White Cliffs Pipeline.

Crude Facilities

Crude Facilities operates crude oil storage and terminal businesses in the U.S.

Assets and Operations

- approximately 7.6 million barrels of crude oil storage capacity in Cushing, Oklahoma, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations and marketing activities; and
- a 30-lane crude oil truck unloading facility with 350,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline.

General. We own and operate 31 crude oil storage tanks in Cushing with an aggregate storage capacity of approximately 7.6 million barrels, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations and marketing activities. Our storage terminal has the 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 connections with all of the other major storage terminals in Cushing. Connection with this terminal provides our customers with access to multiple pipelines outbound from Cushing, Our Cushing terminal also includes truck unloading facilities.

All of our Cushing storage tanks have been built since the beginning of 2008 and had a weighted average age of 5.5 years as of December 31, 2015. The design and construction of our storage tanks meets the specifications established by the American Petroleum Institute in API 650 which establishes minimum requirements for material, design, fabrication, erection and testing of welded tanks for oil storage and includes seismic considerations. Our storage tanks also undergo regular maintenance and inspection programs, and we believe that these design specifications and maintenance and inspection programs reduce our maintenance capital expenditures.

Competition. Competition for crude oil storage customers is intense and is based primarily on price, access to supply, access to logistics assets, distribution capabilities, the ability to meet regulatory requirements and maintaining the quality of service and customer relationships. Our major competitors in Cushing include Blueknight Energy Partners, L.P., Enbridge Energy Partners, L.P., Enterprise Products Partners L.P., Magellan Midstream Partners, L.P. and Plains All American Pipeline, L.P.

Growth Opportunities. We have 100 acres of additional land as well as additional infrastructure which we believe will be sufficient to increase our storage capacity in Cushing by approximately six million barrels in the future. Our Platteville facility is designed to allow for expansion as production from the DJ Basin and Niobrara Shale increases.

Crude Supply and Logistics

Crude Supply and Logistics operates a crude oil marketing business in the U.S.

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Assets and Operations

Crude Supply and Logistics uses Crude Transportation and Crude Facilities assets for marketing purposes. In addition, Crude Supply and Logistics assets include:

- approximately 61,800 barrels of crude oil storage capacity in Trenton and Stanley, North Dakota.

General. 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 marketing activities are subject to our Comprehensive Risk Management Policy, which establishes limits in order to attempt to manage risk and mitigate financial exposure.

Our crude oil purchases in our marketing operations are made at prices that are typically based on published or "posted" prices, plus or minus a differential. The differential is determined based on the grade of oil produced, transportation costs and competitive factors. Both the price and the differential change in response to market conditions. Posted prices can change daily and differentials, in general, can change every 30 days as contracts renew. We sell crude oil primarily to refiners and other resellers in various types of sale and exchange transactions, at market prices for terms ranging from one to twelve months.

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 owns and operates approximately 960 miles of gathering pipelines in Oklahoma and Texas. SemGas has four plant facilities in northern Oklahoma with a combined processing capacity of approximately 565 million cubic feet per day. This area, also called the Mississippi Lime Play, has emerged as a key crude oil play with associated gas. There are approximately 675,000 acres dedicated to SemGas from several area producers in the Mississippi Lime Play. SemGas also has a processing plant located in Sherman, Texas, with a processing capacity of 30 million cubic feet per day.

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. 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 Lime Play 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.

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.

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 620 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 and the pass through of certain operating costs. 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.

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 a wide range of locations including the Middle East, Asia, Europe, the U.S., Central America 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. Historically, 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.

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 operates an in-country network of 11 asphalt cement terminals and modification facilities and two marine terminals. 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. 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.

SemStream

Assets and Operations

The SemStream segment consists of SemGroup's ownership interest in NGL Energy, a master limited partnership, publicly traded on the New York Stock Exchange as "NGL", and its ownership interest in NGL Energy Holdings LLC, the general partner of NGL Energy. This segment has no other significant assets or operations.

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;
- investments, divestitures, and other capital expenditures and dispositions;
- credit risk management; and

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- 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.

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 the Federal Energy Regulatory Commission ("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

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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”) and the Pipeline Hazardous Materials Safety Administration ("PHMSA") with respect to the design, construction, operation and maintenance of the pipeline systems. The PHMSA routinely conducts audits of the regulated assets and we must make certain records and reports available to the PHMSA for review as required by the Secretary of Transportation. In some states, the PHMSA 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 PHMSA.

Trucking Regulation

Through our ownership interest 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. These regulations include both those concerning the transportation of hazardous materials under the PHMSA, as well as those under the Federal Motor Carrier Safety Administration ("the FMCSA"). 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

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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.

The AER also provides for the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources over the entirety of their life cycle. In March of 2014, the AER assumed responsibility for the regulation of reclamation and remediation activities resulting from oil, gas and coal operations in the province, formerly under the purview of Alberta Environment and Sustainable Resource Development.

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

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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.

New Control of Major Accident Hazards (COMAH) Regulations came into force in the U.K. on June 1, 2015. The main COMAH duties stay the same as previously but there are some important changes, particularly on how dangerous substances are classified and information that has to be made available to the public.

The Maritime Security is regulated by Department for Transport. SemLogistics has to ensure appropriate measures and people are in place to comply with the International Ship and Port Facility Security Code, which sets out maritime security standards, established by the International Maritime Organization. These standards are enforced through the Ship and Port Security Regulations (2004).

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 requirements. Companies are required to obtain, from the federal, state and 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's products are in compliance with all standards.

Mexico imposes similar requirements to those in the U.S. concerning water management, water resources and the protection of water quality. SemMexico is currently in compliance with all such requirements.

Certain operations in Mexico require an air emissions license and reporting on a yearly basis the stack emissions to state environmental agencies. 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.

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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 that emissions of certain gases, commonly referred to as greenhouse gases (“GHGs”) (including carbon dioxide 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, a number of states, either individually or through multi-state regional initiatives, have 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. 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 and market.

Canada does not currently have any federal legislation pending relating to the regulation of GHG emissions from the oil and gas industry. While the government has not indicated a date on when any such regulation may come into force, it is part of the overall federal climate change plan. 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.

In June of 2012, Mexico's Ministry of the Environment and Natural Resources released the Climate Change Law with the objective to regulate greenhouse gases emissions.

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 Environmental Protection Agency ("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

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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 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. 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 2022, 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, 2015, we had approximately 1,160 employees, including approximately 555 employees outside the U.S., in Canada, Mexico and the U.K. Approximately 130 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 68 employees have collective bargaining agreements that renew annually and approximately 60 have collective bargaining agreements that expired in January 2016 and are currently being renegotiated. 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 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 indentures governing our 7.5% senior notes and 5.625% 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;

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- 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 indentures governing our 7.5% senior notes and 5.625% 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 our 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.

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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 quarterly distributions to its unitholders, including us. Rose Rock may not have sufficient available cash each quarter to enable it to pay the minimum quarterly distribution or distributions at levels we expect, 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.

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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, transport, store, process or market could adversely affect our business and operating results.

The volumes that support our business are dependent, in part, 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 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 continue 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

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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.

Increased regulation of hydraulic fracturing or produced water disposal 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.

The adoption of new laws or regulations imposing additional permitting, disclosures, restrictions or costs related to hydraulic fracturing or produced water disposal could make drilling certain wells less economically attractive. As a result, the volume of crude oil and natural gas we gather, transport and store for our customers could be substantially reduced which could have an adverse effect on our business, results of operations, financial condition and ability to pay dividends to our stockholders.

Our operations could be adversely affected if third-party pipelines, or other facilities connected 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 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 marketing activities cannot eliminate all risks associated with the 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 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. 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 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.

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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 continue 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 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.

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, tanks and processing units. 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 connected facilities and carriers; and
- catastrophic events such as natural disasters, earthquakes, 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 have expanded our operations through acquisitions and may continue to do so. 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.

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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 of 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 or 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 PHMSA, has adopted regulations requiring pipeline operators to develop and implement integrity management programs for 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 $5.6 million during 2016 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.

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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, 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, 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.

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, treating and marketing 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.

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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 business activities are subject to regulation by multiple federal, state and local governmental agencies. Our historical operating costs reflect the recurring costs resulting from compliance with these regulations and we do not anticipate material expenditures in excess of these amounts in the absence of future acquisitions, or changes in regulation, or discovery of existing but unknown compliance issues. Additional proposals and proceedings that affect the midstream industry are regularly considered by Congress, as well as by state legislatures and federal and state regulatory commissions, agencies and courts. We cannot predict when or whether any such proposals may become effective or the magnitude of the impact changes in laws and regulations may have on our business. However, additions to the regulatory burden on our industry generally increase our cost of doing business and affect our profitability.

Our trucking fleet operations are subject to the Federal Motor Carrier Safety Regulations which are enacted, reviewed and amended by the FMCSA. Our fleet currently has a "satisfactory" safety rating; however, if our safety rating were downgraded to "unsatisfactory", our business and results of operations could be adversely affected.

All federally regulated carriers safety ratings are measured through a program implemented by the FMCSA known as the Compliance Safety Accountability ("CSA") program. The CSA program measures a carrier's safety performance based on violations observed during roadside inspections as opposed to compliance audits performed by the FMCSA. The quantity and severity of any violations are compared to a peer group of companies of comparable size and annual mileage. If a company rises above a threshold established by the FMCSA, it is subject to action from the FMCSA. There is a progressive intervention strategy that begins with a company providing the FMCSA with an acceptable plan of corrective action that the company will implement. If the issues are not corrected, the intervention escalates to on-site compliance audits and ultimately an "unsatisfactory" rating and the revocation of the company's operating authority by the FMCSA could have an adverse effect on our business, results of operations and financial condition.

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 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.

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. As a result, the overall forward market for crude oil may have an adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

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.

The EPA has published its findings that emissions of GHGs are an endangerment to public health and the environment because such gases are contributing to the warming of the earth’s atmosphere and other climatic changes. The EPA adopted regulations under existing provisions of the federal Clean Air Act that require entities that produce certain gases to inventory, monitor and report such gases. Additionally, the EPA adopted rules to regulate GHG emissions through construction and operating permit programs. A number of state and regional efforts have also emerged which are intended to address climate issues.

Canadian federal regulations creating GHG performance standards for the transportation sector and for coal-fired electricity generation were established by the previous federal government in recent years and the oil and gas sector was targeted for similar regulations in the future. A new federal government was elected on October 19, 2015. It indicated that a key priority is to provide national leadership to reduce emissions, combat climate change and price carbon, in partnership with provinces and territories. On December 12, 2015, the federal government reached an international agreement with 195 countries at the Paris Climate Conference and stated that it will support and implement policies that contribute to a low-carbon economy. Specific new federal GHG reduction policies, including any potential policies affecting the oil and gas sector, have yet to be confirmed. 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.

The majority of Canada's climate change initiatives to date have been implemented at the provincial level. Alberta enacted GHG legislation that is applicable to the oil and gas industry and recently introduced GHG policy that will apply to the broader economy. Alberta's GHG legislation, policy and future regulations could increase the costs of compliance for SemCAMS' facilities.

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Regulatory actions by governments or the passage of new climate change laws or regulations could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls on our facilities and (iii) administer and manage our GHG compliance program. If we are unable to recover or pass through our costs to comply with such requirements, it could have a material adverse effect on our results of operations and financial condition. Further, climate change and GHG regulation could reduce demand for our services.

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.

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;
- 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.

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

We have significant exposure to market risk at the time our existing storage and transportation 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 and transportation services to our markets;
- the macroeconomic factors affecting crude oil storage and transportation economics for our current and potential customers;
- the balance of supply and demand, on a short-term, seasonal and long-term basis, in our markets;
- the extent to which the customers in our markets are willing to contract on a long-term basis; and
- the 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.

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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 or salt water.

There is competition for fresh water from municipalities, farmers, ranchers and 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.

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. 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 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.

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.

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We have become more reliant on technology to help increase efficiency in our business. We use numerous technologies to help run our operations, and this may subject our business to increased risks. Any cyber security attack that affect our facilities, our customers or any financial data could have a material adverse effect on our business. In addition, a cyber attack 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 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.

Risks Related to Our Class A Common Stock

Holders of our Class A common stock may not receive dividends in the amount identified in guidance or any dividends.

We may not have sufficient cash each quarter to pay dividends or maintain current or expected levels of dividends. The actual amount of cash we pay out in dividends may fluctuate from quarter to quarter and will depend on various factors, some of which are beyond our control, including:

- the amount of cash that Rose Rock and our other subsidiaries distribute to us;
- the amount of cash we generate from our operations, our working capital needs, our level of capital expenditures and our ability to borrow;
- the restrictions contained in our indentures and credit agreements and our debt service requirements; and
- the cost of acquisitions, if any.

A failure either to pay dividends or to pay dividends at expected levels could result in a loss of investor confidence, reputational damage and a decrease in the market price of our Class A common stock.

Our Class A Common Stock 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.

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

For information regarding legal proceedings, see the discussion under the captions "Bankruptcy matters", "Dimmit County, TX Claims", "Other matters" and "Environmental" in Note 16 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.

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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
Carlin G. Conner	48	President and Chief Executive Officer and Director
Robert N. Fitzgerald	56	Senior Vice President and Chief Financial Officer
Candice L. Cheeseman	60	Vice President and General Counsel
Timothy R. O'Sullivan	59	Vice President, Corporate Planning and Strategic Initiatives
Peter L. Schwiering	71	Vice President and Chief Operating Officer of Rose Rock Midstream GP, LLC

Carlin G. Conner. Mr. Conner has served as president and chief executive officer and a director of SemGroup since April 2014. He has also served as chairman of the Board of Directors, president and chief executive officer of the general partner of our subsidiary Rose Rock, since April 2014. From 2012 to March 2014, Mr. Conner served as managing director of Oiltanking GmbH, an independent worldwide storage provider of crude oil, refined petroleum products, liquid chemicals and gases. He served as a member of the Board of Directors of the general partner of Oiltanking Partners, L.P., a publicly traded master limited partnership engaged in independent terminaling, storage and transportation of crude oil, refined petroleum products and liquefied petroleum gas ("Oiltanking Partners"), from March 2011 to March 2014, and was elected chairman in July 2011 in connection with the completion of Oiltanking Partners' initial public offering. Mr. Conner also served as president and chief executive officer of Oiltanking Partner's general partner from 2011 to 2012 and as president and chief executive officer of Oiltanking Holding Americas, Inc., a wholly owned subsidiary of Oiltanking GmbH, from 2006 to 2012. Previously, from 2003 to 2006, he worked at Oiltanking GmbH's corporate headquarters in Hamburg, Germany, where he was responsible for international business development and sat on the boards of several Oiltanking GmbH ventures. He joined Oiltanking Houston, L.P. in 2000. He began his career at GATX Terminals Corporation and served in various roles, including operations and commercial management. From April 2014 to October 2014, Mr. Conner served on the Board of Directors of the general partner of NGL Energy Partners LP, a publicly traded master limited partnership engaged in crude oil logistics, water solutions, liquids, retail propane, and refined products and renewables. He graduated from McNeese State University with a Bachelor of Science degree in environmental science.

Robert N. Fitzgerald. Mr. Fitzgerald joined SemGroup in 2009 and serves as senior vice president and chief financial officer. Mr. Fitzgerald also serves as a director, senior vice president and chief financial officer of the general partner of Rose Rock. Prior to joining SemGroup, Mr. Fitzgerald served as chief financial officer from 2008 to 2009 of Windsor Energy Group, a private independent oil and gas exploration and development company. He has also served from 2006 to 2008 as executive vice president of LinkAmerica Corp. and from 2003 until 2006 as chief operating officer and chief financial officer of Arrow Trucking Company, both commodity transportation companies. From 2000 to 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. Ms. Cheeseman joined SemGroup in 2010 and serves as general counsel. Ms. Cheeseman also serves as general counsel of the general partner of Rose Rock. 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 2004. In 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 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 2002. Ms. Cheeseman has been a practicing attorney for over 20 years 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.

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Timothy O’Sullivan. Mr. O’Sullivan serves as vice president, corporate planning and strategic initiatives of SemGroup, a position he has held since 2010. Mr. O’Sullivan also serves as a director and vice president of the general partner of Rose Rock. From 2005 until 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. 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. Mr. Schwiering has served as vice president of SemGroup since 2012. Mr. Schwiering has also served as the chief operating officer and a director of the general partner of Rose Rock since 2011. Mr. Schwiering joined SemCrude, L.P. in 2000 as vice president of operations and eventually served as its president. 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.

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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." At January 31, 2016, we had 2,916 holders of record of our Class A 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, 2015:		
First quarter	$81.60	$56.83
Second quarter	$86.99	$75.66
Third quarter	$80.92	$41.44
Fourth quarter	$55.54	$22.56
For the year ended December 31, 2014:		
First quarter	$68.50	$59.90
Second quarter	$79.77	$62.90
Third quarter	$88.99	$75.72
Fourth quarter	$84.31	$59.30

Dividends

In January 2013, we announced our intention to pay a quarterly cash dividend to common stockholders beginning in the second quarter of 2013. We intend to pay dividends from our "cash available for dividends", which is defined as our cash from operating activities plus our cash distributions received from our interests in Rose Rock and NGL Energy, less cash interest expense, cash paid for income taxes, maintenance capital expenditures and any cash reserves established by our management. Cash reserves are established by management to provide for the proper conduct of SemGroup's business, including reserves for future capital expenditures and for anticipated future credit needs.

Our credit agreement allows payments or distributions as long as we (i) are in compliance on a pro forma basis with our financial covenants and (ii) demonstrate a minimum liquidity of $50 million.

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.

Year Ended December 31, 2015	$/Share
First quarter	$0.34
Second quarter	$0.38
Third quarter	$0.42
Fourth quarter	$0.45

Year Ended December 31, 2014	$/Share
First quarter	$0.22
Second quarter	$0.24
Third quarter	$0.27
Fourth quarter	$0.30

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 January 1, 2011 to December 31, 2015. 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

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on December 31, 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.

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, 2015, 2014, 2013, 2012 and 2011, and the statement of operations data for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, 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.

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 and of Adjusted EBITDA to net income, 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."

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	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(amounts in thousands, except per share amounts)				
Statement of operations data:					
Total revenues	$1,455,094	$2,122,579	$1,427,016	$1,237,497	$1,465,246
Operating income	$129,153	$126,993	$117,914	$57,351	$55,199
Income from continuing operations	$42,816	$52,058	$65,753	$28,958	$12,360
Income (loss) from discontinued operations	(4)	(1)	59	2,939	(9,548)
Net income	$42,812	$52,057	$65,812	$31,897	$2,812
Net income attributable to noncontrolling interests	12,492	22,817	17,710	9,797	435
Net income attributable to SemGroup	$30,320	$29,240	$48,102	$22,100	$2,377
Income from continuing operations per share of common stock:					
Basic	$0.69	$0.69	$1.14	$0.53	$0.29
Diluted	$0.69	$0.68	$1.13	$0.52	$0.17
Other financial data:					
Adjusted gross margin	$477,559	$497,487	$405,942	$363,808	$306,693
Adjusted EBITDA	$305,282	$287,441	$189,018	$134,965	$115,545
Cash dividend declared per common share	$1.59	$1.03	$0.60	$—	$—

	As of December 31,				
	2015	2014	2013	2012	2011
	(amounts in thousands)				
Balance sheet data:					
Total assets	$2,870,690	$2,589,802	$2,470,614	$1,748,179	$1,491,181
Long-term debt, including current portion (excluding debt subject to compromise)	$1,074,628	$767,132	$615,125	$206,086	$109,335
Owners' equity:					
SemGroup Corporation owners' equity	$1,115,527	$1,149,508	$1,053,902	$892,394	$851,096
Noncontrolling interests in consolidated subsidiaries	80,829	69,929	159,961	129,134	127,569
Total owners' equity	$1,196,356	$1,219,437	$1,213,863	$1,021,528	$978,665

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:

- 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.

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

Overview

We, and our significant equity method investees, own gathering systems, transportation pipelines, crude oil transport trucks, processing plants, storage facilities and terminals in Colorado, Kansas, Minnesota, Montana, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas and Wyoming and in Alberta, Canada.

We own 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.

During the year ended December 31, 2015, we made the decision to disaggregate certain activities and functions within our Crude segment to provide additional granularity, both internally and externally, to our operating results. As such, the prior period results have been recast to reflect the resulting reportable segments. These new segments are organized by our key revenue generating activities:

Crude Transportation

We charge capacity or volume based fees to transport crude oil by pipeline and by truck. In addition, we generate the equivalent of a transportation fee by buying crude oil at one location and selling it back to the same counterparty at a different location for a fixed margin.

Crude Facilities

We charge capacity or volume based fees for crude oil storage and terminal services at our facilities in Cushing, along the Kansas and Oklahoma pipeline system and at Platteville, Colorado. We also charge capacity or volume based fees to use our truck unloading facility at Platteville.

Crude Supply and Logistics

We purchase crude oil for our own account from producers, aggregators and traders and sell crude oil, including crude oil blends, to traders and refiners.

General Trends and Outlook

The prices of crude oil and natural gas have historically been volatile. For example, from January 1, 2014 to December 31, 2015, the NYMEX prompt month settle price ranged from a high of $107.26 per barrel to a low of $34.73 per barrel. The range for natural gas during that period was $6.15 to $1.75 per MMBtu. Substantial declines in crude oil and natural gas prices, particularly prolonged declines, can have negative effects on producers including:

- reduced revenue, operating income and cash flows;
- reduced volume of crude oil and natural gas that can be produced economically;
- delayed or postponed capital projects; and/or
- limited access to or increased cost of capital, such as equity and long-term debt.

The substantial decline in crude oil and natural gas prices since mid-2014 and continuing throughout 2015 have had these effects on a number of companies in the oil and gas industry, including our customers. While we do not have significant direct exposure to commodity prices, we are exposed to a reduction in volumes to be transported, stored, processed and marketed as a result of lower prices. We experienced such reductions in 2015 and expect them to continue in 2016.

In response to these industry conditions, we are increasing our focus on controlling expenses, reviewing the economics of capital projects, increasing control over headcount and relocating our Oklahoma City office to Tulsa.

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,

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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.

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 to Adjusted gross margin and net income to Adjusted EBITDA, the most directly comparable GAAP financial measures, on a historical basis for each of the periods indicated.

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	Year Ended December 31, 2015	2014	2013	2012	2011
	(Unaudited; in thousands)				
Reconciliation of operating income to Adjusted gross margin:					
Operating income	$129,153	$126,993	$117,914	$57,351	$55,199
Add:					
Operating expense	224,443	246,613	223,585	224,700	155,041
General and administrative expense	97,366	87,845	78,597	71,918	75,447
Depreciation and amortization expense	100,882	98,397	66,409	48,210	49,823
Loss (gain) on disposal or impairment, net	11,472	32,592	(239)	(3,531)	301
Less:					
Unrealized gain (loss) on derivatives	(2,014)	1,734	974	(1,196)	14,114
Earnings from equity method investments including gain on issuance of common units by equity method investee	87,771	93,219	79,350	36,036	15,004
Adjusted gross margin	$477,559	$497,487	$405,942	$363,808	$306,693

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	Year Ended December 31, 2015	2014	2013	2012	2011
	(Unaudited; in thousands)				
Reconciliation of net income to Adjusted EBITDA:					
Net income	$42,812	$52,057	$65,812	$31,897	$2,812
Add:					
Interest expense	69,675	49,044	25,142	8,902	60,138
Income tax expense (benefit)	33,530	46,513	(17,254)	(2,078)	(2,310)
Depreciation and amortization	100,882	98,397	66,409	48,210	49,823
Loss (gain) on disposal or impairment, net	11,472	32,592	(239)	(3,531)	301
Loss (income) from discontinued operations, net of income taxes	4	1	(59)	(2,939)	9,548
Foreign currency transaction (gain) loss	(1,067)	(86)	(1,633)	298	(3,450)
Remove NGL Energy equity (earnings) losses including gain on issuance of common units	(11,416)	(31,363)	(33,996)	403	—
Remove gain on sale of NGL units	(14,517)	(34,211)	—	—	—
NGL cash distribution	19,074	23,404	18,321	—	—
M&A transaction related costs	10,000	—	—	—	—
Mid-America Midstream Gas Services acquisition cost	—	—	3,600	9,218	—
Inventory valuation adjustments including equity method investees	3,187	7,781	—	—	—
Employee severance expense	90	220	38	354	4,374
Unrealized loss (gain) on derivatives	2,014	(1,734)	(974)	1,196	(14,114)
Change in fair value of warrants	—	13,423	46,434	21,310	(5,012)
Reversal of allowance on goods and services tax receivable	—	—	—	—	(4,144)
Depreciation and amortization included within equity in earnings of equity method investees	25,307	18,992	9,520	10,181	10,630
Bankruptcy related expenses	224	1,310	567	—	—
Defense costs related to an unsolicited take over proposal	—	—	—	5,899	1,000
Recovery of receivable from AGE Refining	—	—	—	—	(2,692)
Charitable contributions	—	3,379	—	—	—
Legal settlement expense	3,394	—	—	—	—
Recovery of receivables written off at emergence	—	(664)	—	(858)	—
Non-cash equity compensation	10,617	8,386	7,330	6,503	8,641
Adjusted EBITDA	$305,282	$287,441	$189,018	$134,965	$115,545

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Business and Performance Drivers

We operate our business through eight primary business segments: Crude Transportation, Crude Facilities, Crude Supply & Logistics, SemGas, SemCAMS, SemLogistics, SemMexico and SemStream. 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.

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.

Revenue

Our revenue is generated through the gathering, transportation, processing and storage of petroleum products. Our customers pay us fees based on volumes gathered, transported, processed and stored. We also generate revenue by marketing petroleum products.

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 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.

Volumes

Generally, we expect revenue to increase or decrease in conjunction with increases or decreases in total volumes. Our total volumes are affected by various 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 Transportation

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We charge capacity or volume based fees to transport crude oil by pipeline and by truck. In addition, we generate the equivalent of a transportation fee by buying crude oil at one location and selling it back to the same counterparty at a different location for a fixed margin.

Crude Facilities

We charge capacity or volume based fees for crude oil storage and terminal services at our facilities in Cushing, along the Kansas and Oklahoma pipeline system and at Platteville, Colorado. We also charge capacity or volume based fees to use our truck unloading facility at Platteville.

Crude Supply and Logistics

We purchase crude oil for our own account from producers, aggregators and traders and sell crude oil, including crude oil blends, to traders and refiners.

SemGas

SemGas provides gathering and processing services to natural gas producers in the U.S. SemGas owns and operates gathering systems and processing plants in Kansas, Oklahoma and Texas.

SemCAMS

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.

SemLogistics

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.

SemMexico

SemMexico's revenue is based on contractual arrangements with customers for liquid asphalt cement.

SemStream

Earnings from our equity method investments in NGL Energy and NGL Energy Holdings LLC are reported in the SemStream segment.

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Results of Operations

Consolidated Results of Operations

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$1,455,094	$2,122,579	$1,427,016
Expenses:			
Costs of products sold	979,549	1,623,358	1,020,100
Operating	224,443	246,613	223,585
General and administrative	97,366	87,845	78,597
Depreciation and amortization	100,882	98,397	66,409
Loss (gain) on disposal or impairment, net	11,472	32,592	(239)
Total expenses	1,413,712	2,088,805	1,388,452
Earnings from equity method investments	81,386	64,199	52,477
Gain on issuance of common units by equity method investee	6,385	29,020	26,873
Operating income	129,153	126,993	117,914
Other expense (income):			
Interest expense	69,675	49,044	25,142
Foreign currency transaction gain	(1,067)	(86)	(1,633)
Other expense (income), net	(15,801)	(20,536)	45,906
Total other expenses	52,807	28,422	69,415
Income from continuing operations before income taxes	76,346	98,571	48,499
Income tax expense (benefit)	33,530	46,513	(17,254)
Income from continuing operations	42,816	52,058	65,753
Income (loss) from discontinued operations, net of income taxes	(4)	(1)	59
Net income	$42,812	$52,057	$65,812

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 2015 to $70 million from $49 million in 2014. The increase is primarily the result of incremental interest expense of $11 million related to $400 million of 5.625% senior unsecured notes Rose Rock sold in July 2014 and $12 million related to $350 million of 5.625% senior unsecured notes Rose Rock sold in May 2015. Interest increased in 2014 to $49 million from $25 million in 2013. This increase is primarily the result of incremental interest expense of $10 million related to $300 million of 7.50% senior unsecured notes SemGroup sold in June 2013 and $11 million related to $400 million of 6.526% senior unsecured notes Rose Rock sold in July 2014.

Other expense/income

Other income decreased in 2015 to $16 million from $21 million in 2014, primarily due to the gains on the sale of NGL Energy common units. In 2015, we recorded a gain on the sale of approximately 2 million NGL Energy common units of $15 million compared to 2014 where we recorded a gain on the sale of approximately 2.5 million NGL Energy common units of $34 million, partially offset by $13 million in losses due to the change in the fair value of our warrants.

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Other income increased in 2014 to $21 million from expense of $46 million in 2013, primarily due to a gain on the sale of NGL Energy common units of $34 million offset by $13 million in losses related to the change in the fair value of our warrants in 2014 compared to $46 million of such losses in 2013.

Results of Operations by Reporting Segment

Crude Transportation

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues:			
Pipeline transportation	$31,650	$28,816	$21,120
Truck transportation - external	50,341	55,902	13,797
Truck transportation - intersegment	15,021	10,840	225
Total revenues	97,012	95,558	35,142
Expenses:			
Operating	73,554	71,230	23,917
General and administrative	9,164	9,012	5,467
Depreciation and amortization	35,500	33,679	17,814
Loss on disposal or impairment, net	9,621	467	—
Total expenses	127,839	114,388	47,198
Earnings from equity method investment	76,355	61,856	45,354
Operating income	$45,528	$43,026	$33,298

Adjusted Gross Margin

Adjusted gross margin in this segment is generated by providing fee-based services and by entering into fixed-margin transactions. Revenues from fee-based services are included in service revenue and revenues from fixed-margin are included in product revenue in our Consolidated Statements of Operations and Comprehensive Income. As there is no cost of sales or derivative activity associated with our Crude Transportation revenue, adjusted gross margin is equivalent to revenue for this segment.

2015 versus 2014

Revenue

Pipeline transportation revenue includes both fee-based and fixed-margin activity. Pipeline transportation revenue increased to $32 million in 2015 from $29 million in 2014. The extension of the Wattenberg Oil Trunkline in early 2015 resulted in an additional $7 million due to higher volumes. Higher volumes on the Tampa pipeline resulted in an additional $1 million. These increases were partially offset with reductions in fixed-margin and other fee-based activity of $3 million and $2 million, respectively.

External truck transportation revenue decreased to $50 million in 2015 from $56 million in 2014. The decrease was due to a higher concentration of shorter haul activity despite higher volumes.

Intersegment truck transportation revenues increased to $15 million in 2015 from $11 million in 2014. The increase was due to additional barrels purchased directly from the producer and hauled for our Crude Supply and Logistics segment.

Operating Expense

Operating expense increased in 2015 to $74 million from $71 million in 2014. The increase was primarily due to additional employment and insurance and taxes of $1 million and $1 million, respectively, resulting from a full year of operations from the crude oil trucking assets acquired in June 2014. An additional $1 million resulted primarily from the extension of the Wattenberg Oil Trunkline in early 2015.

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General and Administrative Expense

General and administrative expense remained constant at $9 million in 2015 and 2014.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2015 to $36 million from $34 million in 2014. Approximately $2 million of the increase in depreciation expense is due to the 2014 revision of the estimated useful life relating to a 164-mile section of the Kansas and Oklahoma pipeline system. An additional $5 million of the depreciation increase is due to project completions and the crude oil trucking fleet acquisition in 2014. Amortization decreased in 2015 to $1 million from $6 million in 2014. The decrease was due to contracts acquired as part of the crude oil trucking fleet acquisition in 2013 becoming fully amortized in 2014.

Loss on Disposal or Impairment, net

In 2015, we recorded a goodwill impairment of $9.5 million associated with our crude oil trucking operations which reduced the carrying value of goodwill to $26.6 million.

We used a discounted cash flow model, supplemented by a market approach to perform the goodwill impairment analysis. Key assumptions in the analysis include the use of an appropriate discount rate, volume and rate forecasts and estimates of operating costs.

When considering operating performance projections, we included industry economic conditions, current crude oil prices and the forward price curve. Due to the imprecise nature of our projections and assumptions, actual results can and often do differ from our estimates. If the assumptions used in our projections prove to be inaccurate, we could incur a future impairment charge.

Earnings from Equity Method Investment

This segment's equity method investments are White Cliffs and Glass Mountain Pipeline. The increase is due to our commissioning of White Cliffs' second line in August 2014. Earnings from White Cliffs increased by approximately $13 million in 2015 compared to 2014 and earnings from Glass Mountain increased by approximately $2 million in 2015 compared to 2014.

2014 versus 2013

Revenue

Pipeline transportation revenue increased to $29 million in 2014 from $21 million in 2013. The increase was due to capital expansion projects being placed in-service near the end of 2013, including the Wattenberg Oil Trunkline. The Wattenberg Oil Trunkline and other fee-based activity contributed an additional $7 million and $1 million, respectively.

External truck transportation revenue increased to $56 million in 2014 from $14 million in 2013. The increase was due to a full year of operations from the September 2013 crude oil trucking acquisition and a partial year of operations from the crude oil trucking assets acquired in June 2014.

Intersegment truck transportation revenues began in late 2013. These revenues resulted from acquisitions of barrels purchased directly from the producer and by our Crude Supply and Logistics segment.

Operating Expense

Operating expense increased in 2014 to $71 million from $24 million in 2013. The increase was primarily due to a full year of operations from the September 2013 crude oil trucking acquisition and a partial year of operations from the crude oil trucking assets acquired in June 2014. The increase included employment costs of $18 million, outside services from contract owner operators of $16 million, field expenses of $6 million, maintenance and repair of $2 million, insurance and taxes of $2 million, and other expenses of $1 million. An additional $2 million and $1 million resulted from full year operations of the Wattenberg Oil Trunkline and the Tampa pipeline, respectively. Other expenses decreased $1 million.

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General and Administrative Expense

General and administrative expense increased in 2014 to $9 million from $5 million in 2013. The corporate overhead allocation from SemGroup increased $3 million as a result of higher corporate costs, combined with a higher allocation rate attributable to Rose Rock. Employment costs increased $1 million primarily due to additional incentive compensation.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2014 to $34 million from $18 million in 2013. Approximately $4 million of the depreciation increase is due to a revision of the estimated useful life relating to a 164-mile section of the Kansas and Oklahoma pipeline system. An additional $7 million of the depreciation increase is due to project completions and the crude oil trucking fleet acquisitions in 2013 and 2014. Amortization increased in 2014 to $6 million from $1 million in 2013 due to contracts acquired as part of the crude oil trucking fleet acquisitions in 2013 and 2014.

Earnings From Equity Method Investment

Crude Transportation's equity method investments are White Cliffs and Glass Mountain Pipeline. The increase in earnings is attributable to increased volume transported by White Cliffs and the completion of the Glass Mountain Pipeline in 2014.

Crude Facilities

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$45,936	$44,007	$46,697
Expenses:			
Operating	8,585	7,881	6,669
General and administrative	3,594	3,874	2,945
Depreciation and amortization	5,829	5,365	4,833
Gain on disposal or impairment, net	—	(34)	—
Total expenses	18,008	17,086	14,447
Operating income	$27,928	$26,921	$32,250

Adjusted Gross Margin

Adjusted gross margin in this segment is generated by providing fee-based services. Revenues from fee-based services are included in service revenue in our Consolidated Statements of Operations and Comprehensive Income. As there is no cost of sales or derivative activity associated with our Crude Facilities revenue, Adjusted gross margin is equivalent to revenue for this segment.

2015 versus 2014

Revenue

Revenue increased to $46 million in 2015 from $44 million in 2014. The increase was primarily due to additional unloading volumes at Platteville and additional pumpover activity at our storage facilities.

Operating Expense

Operating expense increased in 2015 to $9 million from $8 million in 2014. The increase was primarily due to $0.6 million additional operating expenses from segment corporate headquarters and increased outside services.

General and Administrative Expense

General and administrative expense remained constant at $4 million in both 2015 and 2014.

Depreciation and Amortization Expense
Depreciation and amortization expense increased in 2015 to $6 million from $5 million in 2014. The increase is due to capital expenditure project completions.

2014 versus 2013

Revenue
Revenue decreased in 2014 to $44 million from $47 million in 2013. The decrease was primarily due to reduced storage fees due to the conversion of 0.6 million barrels of storage capacity in Cushing for operational use.

Operating Expense
Operating expense increased in 2014 to $8 million from $7 million in 2013. The increase was due to $2 million of additional operations support expenses and increased employment related expenses.

General and Administrative Expense
General and administrative expense increased in 2014 to $4 million from $3 million in 2013, primarily due to overhead allocations from SemGroup.

General
In every other category of expense, the amounts for the year ended 2014 are roughly equivalent to those for the year ended 2013.

Crude Supply and Logistics

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$716,784	$1,169,372	$685,588
Expenses:			
Costs of products sold	686,790	1,142,202	663,984
Operating	995	753	4,989
General and administrative	814	817	662
Depreciation and amortization	159	549	673
Gain on disposal or impairment, net	(3)	(42)	(31)
Total expenses	688,755	1,144,279	670,277
Operating income	$28,029	$25,093	$15,311

Adjusted Gross Margin
Adjusted gross margin in this segment is generated from marketing activities. Revenues from marketing activities are included in product revenue in our Consolidated Statements of Operations and Comprehensive Income.
The following table shows the Adjusted gross margin generated by this segment’s marketing activities:

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$716,784	$1,169,372	$685,588
Less: Costs of products sold, exclusive of depreciation	686,790	1,142,202	663,984
Less: Unrealized gain (loss) on derivatives	(1,900)	1,621	974
Adjusted gross margin	$31,894	$25,549	$20,630

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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)	2015	2014	2013
Reconciliation of operating income to Adjusted gross margin:			
Operating income	$28,029	$25,093	$15,311
Add:			
Operating expense	995	753	4,989
General and administrative expense	814	817	662
Depreciation and amortization expense	159	549	673
Gain on disposal or impairment, net	(3)	(42)	(31)
Less:			
Unrealized gain (loss) on derivatives	(1,900)	1,621	974
Adjusted gross margin	$31,894	$25,549	$20,630

2015 versus 2014

Revenue

Revenue decreased in 2015 to $717 million from $1.2 billion in 2014.

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Gross product revenue	$2,099,199	$1,812,903	$1,110,722
Nonmonetary transaction adjustment	(1,380,515)	(645,152)	(426,108)
Unrealized gain (loss) on derivatives, net	(1,900)	1,621	974
Product revenue	$716,784	$1,169,372	$685,588

Gross product revenue increased in 2015 to $2.1 billion from $1.8 billion in 2014. The increase was primarily due to an increase in the volume sold to 42.6 million barrels at an average sales price of $49 per barrel in 2015 from the volume sold of 19.1 million barrels at an average sales price of $95 per barrel in 2014.

Gross product revenue was reduced by $1.4 billion and $0.6 billion during 2015 and 2014, respectively, in accordance with ASC 845-10-15.

Cost of Products Sold

Costs of products sold decreased in 2015 to $687 million (including $15 million intersegment transportation expense) from $1.1 billion in 2014 (including $11 million intersegment transportation expense). The decrease was primarily due to reductions of $1.4 billion and $0.6 billion in 2015 and 2014, respectively, in accordance with ASC 845-10-15. There was an increase in the barrels sold, as described above, combined with a decrease in the average per barrel cost of crude oil to $48 in 2015 from $94 in 2014.

Adjusted Gross Margin

This segment's Adjusted gross margin increased in 2015 to $32 million from $26 million in 2014. The increase was primarily due to an increase in marketing volumes of 23.5 million barrels, partially offset by a lower spread between the acquisition and sale price for volumes of crude oil sold, as the excess of our average sales price per barrel over our average acquisition cost per barrel decreased to approximately $0.75 for 2015, from approximately $1.34 for 2014. The increase in volume was primarily due to crude oil blending and transactions related to contango market conditions.

General

In every other category of expense, the amounts for the year ended 2015 are roughly equivalent to those for the year ended 2014.

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2014 versus 2013

Revenue

Revenue increased to $1.2 billion in 2014 from $686 million in 2013.

Gross product revenue increased in 2014 to $1.8 billion from $1.1 billion in 2013. The increase was primarily due to an increase in the volume sold to 19.1 million barrels at an average sales price of $95 per barrel in 2014 from the volume sold of 11.0 million barrels at an average sales price of $101 per barrel in 2013.

Gross product revenue was reduced by $0.6 billion and $0.4 billion during 2014 and 2013, respectively, in accordance with ASC 845-10-15.

Costs of Products Sold

Costs of products sold increased in 2014 to $1.1 billion (including $11 million intersegment transportation expense) from $0.7 billion in 2013. Costs of products sold increased due to the increase in the barrels sold, as described above, combined with a decrease in the average per barrel cost of crude oil to $94 in 2014 from $99 in 2013. Costs of product sold reflected reductions of $0.6 billion and $0.4 billion in 2014 and 2013, respectively, in accordance with ASC 845-10-15.

Adjusted Gross Margin

This segment's Adjusted gross margin increased in 2014 to $26 million from $21 million in 2013. The increase was primarily due to an increase in marketing volumes of 8.1 million barrels, partially offset by a lower spread between the acquisition and sale price for volumes of crude oil sold, as the excess of our average sales price per barrel over our average acquisition cost per barrel decreased to approximately $1.34 for 2014, from approximately $1.87 for 2013. The increase in volume was primarily due to crude oil blending.

Gross product revenue was reduced by $0.6 billion and $0.4 billion during 2014 and 2013, respectively, in accordance with ASC 845-10-15.

Operating Expense

Operating expense decreased in 2014 to $1 million from $5 million in 2013. The decrease is due to the relocation of employees and certain trucking related activities from our North Dakota operations, which were included in this segment, to our Rose Rock Field Services operations, which are included in our Crude Transportation segment.

General

In every other category of expense, the amounts for the year ended 2014 are roughly equivalent to those for the year ended 2013.

SemGas

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$252,174	$380,183	$231,119
Expenses:			
Costs of products sold	144,554	276,852	169,800
Operating	34,198	32,296	20,200
General and administrative	9,921	9,228	7,971
Depreciation and amortization	31,803	26,353	14,517
Loss on disposal or impairment, net	1,832	20,092	665
Total expenses	222,308	364,821	213,153
Operating income	$29,866	$15,362	$17,966

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Adjusted Gross Margin

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$252,174	$380,183	$231,119
Less: Cost of products sold, exclusive of depreciation	144,554	276,852	169,800
Adjusted gross margin	$107,620	$103,331	$61,319

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)	2015	2014	2013
Reconciliation of operating income to Adjusted gross margin:			
Operating income	$29,866	$15,362	$17,966
Add:			
Operating expense	34,198	32,296	20,200
General and administrative expense	9,921	9,228	7,971
Depreciation and amortization expense	31,803	26,353	14,517
Loss on disposal or impairment, net	1,832	20,092	665
Adjusted gross margin	$107,620	$103,331	$61,319

2015 versus 2014

Revenue

Revenue decreased in 2015 to $252 million from $380 million in 2014. The decrease is primarily due to a lower average natural NYMEX price of $2.67/MMbtu versus $4.41/MMbtu and a lower average NGL basket price of $0.62/gallon versus $0.96/gallon. The decrease was offset, in part, by higher volume (144,381 MMcf versus 106,902 MMcf) and increased fees ($59 million versus $37 million).

Costs of Products Sold

Costs of products sold decreased in 2015 to $145 million from $277 million in 2014. The decrease is attributable to lower prices, offset by the increased volume processed in northern Oklahoma.

Operating Expense

Operating expense increased in 2015 to $34 million from $32 million in 2014. This increase is due to higher insurance expense, outside services, employment and office expense of $1.4 million, $0.8 million, $0.6 million and $0.2 million, respectively. All increases are primarily driven by the growth in volume and assets in northern Oklahoma. These increases were offset by decreases in equipment lease, maintenance/repair and field expense (which includes materials and supplies, lubricants, water disposal, electricity and fuel) of $0.8 million, $0.3 million and $0.1 million, respectively.

General and Administrative Expense

General and administrative expense increased in 2015 to $10 million from $9 million in 2014. This increase is due primarily to employment costs and higher corporate allocations of approximately $0.4 million and $0.1 million, respectively, offset by a decrease of $0.2 million in outside services. 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 2015 to $32 million from $26 million in 2014. The increase is due to a significant asset expansion in northern Oklahoma.

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Loss on Disposal or Impairment, Net

Net loss on disposal or impairment decreased in 2015 to $2 million from $20 million in 2014. In 2015 we sold certain gas gathering and compression assets in Kansas for approximately $1.0 million, resulting in a loss of approximately $1.7 million. These assets were viewed as non-core. In 2014 we sold certain natural gas gathering assets in eastern Oklahoma resulting in a loss of approximately $20 million.

2014 versus 2013

Revenue

Revenue increased in 2014 to $380 million from $231 million in 2013 due to higher volume (106,902 MMcf versus 53,761 MMcf) and higher average natural NYMEX price of $4.41/MMbtu versus $3.65/MMbtu and a higher average NGL basket price of $0.96/gallon versus $0.88/gallon. The increase was also affected by higher prices and increased fees ($37 million versus $3 million). The increase in revenue is primarily due to increased volume in northern Oklahoma and increased service contracts.

Costs of Products Sold

Costs of products sold increased in 2014 to $277 million from $170 million in 2013. The increase is attributable to the increased volume generated in northern Oklahoma.

Operating Expense

Operating expense increased in 2014 to $32 million from $20 million in 2013. This increase is due to increases in equipment lease, employment expense, field expense (which includes materials and supplies, lubricants, water disposal, electricity and fuel), outside services, insurance and maintenance/repair of $4.2 million, $2.4 million, $1.7 million, $1.5 million, $1.4 million and $0.8 million, respectively. 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 2014 to $9 million from $8 million in 2013. This increase is due primarily to employment costs and higher corporate allocations of approximately $1.1 million and $0.4 million, respectively, offset by a decrease of $0.2 million in outside services. 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 2014 to $26 million from $15 million in 2013. The increase is due to the 2013 Chesapeake acquisition and expansion in northern Oklahoma.

Loss on Disposal or Impairment, Net

Net loss on disposal or impairment increased in 2014 to $20 million from $1 million in 2013, related to the sale of certain natural gas gathering assets in eastern Oklahoma. These assets were subject to contract renewal risk at the end of 2014 and were viewed as non-core due to their limited growth potential.

SemCAMS

(in thousands)	Year Ended December 31, 2015	2014	2013
Revenues	$136,197	$176,724	$198,450
Expenses:			
Costs of products sold	276	344	305
Operating	85,683	114,587	150,319
General and administrative	15,142	17,417	14,940
Depreciation and amortization	12,940	14,295	10,766
Gain on disposal or impairment, net	(917)	(950)	—
Total expenses	113,124	145,693	176,330
Operating income	$23,073	$31,031	$22,120

2015 versus 2014

Revenue

Revenue decreased in 2015 to $136 million from $177 million in 2014. This decrease is primarily due to lower operating cost flow through expense recoveries, lower overhead recoveries and reduced other miscellaneous revenue of $14.0 million, $3.5 million and $2.1 million, respectively. Foreign exchange changes reduced revenue by an additional $21.4 million.

Operating Expense

Operating expense decreased in 2015 to $86 million from $115 million in 2014. This decrease is primarily related to lower costs for contract labor, power and materials of $6.1 million, $4.3 million and $3.6 million, respectively. Foreign exchange changes reduced operating expense by $13.5 million.

General and Administrative Expense

General and administrative expense decreased in 2015 to $15 million from $17 million in 2014. This decrease is primarily the result of lower incentive compensation and foreign exchange changes of $2.5 million and $2.3 million, respectively. This decrease was offset, in part, by higher salary and pension costs of $1.5 million and $0.6 million, respectively.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased in 2015 to $13 million from $14 million in 2014. This decrease results mainly from $2.0 million in foreign exchange gains, offset by $0.6 million higher depreciation due to completed capital projects, net of reductions in depreciation due to certain assets reaching the end of their depreciable lives.

2014 versus 2013

Revenue

Revenue decreased in 2014 to $177 million from $198 million in 2013. This decrease is primarily due to turnaround costs which are recorded as revenue when they are recoverable from the producers who use the plants and outage repair recoveries of $28.5 million and $2.4 million, respectively, in 2013 which did not occur in 2014, and foreign exchange loss of $12.7 million. This decrease was offset, in part, by higher capital fees earned, higher general operating cost flow through expense recoveries, and higher maintenance capital recoveries of $10.9 million, $3.2 million, and $3.7 million, respectively, along with revenues for tie-in fees of $2.2 million, and other miscellaneous revenue of $1.8 million.

Operating Expense

Operating expense decreased in 2014 to $115 million from $150 million in 2013. This decrease is primarily related to the absence of turnaround and outage repair costs in 2014 of $28.5 million and $2.4 million, respectively. Other decreases include power of $5.1 million and operating incentive costs of $4.7 million, offset, in part, by higher costs for salaries, materials, and contract labor of $4.4 million, $4.3 million and $2.9 million, respectively. Foreign exchange changes reduced operating expense by $8.2 million in 2014 compared to 2013.

General and Administrative Expense

General and administrative expense increased in 2014 to $17 million from $15 million in 2013. This increase is primarily the result of increased incentive compensation and salary costs of $2.9 million and $0.4 million, respectively, offset by lower foreign exchange changes of $1.3 million.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2014 to $14 million from $11 million in 2013. Of this increase, $2.4 million relates to capital projects that became operational in 2014, in addition to $2.2 million of accelerated depreciation for tie-in activities, both offset by a foreign exchange gain of $1.0 million.

SemLogistics

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$24,351	$12,650	$11,671
Expenses:			
Costs of products sold	—	615	380
Operating	9,616	8,361	7,444
General and administrative	7,486	6,139	5,854
Depreciation and amortization	8,543	10,005	9,426
Loss (gain) on disposal or impairment, net	—	(2,490)	—
Total expenses	25,645	22,630	23,104
Operating loss	$(1,294)	$(9,980)	$(11,433)

2015 versus 2014

Revenue

Revenue increased in 2015 to $24 million from $13 million in 2014. Approximately $8 million of this increase is due to increased volume, $3 million is due to higher rates and $3 million is due to higher throughput fees which were offset, in part, by approximately $2 million in foreign exchange declines.

Storage and throughput revenue increased during 2015 due to the lower crude oil and product prices supporting storage economics. Also future oil prices during 2015 were predominantly in a contango structure where future prices are higher than current prices. Such a price structure encourages commodities to be stored for sale in the future.

Operating Expense

Operating expense increased in 2015 to $10 million from $8 million in 2014. This increase is primarily the result of higher employee costs, mooring fees and environmental costs of $0.5 million, $0.4 million and $0.3 million, respectively.

General and Administrative Expense

General and administrative expense increased in 2015 to $7 million from $6 million in 2014. This increase is primarily the result of increased employee costs.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased in 2015 to $9 million from $10 million in 2014. This decrease is primarily the result of foreign exchange declines.

Gain on Disposal or Impairment

We recorded a gain of $2 million during 2014 as a result of the dissolution of a SemLogistics affiliate. This intercompany gain is offset by a loss of an equal amount in consolidation.

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2014 versus 2013

Revenue

Revenue increased in 2014 to $13 million from $12 million in 2013. Revenue increased as a result of higher storage rates, largely offset by lower volume of leased storage. High crude oil prices and backwardated market conditions (i.e., prices for future deliveries are lower than current prices) existed during much of 2014. Crude oil prices peaked in June 2014 and then dropped throughout the balance of the year falling approximately 50% by the end of the year. The result was a market in contango (i.e., prices for future deliveries are higher than current prices). Contango stimulates demand for storage and we saw increased interest in contract renewals and interest in long-term contracts.

Operating Expense

Operating expense increased in 2014 to $8 million from $7 million in 2013. This increase is primarily the result of higher employee and maintenance costs of $0.7 million and $0.1 million, respectively.

Gain on Disposal or Impairment

We recorded a gain of $2 million during 2014 as a result of the dissolution of a SemLogistics affiliate. This intercompany gain is offset by a loss of an equal amount in consolidation.

General

In every other category of expense, the amounts for the year ended 2014 are roughly equivalent to those for the year ended 2013.

SemMexico

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$211,291	$290,869	$242,559
Expenses:			
Costs of products sold	174,647	252,082	209,841
Operating	10,648	10,576	9,379
General and administrative	10,297	12,125	10,700
Depreciation and amortization	4,076	6,031	5,991
Loss (gain) on disposal or impairment, net	85	(53)	(854)
Total expenses	199,753	280,761	235,057
Operating income	$11,538	$10,108	$7,502

2015 versus 2014

Revenue

Revenue decreased in 2015 to $211 million from $291 million in 2014. This decrease is due to foreign exchange loss, lower volume (361 thousand metric tons in 2015 versus 404 thousand metric tons in 2014) and lower sales price ($578/metric ton in 2015 versus $713/metric ton in 2014) of $38 million, $31 million and $9 million, respectively.

Costs of Products Sold

Costs of products sold decreased in 2015 to $175 million from $252 million in 2014 due to a foreign exchange loss, lower volume and lower costs of $32 million, $27 million and $18 million, respectively.

General and Administrative Expense

General and administrative expense decreased in 2015 to $10 million from $12 million in 2014. This decrease is primarily the result of a foreign exchange loss.

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Depreciation and Amortization Expense

Depreciation and amortization expense decreased in 2015 to $4 million from $6 million in 2014. This decrease is due primarily to certain assets reaching the end of their estimated useful lives in November 2014.

2014 versus 2013

Revenue

Revenue increased in 2014 to $291 million from $243 million in 2013. Higher volume (404 thousand metric tons versus 348 thousand metric tons) accounts for over 80% of this increase and higher sales prices ($713/metric ton versus $685/metric ton) accounts for 20% of the increase.

Costs of Products Sold

Costs of products sold increased in 2014 to $252 million from $210 million in 2013 due to higher volume described above. On a per metric ton basis, the cost per metric ton in 2014 increased to $621/metric ton compared to $601/metric ton in 2013.

Operating Expense

Operating expense increased in 2014 to $11 million from $9 million in 2013. This increase is primarily the result of an increase in field expenses (primarily diesel fuel) of approximately $1.0 million.

General and Administrative Expense

General and administrative expense increased in 2014 to $12 million from $11 million in 2013. This increase is primarily the result of increased incentive compensation of $1.0 million and an increase in salaries, commissions and severance payments of approximately $0.5 million.

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 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 in connection with NGL Energy equity offerings and equity issued as consideration for acquisitions in 2015, 2014 and 2013. Accordingly, we recorded non-cash gains of $6.4 million, $29.0 million and $26.9 million for the years ended December 31, 2015, 2014 and 2013, respectively, related to these transactions.

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Revenues	$—	$—	$—
Expenses:			
Costs of products sold	—	—	—
Operating	—	—	1
General and administrative	25	83	600
Depreciation and amortization	—	—	—
Loss on disposal or impairment, net	—	—	6
Total expenses	25	83	607
Earnings from equity method investment	5,031	2,343	7,123
Gain on issuance of common units by equity method investee	6,385	29,020	26,873
Operating income	$11,391	$31,280	$33,389

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Other and Eliminations

(in thousands)	Year Ended December 31, 2015	2014	2013
Revenues	$(28,651)	$(46,784)	$(24,210)
Expenses:			
Costs of products sold	(26,718)	(48,737)	(24,210)
Operating	1,164	929	667
General and administrative	40,923	29,150	29,458
Depreciation and amortization	2,032	2,120	2,389
Loss (gain) on disposal or impairment, net	854	15,602	(25)
Total expenses	18,255	(936)	8,279
Operating loss	$(46,906)	$(45,848)	$(32,489)

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.

General and Administrative Expense

General and administrative expense increased in 2015 to $41 million from $29 million in 2014. This increase is due primarily to business development expenses related to the Maurepas Pipeline.

Loss on Disposal or Impairment

Loss on disposal or impairment decreased in 2015 to $1 million from $16 million in 2014. This decrease is due primarily to an impairment charge in 2014 of approximately $12 million related to leaseholds of unproved oil and gas properties, which did not occur in 2015. (See Note 7 of our consolidated financial statements beginning on Page F-1 of this Form 10-K for additional information.) The remaining $4 million decrease relates to intercompany balances which were written off in 2014.

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, 2015 was $58.1 million. Of this amount, $20.7 million was held in Canada and may be subject to tax if transferred to the U.S. 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.

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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:

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Statement of cash flow data:			
Cash flows provided by (used in):			
Operating activities	$181,762	$181,658	$173,409
Investing activities	(442,141)	(290,225)	(738,408)
Financing activities	277,027	73,308	561,130
Subtotal	16,648	(35,259)	(3,869)
Effect of exchange rate on cash and cash equivalents	850	(3,494)	3,191
Change in cash and cash equivalents	17,498	(38,753)	(678)
Cash and cash equivalents at beginning of period	40,598	79,351	80,029
Cash and cash equivalents at end of period	$58,096	$40,598	$79,351

Operating Activities

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

	Year Ended December 31,		
(in thousands)	2015	2014	2013
Net income	$42,812	$52,057	$65,812
Non-cash expenses, net	154,156	152,966	67,736
Changes in operating assets and liabilities	(15,206)	(23,365)	39,861
Net cash flows provided by operating activities	$181,762	$181,658	$173,409

2015 Compared to 2014

Non-cash expenses decreased to $154.2 million in 2015 from $153.0 million in 2014. Significant changes from prior year include:

- $21.1 million decrease in net losses on disposals or impairments primarily due to losses recognized in 2014 related to a $20.1 million loss on the sale of certain natural gas gathering assets in eastern Oklahoma and an $11.9 million impairment charge on leaseholds of unproved oil and gas properties located in Kansas,
- $10.2 million increase in distributions from equity method investees and a $17.2 million increase in earnings from equity method investments primarily due to increased earnings of White Cliffs from expansion projects,
- a lower gain on the sale of common units of equity method investee of $19.7 million due to fewer common units of NGL Energy sold and lower sales prices in 2015 as compared to 2014,
- $13.4 million due to prior year losses on the fair value of warrants which expired in November 2014,
- $7.0 million decrease in deferred tax expense primarily due to lower pre-tax book income net of minority interest in Rose Rock and prior year impact of warrant exercise expense, and
- $3.1 million decrease in inventory valuation adjustments due to smaller write-downs of crude oil inventories related to price declines in 2015 as compared to 2014.

Changes in operating assets and liabilities during the year ended December 31, 2015 relative to the prior year-end consisted primarily of:

- $31.0 million increase in inventory primarily due to increased inventory of our Crude Supply and Logistics segment due to an additional 1.1 million barrels of crude oil on hand which partially relates to a strategic build to capture margins due to forward market crude oil prices being higher than spot market prices,

- $20.0 million decrease in accounts receivable, including receivable from affiliates, generally due to lower commodity prices and volumes,
- $5.9 million decrease in accounts payable, including payable to affiliates, and accrued liabilities generally due to lower prices and volumes and timing of purchases, and
- restricted cash and payables to pre-petition creditors decreased due to resolution of bankruptcy related matters.

2014 Compared to 2013

Non-cash expenses increased to $153.0 million in 2014 from $67.7 million in 2013. Significant changes from prior year include:

- $72.4 million increase in deferred tax expense primarily due to the release of the valuation allowance on our net operating loss carryforward in 2013,
- $32.8 million increase in net losses on disposals or impairments primarily due to a $20.1 million loss on the sale of certain natural gas gathering assets in eastern Oklahoma and an $11.9 million impairment charge on leaseholds of unproved oil and gas properties located in Kansas,
- $32.0 million increase in depreciation and amortization primarily due to capital projects placed in-service, amortization of intangible assets acquired during 2014 and 2013 and revisions of the useful lives of certain sections of the Kansas and Oklahoma pipeline,
- $21.6 million increase in distributions from equity method investees and an $11.7 million increase in earnings from equity method investments, including distributions and earnings from Glass Mountain which was placed in-service in 2014 and the partial year impact of the White Cliffs expansion which was completed in August 2014,
- $34.2 million gain on the sale of common units of equity method investee related to the disposition of common units of NGL Energy,
- $33.0 million decrease in losses on the fair value of warrants which expired in November 2014, and
- $5.7 million increase in inventory valuation adjustments due to decreases in crude oil prices to levels below our carrying values.

Changes in operating assets and liabilities during the year ended December 31, 2014 relative to the prior year consisted primarily of:

- $37.4 million decrease in accounts payable, including payable to affiliates, and accrued liabilities primarily due to decreases in commodity prices and timing of payments partially offset by increased interest payable on our Rose Rock senior unsecured notes,
- $17.9 million decrease in accounts receivable, including receivable from affiliates, due to decreases related to declining crude oil prices, partially offset by increases in receivables of our SemGas segment due to increased revenues in northern Oklahoma, and
- $6.2 million increase in inventory primarily due to increased inventory of our SemMexico segment.

Investing Activities

For the year ended December 31, 2015, we had net cash outflows of $442.1 million, primarily as a result of $479.5 million in capital expenditures and $46.7 million in contributions to equity method investments. These cash outflows were offset, in part, by cash inflows of $56.3 million in proceeds from the sale of common units of NGL Energy, an equity method investee, $24.1 million in distributions from equity method investments in excess of equity in earnings and $3.7 million in proceeds from the sale of long-lived assets. Capital expenditures included the Crude Transportation segment's projects including the Maurepas Pipeline project, our SemGas segment's northern Oklahoma gas gathering and processing expansion and SemCAMS' Wapiti Pipeline expansion. Contributions to equity method investments related primarily to the White Cliffs Pipeline expansion.

For the year ended December 31, 2014, we had net cash outflows of $290.2 million, primarily as a result of $270.5 million in capital expenditures, $71.1 million in contributions to equity method investments and $44.5 million in payments to acquire crude oil trucking assets. These cash outflows were offset, in part, by cash inflows of $79.7 million in proceeds from the sale of common units of equity method investee, $11.7 million in distributions from equity method investments in excess of equity in earnings and $4.4 million in proceeds from the sale of long-lived assets. Capital expenditures included our SemGas segment's northern Oklahoma gas gathering and processing expansion and our Crude Transportation segment's Wattenberg Oil

Trunkline extension. Contributions to equity method investments related to the White Cliffs Pipeline expansion and completion of the Glass Mountain Pipeline.

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 contributions to equity method investments. Capital expenditures primarily related to SemGas, SemCAMS, Crude Transportation and Crude Facilities expansion projects. Contributions to equity method investments primarily related to the Glass Mountain Pipeline and the White Cliffs Pipeline expansion.

Financing Activities

For the year ended December 31, 2015, we had net cash inflows of $277.0 million, primarily as a result of $307.2 million of net borrowings on debt ($867.2 million of borrowings, net of $560.0 million of principal payments), $89.1 million in proceeds from the issuance of Rose Rock common units, $69.5 million of dividends paid, $40.4 million of cash distributions to noncontrolling interests and $6.3 million of payments related to debt issuances. Net borrowings were primarily used for capital expenditures and contributions to equity method investees. Proceeds from issuances of equity by Rose Rock were used to fund Rose Rock's acquisition of Wattenberg Oil Trunkline and Glass Mountain from SemGroup. Debt issuance costs primarily related to the issuance of Rose Rock's senior unsecured notes due 2023.

For the year ended December 31, 2014, we had net cash inflows of $73.3 million, primarily as a result of $152.0 million of net borrowings on debt ($1.3 billion of borrowings, net of $1.1 billion of principal payments), $44.2 million of dividends paid, $28.5 million of Rose Rock cash distributions to noncontrolling interests and $8.7 million of payments related to debt issuances. Net borrowings were primarily used to fund acquisitions and capital expenditures. Debt issuance costs primarily related to the issuance of Rose Rock's senior unsecured notes due 2022.

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.

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 ("SemGroup Notes"). The SemGroup 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, 2015, we were in compliance with the terms of the Indenture.

SemGroup Revolving Credit Facility

At December 31, 2015, we had $30.0 million of cash borrowings outstanding under our $500 million revolving credit facility. In addition, we had $4.7 million in outstanding letters of credit on that date. At December 31, 2015, our available borrowing capacity under the revolving credit facility was $465.3 million. The maximum letter of credit capacity under this facility is $250 million.

Revolving commitments under the credit agreement can be increased by an aggregate amount of $300 million subject to the satisfaction of certain conditions. The agreement expires on December 11, 2018. 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.

The credit agreement contains certain financial performance covenants. For any test period, our Leverage Ratio cannot be in excess of 5.50:1.00; our Senior Secured Leverage Ratio cannot be in excess of 3.50:1.00; and our Interest Coverage Ratio cannot be less than 2.50:1.00.

At December 31, 2015, we were in compliance with our financial performance covenants and other terms of the credit agreement.

Rose Rock Senior Unsecured Notes

At December 31, 2015, Rose Rock and its wholly-owned subsidiary, Rose Rock Finance Corporation ("Finance Corp."), as co-issuer, have outstanding $400 million of 5.625% senior unsecured notes due 2022 and $350 million of 5.625% senior unsecured notes due 2023 (collectively, the “Rose Rock Notes”). The Rose Rock Notes are guaranteed by all of Rose Rock's existing subsidiaries other than Finance Corp.

The Rose Rock Notes are governed by indentures between Rose Rock, its subsidiary guarantors, Finance Corp. and Wilmington Trust, National Association, as trustee (the “Rose Rock Indentures”). The Rose Rock Indentures include customary covenants, including limitations on Rose Rock's 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; merge, consolidate, sell or otherwise dispose of all or substantially all of its assets; and designate its subsidiaries as unrestricted under the Rose Rock Indentures.

At December 31, 2015, we were in compliance with the terms of the Rose Rock Indentures.

Rose Rock Revolving Credit Facility

The Rose Rock 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 expires on September 20, 2018 and permits the increase of the facility by not more than $200 million, subject to certain conditions. The agreement allows Rose Rock to incur unsecured or subordinated debt without limitation, subject to certain conditions.

At December 31, 2015, Rose Rock had no outstanding cash borrowings under its $585 million revolving credit facility. There were $35.3 million in outstanding letters of credit. At December 31, 2015, Rose Rock's available borrowing capacity under this agreement was $549.7 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, 2015, we had $42.9 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.

The credit agreement contains certain financial performance covenants. For any test period, our Leverage Ratio cannot be in excess of 5.50:1.00; our Senior Secured Leverage Ratio cannot be in excess of 3.50:1.00; and our Interest Coverage Ratio cannot be less than 2.50:1.00.

At December 31, 2015, Rose Rock was in compliance with our financial performance covenants and other terms of the credit agreement.

SemMexico Revolving Credit Facilities

SemMexico has a credit facility that allows the borrowing of up to $100 million Mexican pesos (U.S. $5.8 million at the December 31, 2015 exchange rate) which matures in May 2018. At December 31, 2015, there were no outstanding borrowings. SemMexico had outstanding letters of credit of $292.8 million Mexican pesos (U.S. $16.9 million equivalent at the December 31, 2015 exchange rate).

At December 31, 2015, we were in compliance with the terms of this facility.

Shelf Registration Statements

During the first quarter of 2016, we intend to put in place a universal shelf registration statement which will provide us with the ability to offer and sell an unlimited amount of debt and equity securities, subject to market conditions and our capital needs. Our previous universal shelf registration statement expired 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 partner interests for proceeds of $152.5

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million, net of underwriting discounts and commissions of $6.4 million. In February 2015, Rose Rock issued and sold 2.3 million common units representing limited partner interests for net proceeds of $89.1 million under this shelf. Proceeds were used in connection with Rose Rock's acquisition of the Wattenberg Oil Trunkline and a 50% interest in Glass Mountain from SemGroup. This shelf registration expires in May 2016.

Rose Rock also has an effective shelf registration statement for the offer and sale, from time to time, of common units representing limited partner interests having an aggregate offering price of up to $150 million. Rose Rock is able to make sales over a period of time and, from time to time, in transactions at prices which are market prices prevailing at the time of sale, prices related to market price or at negotiated prices. Such sales may be made pursuant to a sales agency financing agreement between Rose Rock and certain underwriters or agents who may act as sales agents or purchase for their own accounts as principals. To date, there have been no such sales.

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, 2015, we spent $526 million (cash basis), on capital projects including capital contributions to equity method investees for funding growth projects. Projected capital expenditures for 2016 are estimated at $400 million in expansion projects, including capital contributions to equity method investees to fund growth projects, and $55 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 2015 and 2014.

Quarter Ended	Record Date	Payment Date	Dividend Per Share
March 31, 2014	March 10, 2014	March 20, 2014	$0.22
June 30, 2014	May 19, 2014	May 29, 2014	$0.24
September 30, 2014	August 18, 2014	August 28, 2014	$0.27
December 31, 2014	November 17, 2014	November 28, 2014	$0.30
March 31, 2015	March 9, 2015	March 20, 2015	$0.34
June 30, 2015	May 18, 2015	May 29, 2015	$0.38
September 30, 2015	August 17, 2015	August 25, 2015	$0.42
December 31, 2015	November 16, 2015	November 24, 2015	$0.45
March 31, 2016	March 7, 2016	March 17, 2016	$0.45

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Rose Rock Distributions

The table below sets out the cash distributions paid by Rose Rock during 2016, 2015 and 2014.

Quarter Ended	Record Date	Payment Date	Distribution Per Unit
December 31, 2013	February 4, 2014	February 14, 2014	$0.4650
March 31, 2014	May 5, 2014	May 15, 2014	$0.4950
June 30, 2014	August 4, 2014	August 14, 2014	$0.5350
September 30, 2014	November 4, 2014	November 14, 2014	$0.5750
December 31, 2014	February 3, 2015	February 14, 2015	$0.6200
March 31, 2015	May 5, 2015	May 15, 2015	$0.6350
June 30, 2015	August 4, 2015	August 14, 2015	$0.6500
September 30, 2015	November 3, 2015	November 13, 2015	$0.6600
December 31, 2015	February 2, 2016	February 12, 2016	$0.6600

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 and BP Oil Supply Co accounted for more than 10% of our consolidated revenues for the year ended December 31, 2015, at approximately 31% and 10%, respectively. 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.

Our SemGas segment has a significant concentration of producers which account for a large portion of our SemGas segment's volumes. During the year ended December 31, 2015, three producers accounted for approximately 92% of our total processed volumes. During the year ended December 31, 2015, three producers accounted for 93% of our total gathered volumes. Additionally, all of the processing and gathering volumes from these customers are produced in the Northern Oklahoma region.

Our SemCAMS processing plants require a minimum rate of sulfur tonnage to operate, and to comply with the regulatory requirements for air emissions. We have several large producers that provide significant sour gas to our plants. If these producers shut in their sour gas production due to current commodity prices, it could result in regulatory non-compliance, as well as operating and financial impacts to SemCAMS.

Off-Balance Sheet Arrangements

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

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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, 2015, and our best estimate of the period in which the obligation will be settled (in thousands):

	2016	2017	2018	2019	2020	Thereafter
Long-term debt (1)	$—	$—	$30,000	$—	$—	$1,050,000
Interest (1)	67,787	67,778	67,239	64,687	64,687	100,672
Capital leases	31	26	26	—	—	—
Operating leases	9,218	7,001	3,055	1,941	157	6,814
Take-or-pay commitments (2)	24,216	33,250	31,372	30,433	27,410	48,641
Purchase commitments (3)	563,970	159,861	—	—	—	—
Capital expenditure expansion projects (4)	327,300	—	—	—	—	—
Total	$992,522	$267,916	$131,692	$97,061	$92,254	$1,206,127

(1) Assumes interest rates, fee rates and letters of credit and loans outstanding are as of December 31, 2015, and remain constant thereafter until maturity except for required principal payments.

(2) Take-or-pay commitments include a five-year transportation take-or-pay agreement with White Cliffs for approximately 5,000 barrels per day which began in October 2015 and a seven-year transportation take-or-pay agreement for 5,000 barrels per day on the Dakota Access Pipeline which is expected to begin in the fourth quarter of 2016.

(3) 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).

(4) Capital expenditure expansion projects represent our 51% interest in the White Cliffs Pipeline expansion and construction of Maurepas Pipeline.

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 $0.3 million at December 31, 2015.

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, 2015 and December 31, 2014, we had outstanding letters of credit of approximately $99.8 million and $111.7 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.

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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	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 events
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

At December 31, 2015, we had a cumulative U.S. federal net operating loss of approximately $127.9 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 $90.4 million available for carry forward, which begin to expire in 2016. We had a foreign net operating loss of $23.6 million available for indefinite carry forward. We had foreign tax credits of approximately $59.3 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 U.K.

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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 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 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.

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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 2 and 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, 2015, 2014 and 2013.

	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, 2015			
High	$61.43	$0.63	$3.23
Low	$34.73	$0.31	$1.75
High/Low Differential	$26.70	$0.32	$1.48
Year Ended December 31, 2014			
High	$107.26	$1.70	$6.15
Low	$53.27	$0.46	$2.89
High/Low Differential	$53.99	$1.24	$3.26
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

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

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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 certain 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 $2.1 million impact to Adjusted gross margin.
- A $0.10 change in natural gas liquids prices (Conway and Mont Belvieu) results in approximately a $0.3 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, 2015, 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	798	$(339)	$(2,956)	$2,956	January 2016

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, 2015, an increase in these base rates of 1%, above the base rate floors, would increase our interest expense by $0.8 million per year.

The average interest rates presented below are based upon rates in effect at December 31, 2015 and December 31, 2014. 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, 2015		December 31, 2014	
Short-term debt—variable rate	$0.0	million	$0.0	million
Average interest rate	—	%	—	%
Long-term debt—variable rate	$30.0	million	$67.0	million
Average interest rate	4.50	%	3.29	%
Long-term debt—fixed rate	$300.0	million	$300.0	million
Fixed interest rate	7.50	%	7.50	%
Long-term debt—fixed rate	$750.0	million	$400.0	million
Fixed interest rate	5.625	%	5.625	%

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, 2015 and 2014, would change operating income by $5.9 million and $6.1 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, 2015. 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 Internal Control-Integrated Framework (2013) 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, 2015.

Our internal control over financial reporting as of December 31, 2015, has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report that is included herein.

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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, 2015, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

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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 2016 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.

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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 June 23, 2014, 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, LLC (filed as Exhibit 2.1 to our current report on Form 8-K dated June 23, 2014, filed June 23, 2014).
2.7	Amended and Restated Contribution Agreement dated as of February 13, 2015, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, SemDevelopment, L.L.C., Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, LLC (filed as Exhibit 2.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K/A dated February 13, 2015, filed March 25, 2015).
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).
4.3	Indenture (and form of 7.50% Senior Note due 2021 attached at Exhibit A thereto), 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).

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Exhibit Number	Description
4.4	Indenture (and form of 5.625% Senior Note due 2022 attached at Exhibit A thereto), dated as of July 2, 2014, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated June 27, 2014, filed July 2, 2014).
4.5	Indenture (and form of 5.625% Senior Note due 2023 attached as Exhibit A, thereto), dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated May 14, 2015, filed May 18, 2015).
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	Ninth Amendment to the Credit Facility, dated as of March 26, 2015 (filed as Exhibit 10.1 to our current report on Form 8-K dated March 26, 2015, filed April 1, 2015).
10.7*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2014 (filed as Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2014, filed August 8, 2014).
10.8*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2015 (filed as Exhibit 10.1 to our current report on Form 10-Q for the quarter ended June 30, 2015, filed August 7, 2015).
10.9*	SemGroup Corporation Nonexecutive Directors' Compensation Deferral Program (filed as Exhibit 10.7 to the Form 10).
10.10*	SemGroup Corporation Equity Incentive Plan (filed as Exhibit 10.8 to the Form 10).
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).
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 annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013 (the "2012 Form 10-K")).
10.15*	SemGroup Corporation Equity Incentive Plan Form of 2013-2015 Performance Share Unit Award Agreement for executive officers (filed as Exhibit 10.34 to our 2012 Form 10-K).

10.16*	SemGroup Corporation Equity Incentive Plan Form of Performance Share Unit Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2016.

Exhibit Number	Description
10.17*	Employment Agreement dated as of March 6, 2014, by and among SemManagement, L.L.C., SemGroup Corporation, Rose Rock Midstream GP, LLC and Carlin G. Conner (filed as Exhibit 10.2 to our current report on Form 8-K dated March 6, 2014, filed March 12, 2014).
10.18*	Form of Severance Agreement between SemGroup Corporation and each of its executive officers other than Carlin G. Conner (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).
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).

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Exhibit Number	Description
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 - BDO USA, LLP.
23.2	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Carlin G. Conner, 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 Carlin G. Conner, 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, 2015 and 2014, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013, (iii) the Consolidated Statements of Changes in Owners' Equity for the years ended December 31, 2015, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, 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

February 26, 2016

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/ Carlin G. Conner Carlin G. Conner	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2016
/s/ Robert N. Fitzgerald Robert N. Fitzgerald	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2016
/s/ Paul F. Largess Paul F. Largess	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 26, 2016
/s/ John F. Chlebowski John F. Chlebowski	Chairman of the Board and Director	February 26, 2016
/s/ Ronald A. Ballschmiede Ronald A. Ballschmiede	Director	February 26, 2016
/s/ Sarah M. Barpoulis Sarah M. Barpoulis	Director	February 26, 2016
/s/ Karl F. Kurz Karl F. Kurz	Director	February 26, 2016
/s/ James H. Lytal James H. Lytal	Director	February 26, 2016
/s/ Thomas R. McDaniel Thomas R. McDaniel	Director	February 26, 2016

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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, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, owners' equity, and cash flows for each of the three years in the period ended December 31, 2015. 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 audits 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, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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, 2015, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 26, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas
February 26, 2016

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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, 2015, based on criteria established in Internal Control - Integrated Framework (2013) 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, 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, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, owners’ equity, and cash flows for each of the three years in the period ended December 31, 2015 and our report dated February 26, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas
February 26, 2016

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SEMGROUP CORPORATION
Consolidated Balance Sheets
(In thousands, except par value)

	December 31, 2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$58,096	$40,598
Restricted cash	32	6,980
Accounts receivable (net of allowance of $3,019 and $3,260, respectively)	326,713	351,334
Receivable from affiliates	5,914	16,819
Inventories	70,239	43,532
Other current assets	19,387	20,017
Total current assets	480,381	479,280
Property, plant and equipment (net of accumulated depreciation of $319,769 and $245,629, respectively)	1,566,821	1,256,825
Equity method investments	551,078	577,920
Goodwill	48,032	58,326
Other intangible assets (net of accumulated amortization of $29,515 and $20,545, respectively)	162,223	173,065
Other noncurrent assets, net	62,155	44,386
Total assets	$2,870,690	$2,589,802
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$273,666	$257,177
Payable to affiliates	5,033	13,460
Accrued liabilities	85,047	92,694
Payables to pre-petition creditors	—	3,129
Deferred revenue	11,349	23,688
Other current liabilities	1,901	1,474
Current portion of long-term debt	31	40
Total current liabilities	377,027	391,662
Long-term debt	1,074,597	767,092
Deferred income taxes	200,953	161,956
Other noncurrent liabilities	21,757	49,655
Commitments and contingencies (Note 16)		
SemGroup Corporation owners' equity:		
Common stock, $0.01 par value (authorized - 100,000 shares; issued - 44,863 and 44,689 shares, respectively)	439	436
Additional paid-in capital	1,217,255	1,245,877
Treasury stock, at cost (931 and 862 shares, respectively)	(5,593)	(1,332)
Accumulated deficit	(38,012)	(68,332)
Accumulated other comprehensive loss	(58,562)	(27,141)
Total SemGroup Corporation owners' equity	1,115,527	1,149,508
Noncontrolling interests in consolidated subsidiaries	80,829	69,929

Total owners’ equity	1,196,356	1,219,437
Total liabilities and owners’ equity	$2,870,690	$2,589,802

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

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

	Year Ended December 31,		
	2015	2014	2013
Revenues:			
Product	$1,118,886	$1,780,314	$1,145,104
Service	259,542	233,239	140,198
Other	76,666	109,026	141,714
Total revenues	1,455,094	2,122,579	1,427,016
Expenses:			
Costs of products sold, exclusive of depreciation and amortization shown below	979,549	1,623,358	1,020,100
Operating	224,443	246,613	223,585
General and administrative	97,366	87,845	78,597
Depreciation and amortization	100,882	98,397	66,409
Loss (gain) on disposal or impairment, net	11,472	32,592	(239)
Total expenses	1,413,712	2,088,805	1,388,452
Earnings from equity method investments	81,386	64,199	52,477
Gain on issuance of common units by equity method investee	6,385	29,020	26,873
Operating income	129,153	126,993	117,914
Other expenses (income):			
Interest expense	69,675	49,044	25,142
Foreign currency transaction gain	(1,067)	(86)	(1,633)
Other expense (income), net	(15,801)	(20,536)	45,906
Total other expenses, net	52,807	28,422	69,415
Income from continuing operations before income taxes	76,346	98,571	48,499
Income tax expense (benefit)	33,530	46,513	(17,254)
Income from continuing operations	42,816	52,058	65,753
Income (loss) from discontinued operations, net of income taxes	(4)	(1)	59
Net income	42,812	52,057	65,812
Less: net income attributable to noncontrolling interests	12,492	22,817	17,710
Net income attributable to SemGroup	$30,320	$29,240	$48,102
Net income	$42,812	$52,057	$65,812
Other comprehensive income (loss), net of income taxes			
Currency translation adjustments, net of income taxes	(32,142)	(20,551)	(6,363)
Other, net of income taxes	721	(3,736)	4,808
Total other comprehensive loss	(31,421)	(24,287)	(1,555)
Comprehensive income	11,391	27,770	64,257
Less: comprehensive income attributable to noncontrolling interests	12,492	22,817	17,710
Comprehensive income (loss) attributable to SemGroup	$(1,101)	$4,953	$46,547
Net income attributable to SemGroup per common share (Note 18):			
Basic	$0.69	$0.69	$1.14
Diluted	$0.69	$0.68	$1.13

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

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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 Loss	Noncontrolling Interests	Total Owners' Equity
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, net of income taxes	—	—	—	—	(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
Net income	—	—	—	29,240	—	22,817	52,057
Other comprehensive loss, net of income taxes	—	—	—	—	(24,287)	—	(24,287)
Distributions to noncontrolling interests	—	—	—	—	—	(28,494)	(28,494)
Transfer of SemCrude Pipeline interest to Rose Rock	—	53,243	—	—	—	(85,173)	(31,930)
Warrants exercised	9	73,008	—	—	—	—	73,017
Dividends paid	—	(44,206)	—	—	—	—	(44,206)
Unvested dividend equivalent rights	—	(173)	—	—	—	(125)	(298)
Non-cash equity compensation	—	7,319	—	—	—	943	8,262
	2	2,170	—	—	—	—	2,172

Issuance of common stock under compensation plans							
Repurchase of common stock	—	—	(719)	—	—	—	(719)
Balance at December 31, 2014	436	1,245,877	(1,332)	(68,332)	(27,141)	69,929	1,219,437
Net income	—	—	—	30,320	—	12,492	42,812
Other comprehensive loss, net of income taxes	—	—	—	—	(31,421)	—	(31,421)
Distributions to noncontrolling interests	—	—	—	—	—	(40,410)	(40,410)
Dividends paid	—	(69,514)	—	—	—	—	(69,514)
Unvested dividend equivalent rights	—	(351)	—	—	—	(203)	(554)
Non-cash equity compensation	—	9,051	—	—	—	1,354	10,405
Issuance of common stock under compensation plans	3	1,512	—	—	—	—	1,515
Repurchase of common stock	—	—	(4,261)	—	—	—	(4,261)
Rose Rock Midstream, L.P. equity issuance	—	—	—	—	—	89,119	89,119
Transfer of WOT and Glass Mountain to Rose Rock	—	30,680	—	—	—	(51,452)	(20,772)
Balance at December 31, 2015	$ 439	$ 1,217,255	$ (5,593)	$ (38,012)	$ (58,562)	$ 80,829	$ 1,196,356

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

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

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	$42,812	$52,057	$65,812
Adjustments to reconcile net income to net cash provided by operating activities:			
Net unrealized (gain) loss related to derivative instruments	2,014	(1,734)	(974)
Depreciation and amortization	100,882	98,397	66,409
Loss (gain) on disposal or impairment, net	11,472	32,592	(216)
Earnings from equity method investments	(81,386)	(64,199)	(52,477)
Gain on issuance of common units by equity method investee	(6,385)	(29,020)	(26,873)
Gain on sale of common units of equity method investee	(14,517)	(34,211)	—
Distributions from equity method investments	95,429	85,261	63,651
Amortization of debt issuance costs	5,102	3,632	2,732
Deferred tax expense (benefit)	29,197	36,148	(36,274)
Non-cash equity compensation	10,617	8,386	7,330
Excess tax benefit from equity-based awards	—	(1,650)	—
Loss on fair value of warrants	—	13,423	46,433
Provision for uncollectible accounts receivable, net of recoveries	208	360	(372)
Inventory valuation adjustment	2,590	5,667	—
Currency (gain) loss	(1,067)	(86)	(1,633)
Changes in operating assets and liabilities (Note 22)	(15,206)	(23,365)	39,861
Net cash provided by operating activities	181,762	181,658	173,409
Cash flows from investing activities:			
Capital expenditures	(479,530)	(270,506)	(215,609)
Proceeds from sale of long-lived assets	3,688	4,445	1,279
Contributions to equity method investments	(46,730)	(71,131)	(173,868)
Payments to acquire businesses	—	(44,508)	(362,456)
Proceeds from sale of common units of equity method investee	56,318	79,741	—
Distributions from equity method investments in excess of equity in earnings	24,113	11,734	12,246
Net cash used in investing activities	(442,141)	(290,225)	(738,408)
Cash flows from financing activities:			
Debt issuance costs	(6,289)	(8,686)	(14,936)
Borrowings on credit facilities and issuance of senior unsecured notes	867,208	1,254,244	1,268,474
Principal payments on credit facilities and other obligations	(560,049)	(1,102,272)	(859,412)
Distributions to noncontrolling interests	(40,410)	(28,494)	(17,647)
Proceeds from warrant exercises	—	1,451	225
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(4,261)	(719)	(371)
Dividends paid	(69,514)	(44,206)	(25,429)
	1,223	340	—

Proceeds from issuance of common stock under employee stock purchase plan			
Excess tax benefit from equity-based awards	—	1,650	—
Proceeds from issuance of Rose Rock Midstream, L.P. common units, net of offering costs	89,119	—	210,226
Net cash provided by financing activities	277,027	73,308	561,130
Effect of exchange rate changes on cash and cash equivalents	850	(3,494)	3,191
Change in cash and cash equivalents	17,498	(38,753)	(678)
Cash and cash equivalents at beginning of period	40,598	79,351	80,029
Cash and cash equivalents at end of period	$58,096	$40,598	$79,351

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

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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.

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.

At December 31, 2015, our reportable segments include the following:

- Crude Transportation operates crude oil pipelines and truck transportation businesses in the United States. Crude Transportation’s assets include:
  - a 570-mile crude oil gathering and transportation pipeline system with over 650,000 barrels of associated storage capacity in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries and our storage terminal in Cushing;
  - the Wattenberg Oil Trunkline ("WOT"), a 75-mile, 12-inch diameter crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the pipeline owned by White Cliffs Pipeline, L.L.C. ("White Cliffs"). The WOT has a capacity of approximately 85,000 barrels per day as well as 360,000 barrels of operational storage;
  - a 16-mile crude oil pipeline that connects our Platteville, Colorado crude oil terminal to the Tampa, Colorado crude oil market;
  - a crude oil trucking fleet of over 270 transport trucks and 270 trailers;
  - Maurepas Pipeline, a project underway to build three pipelines to service refineries in the Gulf Coast region, which is expected to be completed in the fourth quarter of 2016;
  - a 51% ownership interest in White Cliffs, which owns a 527-mile pipeline, consisting of two 12-inch common carrier, crude oil pipelines, 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"), which owns a 210-mile crude oil pipeline in western and north central Oklahoma ("the Glass Mountain Pipeline").
- Crude Facilities operates crude oil storage and terminal businesses in the United States. Crude Facilities assets include:
  - approximately 7.6 million barrels of crude oil storage capacity in Cushing, Oklahoma, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations and marketing activities; and
  - a thirty-lane crude oil truck unloading facility with 350,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline.
- Crude Supply and Logistics operates a crude oil marketing business which utilizes our Crude Transportation and Crude Facilities assets for marketing purposes. Additionally, Crude Supply and Logistics' assets include:
  - approximately 61,800 barrels of crude oil storage capacity in Trenton and Stanley, North Dakota.
- SemGas, which provides natural gas gathering and processing services in the United States. SemGas owns and operates gathering systems and four processing plants with 595 million cubic feet per day of capacity.
- SemCAMS, which provides natural gas gathering and processing services in Alberta, Canada. SemCAMS owns working interests in, and operates, four natural gas processing plants with a combined operating capacity of 695 million cubic feet per day.
- SemLogistics, which provides refined product and crude oil storage services in the United Kingdom. SemLogistics owns a facility in Wales that has multi-product storage capacity of approximately 8.7 million barrels.
-

SemMexico, which purchases, produces, stores, and distributes liquid asphalt cement products in Mexico. SemMexico operates an in-country network of eleven asphalt cement terminals and modification facilities and two marine terminals.

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SEMGROUP CORPORATION
Notes to Consolidated Financial Statements
1. OVERVIEW, Continued

- SemStream, which owns 4,652,568 common units representing 4.4% of the total limited partner interests, as of September 30, 2015, in NGL Energy Partners LP ("NGL Energy") (NYSE: NGL) and an 11.78% interest in the general partner of NGL Energy. We report the results of our investment in NGL Energy under the equity method on a one-quarter lag (Note 5).

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 Midstream, L.P. ("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.
In February 2015, the FASB issued ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis,” which adds requirements that limited partnerships must meet to qualify as voting interest entities and modifies the evaluation of whether limited partnerships are variable interest entities or voting interest entities. It also eliminates the presumption that a general partner should consolidate a limited partnership. This guidance is effective for public companies for fiscal years beginning after December 15, 2015. The Company will adopt this guidance in the first quarter of 2016. The impact is not expected to be material.
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 $273.0 million at December 31, 2015. 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 2014 and 2013, we sold our interest in SemCrude Pipeline, which holds the 51% interest in White Cliffs, to our consolidated subsidiary, Rose Rock. No gain was recorded on these transactions as they were between entities under common control.
We own a 50% interest in Glass Mountain which we account for under the equity method. In 2015, we sold our interest in Glass Mountain Holding, LLC, which holds the 50% interest in Glass Mountain, to our consolidated subsidiary Rose Rock. No gain was recorded on the transaction as it was between entities under common control.
We own general partner and limited partner interests in NGL Energy which we account for under the equity method.

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 used in impairment tests; (4) fair values of derivative instruments; (5) valuation allowances for deferred tax assets; and (6) 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—During the year ended December 31, 2015, we completed the process of disbursing funds held in reserve accounts to settle pre-petition claims related to our predecessor's bankruptcy. Of the restricted cash balance of

$7.0 million at December 31, 2014, approximately $3.8 million was restricted for this purpose. See "Payables to Pre-petition Creditors" below.

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 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 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.

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value rather than the lower of cost or market. The standard will be effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The new guidance shall be applied prospectively and early adoption is permitted. The Company will adopt this guidance in the first quarter of 2017. The impact is not expected to be material.

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 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
Trucking equipment and other	3 – 7 years
Office 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 reporting unit to which the goodwill relates and comparing this fair value to the net book value of the reporting unit. 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.

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.

We assess our equity method investments for impairment when circumstances indicate that the carrying value may not be recoverable and record an impairment when a decline in value is considered to be other than temporary.

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.

In April 2015, the FASB issued ASU 2015-03, “Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,” which is designed to simplify presentation of debt issuance costs. The standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, “Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting,” which amended the SEC paragraphs of ASC Subtopic 835-30 to include the language from the SEC Staff Announcement indicating that the SEC would not object to presenting deferred debt issuance costs related to line-of-credit agreements as assets and subsequently amortizing the deferred debt issuance costs ratably over the term of the agreement. The standards will be effective for U.S. public companies for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The new guidance shall be applied on a retrospective basis for all periods presented. The Company will adopt this guidance in the first quarter of 2016. The impact is not expected to be material.

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 13, the fair value of commodity derivatives at December 31, 2015 and 2014 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.

PAYABLES TO PRE-PETITION CREDITORS—During the year ended December 31, 2015, we completed the process of disbursing funds held in reserve accounts to settle pre-petition claims related to our predecessor's bankruptcy. At December 31, 2014, we recorded a liability of $3.1 million associated with these obligations and a liability of $0.7 million which is associated with discontinued operations and is reported within other current liabilities. Cash was held in accounts restricted for this purpose which was included in Restricted Cash on the balance sheet.

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.

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 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).

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States ("U.S. GAAP"). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard permits using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 by one year. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard. We will adopt this guidance in the first quarter of 2018.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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 November 2015, the FASB issues ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which requires all deferred tax assets and liabilities to be classified as noncurrent in the statement of financial position. For public entities, this ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those years. The new guidance may be applied prospectively or retrospectively and early adoption is permitted. The Company has not determined which method we will apply when we adopt the standard. The Company intends to adopt this guidance in the first quarter of 2017. 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 and non-managerial directors equity-based compensation awards which vest contingent on continued service of the recipient and, in some cases, on their achievement of specific performance targets or market conditions. 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) includes currency translation adjustments and changes in the funded status of pension benefit plans.

4. ROSE ROCK MIDSTREAM, L.P.

At December 31, 2015, we owned the 2% general partner interest and a 55.1% limited partner interest made up of 20,704,418 common 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 consolidate Rose Rock. Rose Rock owns and operates all of our domestic crude oil assets with the exception of the Maurepas Pipeline. 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 that is attributable to outside owners is reflected within "net income attributable to noncontrolling interests" in our consolidated statements of operations and comprehensive income.

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 related to the earnings for each of the following periods (in thousands, except for per unit amounts):

Quarter Ended	Distribution Per Unit		Distributions Paid: SemGroup General Partner	Incentive Distributions	Common Units	Subordinated Units	Noncontrolling Interest Common Units	Total Distributions
December 31, 2012	$0.4025		$167	$—	$1,163	$3,377	$ 3,624	$8,331
March 31, 2013	$0.4300		$179	$41	$1,242	$3,607	$ 3,872	$8,941
June 30, 2013	$0.4400		$183	$72	$1,271	$3,692	$ 3,962	$9,180
September 30, 2013	$0.4500		$232	$127	$1,301	$3,775	$ 6,189	$11,624
December 31, 2013	$0.4650		$257	$244	$2,041	$3,901	$ 6,398	$12,841
March 31, 2014	$0.4950		$278	$488	$2,173	$4,153	$ 6,811	$13,903
June 30, 2014	$0.5350		$334	$888	$3,646	$4,488	$ 7,362	$16,718
September 30, 2014	$0.5750		$377	$1,835	$3,918	$4,824	$ 7,912	$18,866
December 31, 2014	$0.6200		$485	$3,487	$6,551	$5,202	$ 8,544	$24,269
March 31, 2015	$0.6350		$568	$4,450	$13,148	$—	$ 10,213	$28,379
June 30, 2015	$0.6500		$590	$4,979	$13,458	$—	$ 10,456	$29,483
September 30, 2015	$0.6600		$604	$5,333	$13,665	$—	$ 10,619	$30,221
December 31, 2015	$0.6600	(1)	$604	$5,333	$13,665	$—	$ 10,622	$30,224

(1) The distribution to common unitholders related to earnings for the quarter ended December 31, 2015 was payable on February 12, 2016 to holders of record at February 2, 2016.

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

	December 31, 2015	2014
Cash	$9,059	$3,625
Other current assets	310,555	271,144
Property, plant and equipment, net	441,596	396,066
Equity method investment	438,291	269,635
Goodwill	26,628	36,116
Other noncurrent assets	31,702	29,677
Total assets	$1,257,831	$1,006,263
Current liabilities	$283,029	$265,682
Long-term debt	744,597	432,092
Partners' capital attributable to SemGroup	149,376	238,560
Partners' capital attributable to noncontrolling interests	80,829	69,929
Total liabilities and partners' capital	$1,257,831	$1,006,263

Certain summarized income statement information of Rose Rock for the years ended December 31, 2015, 2014, and 2013 is shown below (in thousands):

	Year Ended December 31, 2015	2014	2013
Revenue	$844,711	$1,298,097	$767,202
Costs of products sold	$671,769	$1,131,362	$663,759
Operating, general and administrative expenses	$114,476	$99,894	$51,624
Depreciation and amortization expense	$41,998	$40,035	$23,708
Earnings from equity method investment	$76,355	$57,378	$17,571
Net income	$49,673	$62,925	$37,515
Noncontrolling interest in consolidated subsidiaries retained by SemGroup	$—	$7,758	$1,256
Net income attributable to Rose Rock Midstream, L.P.	$49,673	$55,167	$36,259

Drop-down Transactions with Rose Rock
2015 drop-down transaction
On February 13, 2015, we contributed WOT and Glass Mountain Holding, LLC, which holds our 50% interest in Glass Mountain, to Rose Rock in exchange for (i) cash of approximately $251.2 million, (ii) the issuance of 1.75 million common units and (iii) 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 and the issuance and sale of 2.3 million common units in an underwritten public offering for net proceeds of $89.1 million. SemGroup used the proceeds from these transactions to pay amounts owed under its revolving credit facility.
As the acquisition was between parties under common control, Rose Rock recorded its interest in acquired assets and liabilities at SemGroup's historical value and SemGroup did not recognize a gain on the transaction. Proceeds in excess of the historical value were accounted for as a dividend from Rose Rock to SemGroup and resulted in a $51.5 million reduction to noncontrolling interests in consolidated subsidiaries and an offsetting increase to additional paid-in capital of $30.7 million (net of tax impact of $20.8 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.

Additionally, the acquisition of WOT created a change in reporting entity which required Rose Rock's historical results to be recast as if WOT had been part of Rose Rock in prior periods. The historical summarized financial information of Rose Rock has been recast to reflect this change. The impact to prior periods was not significant. Earnings of WOT prior to the acquisition have been allocated to the general partner. The acquisition of the equity method investment in Glass Mountain did not create a change in reporting entity. As such, prior periods have not been recast to include the historical results of Glass Mountain. There was no impact to SemGroup from the Rose Rock recast as these entities are all reported within the Crude Transportation segment.

2014 drop-down transaction

On June 23, 2014, we contributed the remaining 33% interest in SemCrude Pipeline, L.L.C. ("SCPL") to Rose Rock in exchange for (i) cash of approximately $114.4 million, (ii) the issuance of 2.425 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 and a related issuance of general partner interest, to allow the general partner to maintain its 2% general partner interest. Subsequent to this transaction, Rose Rock owns 100% of SCPL, which owns a 51% membership interest in White Cliffs. SemGroup used the proceeds from these transactions to pay amounts owed under its revolving credit facility. The Class A units were 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. The Class A units converted to common units in January 2015.

As this transaction was between parties under common control, Rose Rock recorded its interest in SCPL at SemGroup's historical value and as such no gain on the sale 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 an $85.2 million reduction to noncontrolling interests in consolidated subsidiaries and an offsetting increase to additional paid-in capital of $53.2 million (net of tax impact of $31.9 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 incurred approximately $0.9 million of expense associated with this transaction, including $0.4 million of costs incurred by Rose Rock.

2013 drop-down transactions

On January 11, 2013, we contributed a 33% interest in 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.

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 made a borrowing of $133.5 million under its revolving 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 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 incurred approximately $2.2 million of expense associated with these transactions, including expenses of Rose Rock. Rose Rock incurred $1.6 million of equity issuance costs which were offset against proceeds, $1.6 million of costs related to the January 2013 borrowing which were deferred, and $0.9 million of acquisition related costs which

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

were expensed. SemGroup used the proceeds from these transactions to pay amounts owed under its revolving credit facility.
Rose Rock equity issuance
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.
Rose Rock conversion of subordinated and Class A units
On January 1, 2015, certain operational targets were achieved by White Cliffs and all 3,750,000 Class A units held by the Company were converted to common units on a one-for-one basis. The conversion did not impact the total number of Rose Rock's outstanding units representing limited partner interests.
On February 17, 2015, certain targets specified in Rose Rock’s partnership agreement were achieved and all 8,389,709 subordinated units held by the Company were converted to common units. The conversion did not impact the total number of Rose Rock’s outstanding units representing limited partner interests.

5. EQUITY METHOD INVESTMENTS
Our equity method investments consist of the following (in thousands):

	December 31,	
	2015	2014
White Cliffs	$297,109	$269,635
NGL Energy	112,787	162,246
Glass Mountain	141,182	146,039
Total equity method investments	$551,078	$577,920

Our earnings from equity method investments consist of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
White Cliffs	$70,238	$57,378	$45,459
NGL Energy(1)	5,031	2,343	7,123
Glass Mountain	6,117	4,478	(105)
Total earnings from equity method investments	$81,386	$64,199	$52,477

(1) Excluding gains on issuance of common units of $6.4 million, $29.0 million and $26.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.
Cash distributions received from equity method investments consist of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
White Cliffs	$86,845	$66,768	$57,576
NGL Energy	19,074	23,404	18,321
Glass Mountain	13,623	6,823	—
Total cash distributions received from equity method investments	$119,542	$96,995	$75,897

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5. EQUITY METHOD INVESTMENTS, Continued

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

	December 31,	
	2015	2014
Current assets	$54,091	$35,623
Property, plant and equipment, net	509,068	471,179
Goodwill	17,000	17,000
Other intangible assets, net	11,974	16,043
Total assets	$592,133	$539,845
Current liabilities	$9,491	$11,108
Members’ equity	582,642	528,737
Total liabilities and members’ equity	$592,133	$539,845

Certain summarized income statement information of White Cliffs for the years ended December 31, 2015, 2014 and 2013 is shown below (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Revenue	$206,395	$160,369	$133,310
Operating, general and administrative expenses	$33,284	$23,067	$23,825
Depreciation and amortization expense	$34,105	$23,257	$18,668
Net income	$139,000	$114,045	$90,817

The equity in earnings of White Cliffs for the years ended December 31, 2015, 2014 and 2013 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 $1.3 million, $1.6 million and $1.8 million of such general and administrative expense for the years ended December 31, 2015, 2014 and 2013, respectively.
The members of White Cliffs are required to contribute capital to White Cliffs to fund various projects. For the year ended December 31, 2015, we contributed $42.8 million to these projects, including $34.5 million of contributions for an expansion project adding approximately 65,000 barrels per day of capacity. Remaining contributions related to the expansion project will be paid in 2016 and are expected to total approximately $2.3 million. The project is expected to be completed during the first half of 2016.
In August 2014, White Cliffs completed an expansion project adding a parallel 12" pipeline from Platteville, Colorado to Cushing, Oklahoma. For the years ended December 31, 2014 and 2013, we contributed $53.3 million and $95.5 million, respectively, for project funding. This expansion increased White Cliffs’ capacity to about 150,000 barrels per day and became fully operational in the third quarter of 2014.
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, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 as an exhibit to this Form 10-K.

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5. EQUITY METHOD INVESTMENTS, Continued

NGL Energy
At December 31, 2015, we owned 4,652,568 common units representing limited partner interests in NGL Energy, which represents approximately 4.4% of the limited partner units of NGL Energy outstanding at September 30, 2015, and an 11.78% interest in the general partner of NGL Energy.
On October 27, 2014, we agreed to terminate our right to appoint two representatives to the Board of Directors of NGL Energy Holdings LLC, the general partner of NGL Energy, and our current representatives resigned. We no longer have significant influence over NGL Energy Holdings, LLC or NGL Energy. However, in accordance with ASC 323-30-S99-1, we have continued to account for these investments under the equity method as our ownership is within the 3 to 5 percent interest which is generally considered to be more than minor.
At December 31, 2015, the fair market value of our 4,652,568 common unit investment in NGL Energy was $51.4 million, based on a December 31, 2015 closing price of $11.04 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.
During the 4th quarter of 2015 the market price of NGL Energy common units fell below our carrying value per unit. In accordance with ASC 320-10-S99 “Investments - Debt and Equity Securities” we have assessed whether such decline in value is other than temporary. The evidence management considered in such assessment included the nature and volatility of such decline, as well as the latest public financial guidance, condition, and results of NGL Energy. Based on the rapid and recent nature of such decline, and our assessment of the financial condition and near-term prospects of NGL Energy, we have concluded that the decline in the value of our investment is not other than temporary. We have the ability and intent to hold the shares for a period of time sufficient to allow for a recovery in the market value. However, we will continue to closely monitor future events and developments related to NGL Energy that would impact our conclusions about the recoverability of the investment, and if future facts and circumstances indicate that the decline in value of our investment is other than temporary, a significant impairment may be recorded.
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, 2015, 2014 and 2013 relates to the earnings of NGL Energy for the twelve months ended September 30, 2015, 2014 and 2013 respectively.
Certain unaudited summarized balance sheet information of NGL Energy is shown below (in thousands):

	(Unaudited) September 30, 2015	2014
Current assets	$1,276,919	$2,585,053
Property plant and equipment, net	1,845,112	1,433,313
Goodwill	1,490,928	1,170,490
Intangible and other assets, net	1,836,878	1,362,823
Total assets	$6,449,837	$6,551,679
Current liabilities	$852,170	$1,759,980
Long-term debt	3,093,694	2,437,351
Other noncurrent liabilities	17,679	39,518
Equity	2,486,294	2,314,830
Total liabilities and equity	$6,449,837	$6,551,679

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5. EQUITY METHOD INVESTMENTS, Continued

Certain unaudited summarized income statement information of NGL Energy for the twelve months ended September 30, 2015, 2014 and 2013 is shown below (in thousands):

	(Unaudited) Twelve Months Ended September 30,		
	2015	2014	2013
Revenue	$14,504,581	$15,748,520	$5,935,715
Costs of products sold	$13,573,066	$15,054,291	$5,478,361
Operating, general and administrative expenses	$625,035	$440,609	$276,905
Depreciation and amortization expense	$221,067	$162,443	$94,050
Net income	$22,995	$11,409	$44,378

During the years ended December 31, 2015, 2014 and 2013, our limited partnership interest was diluted in connection with NGL Energy common unit issuances. Accordingly, we recorded non-cash gains of $6.4 million, $29.0 million and $26.9 million for the years ended December 31, 2015, 2014 and 2013, respectively, related to these transactions, which are included in "gain on issuance of common units by equity method investee" in our consolidated statements of operations and comprehensive income.

During the year ended December 31, 2015, we sold 1,999,533 of our NGL Energy common units for $56.3 million, net of related costs of $0.5 million. We recorded a net gain of $14.5 million in "other expense (income), net" in our consolidated statement of operations and comprehensive income. During the year ended December 31, 2014, we sold 2,481,308 of our NGL Energy common units for $88.8 million, net of related costs of $3.1 million. We recorded a net gain of $34.2 million in "other expense (income), net" in our consolidated statement of operations and comprehensive income.

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, 2016 and 2015 and for each of the three years in the period ended March 31, 2016 as an exhibit, when available.

Glass Mountain

We hold a 50% interest in Glass Mountain which we account for under the equity method. Glass Mountain began operations in the first quarter of 2014.

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 $4.0 million, respectively, at December 31, 2015. Capitalized interest is amortized as a reduction of earnings from equity method investments.

The equity in earnings of Glass Mountain for the years ended December 31, 2015 and 2014 reported in our consolidated statement of operations and comprehensive income is less than 50% of the net income of Glass Mountain for the same period due to amortization of capitalized interest for the period.

Certain summarized balance sheet information of Glass Mountain is shown below (in thousands):

	December 31,	
	2015	2014
Current assets	$7,856	$8,810
Property, plant and equipment, net	205,920	215,876
Total assets	$213,776	$224,686
Current liabilities	$1,036	$2,643
Other liabilities	28	42
Members’ equity	212,712	222,001
Total liabilities and members’ equity	$213,776	$224,686

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements
5. EQUITY METHOD INVESTMENTS, Continued

Certain summarized income statement information of Glass Mountain for the year ended December 31, 2015 and 2014 is shown below (in thousands):

	Year Ended December 31,	
	2015	2014
Revenue	$38,526	$30,398
Cost of Sales	$3,392	$757
Operating, general and administrative expenses	$6,643	$6,419
Depreciation and amortization expense	$15,828	$13,872
Net income	$12,657	$9,344

We invested $2.7 million, $16.2 million and $57.8 million in Glass Mountain for the years ended December 31, 2015, 2014 and 2013, respectively.
Our ownership interest in Glass Mountain is not significant as defined by Securities and Exchange Commission's Regulation S-X Rule 1-02(w). Accordingly, no audited financial statements of Glass Mountain pursuant to Regulation S-X 3-09 have been included as an exhibit to this Form 10-K.

6. ACQUISITIONS
During the year ended December 31, 2014, we completed the following acquisition:
Crude oil trucking assets
On June 24, 2014, our Crude Transportation segment acquired crude oil trucking assets from a subsidiary of Chesapeake Energy Corporation ("Chesapeake") (NYSE: CHK) for $44.0 million in cash. Highlights of the transaction include:
- 124 trucks, 122 trailers and miscellaneous equipment; and
- a long-term transportation agreement with Chesapeake Energy Marketing, Inc.

During the year ended December 31, 2013, we completed the following acquisitions:
Mid-America Midstream Gas Services, L.L.C.
On August 1, 2013, our SemGas segment acquired the equity interest of Mid-America Midstream Gas Services, L.L.C. ("MMGS"), a wholly owned subsidiary of Chesapeake, which is the owner of gas gathering and processing assets in the Mississippi Lime play for approximately $314.0 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 15) 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, placed in operation in the first quarter of 2014;
- Rose Valley II plant - A 200 mmcf/d cryogenic processing plant placed in operation in mid-2015;
- Approximately 540,000 net acre dedication in the core of the Mississippi Lime play, supported by a 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.

Barcas Field Services, LLC
On September 1, 2013, our Crude Transportation segment completed the acquisition of the assets of Barcas Field Services, LLC ("Barcas") for $49.0 million in cash. Highlights of the acquisition include the following:
- 114 trucks, 120 trailers and miscellaneous equipment; and
- a long-term take-or-pay customer transportation agreement, which has expired.

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6. ACQUISITIONS, Continued

NGL Energy
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%.

7. DISPOSALS OR IMPAIRMENTS OF LONG-LIVED ASSETS
Year Ended December 31, 2015
During the year ended December 31, 2015, our SemGas segment sold certain non-core Kansas based gas gathering and compression assets for approximately $1.0 million, resulting in a pre-tax loss of approximately $1.7 million which is reported in "loss (gain) on disposal or impairment, net" in the consolidated statement of operations and comprehensive income. See Note 12 for discussion of the goodwill impairment recorded by our Crude Transportation segment.
Year Ended December 31, 2014
On June 1, 2014, our SemGas segment sold certain natural gas gathering assets in Eastern Oklahoma resulting in a $20.1 million pre-tax loss on a cash sales price of $2.4 million. The assets sold were made up of property, plant and equipment with a net book value of $22.5 million. The loss on the sale was reported in "loss (gain) on disposal or impairment, net" in the consolidated statement of operations and comprehensive income. The operations of the gas gathering assets were not material to SemGroup.
During the year ended December 31, 2014, we recorded an impairment charge of $11.9 million related to leaseholds of unproved oil and gas properties located in Kansas. These assets were written off when due to the downturn in crude oil prices and the remaining life of the leaseholds, it became apparent that these properties would not be developed. These assets were held by a subsidiary included in Corporate and Other in our segment disclosures (Note 8).
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.

8. 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. Our equity investment in NGL Energy is included within the 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.
During the year ended December 31, 2015, management made the decision to disaggregate certain activities and functions within the domestic crude oil business to provide additional granularity, both internally and externally, to our operating results. As such, the prior period results of the former Crude segment have been recast to reflect the resulting reportable segments: Crude Transportation, Crude Facilities and Crude Supply and Logistics. Certain amounts formerly included in the Crude segment have been included in Corporate and Other in the current presentation. No other segments were impacted.
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,		
	2015	2014	2013

Revenues:			
Crude Transportation			
External	$81,991	$84,718	$34,917
Intersegment	15,021	10,840	225

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8. SEGMENTS, Continued

Crude Facilities			
External	45,936	44,007	46,697
Crude Supply and Logistics			
External	716,784	1,169,372	685,588
SemGas			
External	231,569	342,286	207,134
Intersegment	20,605	37,897	23,985
SemCAMS			
External	136,197	176,724	198,450
SemLogistics			
External	24,351	12,650	11,671
SemMexico			
External	211,291	290,869	242,559
Corporate and Other			
External	6,975	1,953	—
Intersegment	(35,626)	(48,737)	(24,210)
Total Revenues	$1,455,094	$2,122,579	$1,427,016

	Year Ended December 31,		
	2015	2014	2013
Earnings from equity method investments:			
Crude Transportation	$76,355	$61,856	$45,354
SemStream[(1)]	11,416	31,363	33,996
Total earnings from equity method investments	$87,771	$93,219	$79,350

(1) including gain on issuance of common units by equity method investee

	Year Ended December 31,		
	2015	2014	2013
Depreciation and amortization:			
Crude Transportation	$35,500	$33,679	$17,814
Crude Facilities	5,829	5,365	4,833
Crude Supply and Logistics	159	549	673
SemGas	31,803	26,353	14,517
SemCAMS	12,940	14,295	10,766
SemLogistics	8,543	10,005	9,426
SemMexico	4,076	6,031	5,991
Corporate and Other	2,032	2,120	2,389
Total depreciation and amortization	$100,882	$98,397	$66,409

	Year Ended December 31,		
	2015	2014	2013
Income tax expense (benefit):			
SemCAMS	$4,847	$3,135	$6,348
SemLogistics	(2,195)	(2,231)	(5,699)

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8. SEGMENTS, Continued

SemMexico	2,611	4,053	2,589
Corporate and other	28,267	41,556	(20,492)
Total income tax expense (benefit)	$33,530	$46,513	$(17,254)

	Year Ended December 31,		
	2015	2014	2013
Segment profit [1]:			
Crude Transportation	$81,028	$76,705	$51,100
Crude Facilities	33,757	32,286	37,083
Crude Supply and Logistics	30,088	24,021	15,010
SemGas	61,669	41,715	32,483
SemCAMS	36,013	45,326	32,886
SemStream	11,391	31,280	33,389
SemLogistics	7,249	25	(2,007)
SemMexico	15,614	16,139	13,493
Corporate and Other	(44,760)	(43,841)	(30,088)
Total segment profit	$232,049	$223,656	$183,349

(1) Segment profit represents revenues excluding unrealized gains (losses) related to derivative instruments plus earnings from equity method investments less cost of sales excluding depreciation and amortization and less operating and general and administrative expenses.

	Year Ended December 31,		
	2015	2014	2013
Reconciliation of segment profit to net income:			
Total segment profit	$232,049	$223,656	$183,349
Less:			
Net unrealized loss (gain) related to derivative instruments	2,014	(1,734)	(974)
Depreciation and amortization	100,882	98,397	66,409
Interest expense	69,675	49,044	25,142
Foreign currency transaction gain	(1,067)	(86)	(1,633)
Other expense (income), net	(15,801)	(20,536)	45,906
Income tax expense (benefit)	33,530	46,513	(17,254)
Loss (income) from discontinued operations	4	1	(59)
Net income	$42,812	$52,057	$65,812

	Year Ended December 31,		
	2015	2014	2013
Additions to long-lived assets, including acquisitions and contributions to equity method investments:			
Crude Transportation	$219,227	$160,471	$244,777
Crude Facilities	30,118	8,207	11,783
Crude Supply and Logistics	2,564	11,662	1,868
SemGas	110,908	153,088	410,508
SemCAMS	142,368	35,286	56,122
SemLogistics	12,289	2,974	2,071

SemMexico	7,051	9,690	6,375

8. SEGMENTS, Continued

SemStream	—	—	18,775
Corporate and Other	1,919	1,906	1,211
Total additions to long-lived assets	$526,444	$383,284	$753,490

	December 31,	
	2015	2014
Total assets (excluding intersegment receivables):		
Crude Transportation	$877,017	$746,723
Crude Facilities	155,186	116,784
Crude Supply and Logistics	328,419	271,444
SemGas	719,789	662,223
SemCAMS	331,749	279,191
SemLogistics	155,794	150,498
SemMexico	89,608	107,225
SemStream	112,787	162,246
Corporate and Other	100,947	93,468
Total	$2,871,296	$2,589,802

	December 31,	
	2015	2014
Equity investments:		
Crude Transportation	$438,291	$415,674
SemStream	112,787	162,246
Total equity investments	$551,078	$577,920

9. INVENTORIES

Inventories consist of the following (in thousands):

	December 31,	
	2015	2014
Crude oil	$59,121	$26,722
Asphalt and other	11,118	16,810
Total inventories	$70,239	$43,532

During the years ended December 31, 2015 and 2014, our Crude Supply and Logistics segment recorded non-cash charges of $2.6 million and $5.7 million to write-down crude oil inventory to the lower of cost or market.

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10. OTHER ASSETS

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

	December 31, 2015	2014
Prepaid expenses	$6,252	$5,989
Deferred tax asset	2,321	5,897
Other	10,814	8,131
Total other current assets	$19,387	$20,017

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

	December 31, 2015	2014
Debt issuance costs, net (1)	$23,728	$22,203
Deferred tax asset	34,848	13,933
Other	3,579	8,250
Total other noncurrent assets, net	$62,155	$44,386

(1) See Note 15 for discussion of debt issuance costs.

11. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2015	2014
Land	$89,815	$81,886
Pipelines and related facilities	338,789	283,347
Storage and terminal facilities	283,608	284,300
Natural gas gathering and processing facilities	810,358	606,553
Linefill	26,900	26,050
Trucking equipment and other	43,157	40,392
Office property and equipment	45,818	37,120
Construction-in-progress	248,145	142,806
Property, plant and equipment, gross	1,886,590	1,502,454
Accumulated depreciation	(319,769)	(245,629)
Property, plant and equipment, net	$1,566,821	$1,256,825

We recorded depreciation expense of $90.5 million, $82.5 million and $60.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

We include within the cost of property, plant and equipment interest costs incurred while an asset is being constructed. We capitalized $1.0 million, $1.5 million and $4.3 million of interest costs during the years ended December 31, 2015, 2014 and 2013, respectively.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill relates to the following segments (in thousands):

	December 31,	
	2015	2014
Crude Transportation	$26,628	$36,116
SemGas	13,052	13,052
SemMexico	8,352	9,158
Total Goodwill	$48,032	$58,326

In addition to the amounts in the table above, approximately $46.4 million of our investment in NGL Energy and $31.0 million of our investment in Glass Mountain represents equity method goodwill. Equity method goodwill is not amortized and is tested for impairment with the equity method investment in accordance with ASC 323.

We assess our goodwill for impairment at least annually as of October 1. No impairments were indicated as of October 1, 2015. However, as a result of the continued decline in oil prices and lower forecast volumes from declining drilling activity, along with lower than expected results during the fourth quarter of 2015, we performed an interim goodwill impairment analysis as of December 31, 2015 which resulted in an impairment charge of $9.5 million related to our crude oil trucking operation which was identified as the reporting unit for purposes of the impairment test.

We used an income approach, supplemented by a market approach to calculate the fair value of the reporting unit. Under the income approach, we utilized a discounted cash flow model to determine the fair value of our crude oil trucking operations. Significant judgments and assumptions included the discount rate, anticipated revenue and volume growth rates, estimated operating expenses and capital expenditures, which were based on our operating and capital budgets as well as our strategic plans. A significant underlying assumption is that crude oil prices will eventually improve and production volumes will begin to increase. If crude oil production does not increase in the future or the production takes longer than anticipated to return, this would negatively affect our key assumptions and potentially lead to additional impairments in the future. We considered the market approach by comparing the revenue and earnings multiples implied by our income approach to those of comparable companies for reasonableness.

Changes in goodwill balances during the period from December 31, 2012 to December 31, 2015 are shown below (in thousands):

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
Crude oil trucking asset acquisition (Note 6)	7,892
MMGS purchase price allocation adjustment	(10,787)
Barcas purchase price allocation adjustment	(98)
Currency translation adjustments	(702)
Balance, December 31, 2014	58,326
Impairment loss	(9,488)
Currency translation adjustments	(806)
Balance, December 31, 2015	$48,032

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

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12. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

Other intangible assets
The gross carrying amount and accumulated amortization of intangible assets are shown below (in thousands):

	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount
Customer Relationships	$188,304	$(26,975)	$161,329	$189,583	$(17,963)	$171,620
Trade Names	493	(378)	115	570	(379)	191
Unpatented Technology	2,941	(2,162)	779	3,457	(2,203)	1,254
Total other intangible assets	$191,738	$(29,515)	$162,223	$193,610	$(20,545)	$173,065

Changes in other intangible asset balances during the period from December 31, 2012 to December 31, 2015 are shown below (in thousands):

Balance, December 31, 2012	$7,585
Amortization	(6,018)
Barcas acquisition	6,930
MMGS acquisition	166,332
Currency translation adjustments	9
Balance, December 31, 2013	174,838
Amortization	(15,875)
Crude oil trucking asset acquisition	17,010
MMGS purchase price allocation adjustment	(2,313)
Barcas purchase price allocation adjustment	(50)
Currency translation adjustments	(545)
Balance, December 31, 2014	173,065
Amortization	(10,334)
Currency translation adjustments	(508)
Balance, December 31, 2015	$162,223

Our other intangible assets consist primarily of customer relationships at our Crude Transportation, SemGas and SemMexico segments. 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 estimate that future amortization of other intangible assets will be as follows (in thousands):

For year ending:	
December 31, 2016	$10,928
December 31, 2017	11,011
December 31, 2018	10,918
December 31, 2019	10,316
December 31, 2020	9,649
Thereafter	109,401
Total estimated amortization expense	$162,223

13. 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 table below summarizes the balances of commodity derivative assets and liabilities at December 31, 2015 and 2014 (in thousands):

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13. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	December 31, 2015			December 31, 2014		
Derivatives subject to netting arrangements:	Level 1	Netting(1)	Total	Level 1	Netting(1)	Total
Commodity derivatives:						
Assets	$131	$(131)	$—	$3,311	$(1,637)	$1,674
Liabilities	$470	$(131)	$339	$1,637	$(1,637)	$—

(1) 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. The valuation of our common stock warrants which were traded on the New York Stock Exchange was also classified as Level 1.

“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 are 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.

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.

There were no financial assets or liabilities classified as Level 2 or Level 3 during the years ended December 31, 2015, 2014 and 2013, as such no rollforward of Level 3 activity has been presented.

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 petroleum products to create back-to-back transactions that are intended to lock in positive margins based on the timing, location or quality of the petroleum products purchased and delivered or (ii) derivative contracts. Our storage and transportation assets can also 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.

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

Swaps – OTC 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.

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 – OTC 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):

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13.FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	Year Ended December 31,		
	2015	2014	2013
Sales	23,228	6,773	2,595
Purchases	22,946	6,477	2,575

We have not designated any of our commodity derivative instruments as accounting hedges. We have recorded 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, 2015		December 31, 2014	
Other Current Assets	Other Current Liabilities	Other Current Assets	Other Current Liabilities
$—	$339	$1,674	$—

We have posted margin deposits as collateral with brokers who have the right of set off associated with these funds. Our margin deposit balances were $2.9 million and $0.8 million at December 31, 2015 and 2014, 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, 2015 and 2014, we would have had net asset positions of $2.6 million and $2.5 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,		
	2015	2014	2013
Realized and unrealized gain (loss)	$8,146	$19,305	$(1,593)

Warrants

In addition to the commodity derivatives above, we had $58.1 million of derivative liabilities related to common stock warrants at December 31, 2013, which were not subject to netting arrangements. The warrants were issued upon emergence from bankruptcy and were recorded at fair value on the consolidated balance sheets with changes in the fair value recorded to "other expense (income), net" in our consolidated statements of operations and comprehensive income. For the years ended December 31, 2014, and 2013, we recorded expense related to the change in fair value of $13.4 million and $46.4 million, respectively. The warrants expired on November 30, 2014. See Note 17 for additional information.

Concentrations of risk

During the year ended December 31, 2015, two customers primarily of our Crude Supply and Logistics segment accounted for more than 10% of our consolidated revenue with revenues of $457.3 million and $146.2 million. We purchased approximately $232.6 million of product from two third-party suppliers of our Crude Supply and Logistics segment, which represented approximately 24% of our costs of products sold. At December 31, 2015, one customer, primarily of our Crude Supply and Logistics segment, accounted for approximately 39% of our consolidated accounts receivable.

Our SemGas segment has a significant concentration of producers which account for a large portion of our SemGas segment's volumes. During the year ended December 31, 2015, three producers accounted for approximately 92% of our total processed volumes. During the year ended December 31, 2015, three producers accounted for 93% of our total gathered volumes. Additionally, all of the processing and gathering volumes from these customers are produced in the Northern Oklahoma region.

Our SemCAMS processing plants require a minimum rate of sulfur tonnage to operate, and to comply with the regulatory requirements for air emissions. We have several large producers that provide significant sour gas to our plants. If these producers shut in their sour gas production due to current commodity prices, it could result in regulatory non-compliance, as well as operating and financial impacts to SemCAMS.

Assets and liabilities of subsidiaries outside the United States

The following table summarizes the assets and liabilities (excluding affiliate balances) at December 31, 2015 of our subsidiaries outside the United States (in thousands):

	Canada	United Kingdom	Mexico	Total
Cash and cash equivalents	$20,729	$8,014	$17,338	$46,081
Other current assets	47,267	3,413	31,616	82,296
Noncurrent assets	273,967	144,367	40,654	458,988
Total assets	$341,963	$155,794	$89,608	$587,365
Current liabilities	$40,541	$5,660	$15,868	$62,069
Noncurrent liabilities	47,971	15,633	1,167	64,771
Total liabilities	88,512	21,293	17,035	126,840
Net assets	$253,451	$134,501	$72,573	$460,525

Employees

At December 31, 2015, we had approximately 1,160 employees, including approximately 555 employees outside the U.S. Approximately 130 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 that number, approximately 68 employees have collective bargaining agreements that renew annually and 60 have collective bargaining agreements that expired in January 2016 and are currently being renegotiated. We have never had a labor related work stoppage and believe our employee relations are good.

14. 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,		
	2015	2014	2013
U.S.	$46,728	$39,231	$40,002
Foreign	29,618	59,340	8,497
Consolidated	$76,346	$98,571	$48,499

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements
14. INCOME TAXES, Continued

The following table summarizes income tax provision (benefit) from continuing operations by jurisdiction (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Current income tax provision:			
Foreign	$4,301	$10,430	$15,546
U.S. federal	—	(195)	2,067
U.S. state	32	132	1,435
	4,333	10,367	19,048
Deferred income tax provision (benefit):			
Foreign	4,747	2,024	(10,222)
U.S. federal	21,865	30,074	(23,756)
U.S. state	2,585	4,048	(2,324)
	29,197	36,146	(36,302)
Provision (benefit) for income taxes	$33,530	$46,513	$(17,254)

The following table reconciles income tax provision at the U.S. federal statutory rate to the consolidated provision (benefit) for income taxes (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Income from continuing operations before income taxes	$76,346	$98,571	$48,499
U.S. federal statutory rate	35%	35%	35%
Provision at statutory rate	26,721	34,500	16,975
State income taxes—net of federal benefit	1,701	3,197	(577)
Effect of rates other than statutory	(2,306)	(1,925)	(1,041)
Effect of U.S. taxation on foreign branches	10,366	20,769	2,974
Foreign tax adjustment, prior years	7	(3,669)	4,533
Warrants	—	4,698	24,625
Noncontrolling interest	(4,373)	(7,986)	(6,096)
Foreign tax credit and offset to branch deferreds	(1,740)	6,851	(2,876)
Impact of valuation allowance on deferred tax assets	1,740	(7,331)	(53,218)
Foreign net gain on subsidiary dissolution and debt waivers	—	(13,620)	—
Foreign withholding taxes	6	5,054	—
Other, net	1,408	5,975	(2,553)
Provision (benefit) for income taxes	$33,530	$46,513	$(17,254)

For the years ended December 31, 2015, 2014 and 2013, 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, 2015 and 2014 (in thousands):

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14. INCOME TAXES, Continued

	December 31, 2015	2014
Deferred tax assets:		
Net operating loss and other credit carryforwards	$55,100	$38,835
Compensation and benefits	8,178	10,736
Inventories	213	280
Intangible assets	35,152	43,977
Pension plan	4,643	3,733
Allowance for doubtful accounts	1,552	1,860
Deferred revenue	4,619	7,622
Foreign tax credit and offset to branch deferreds	104,026	102,286
Other	41,318	17,786
less: valuation allowance	(104,509)	(102,769)
Net deferred tax assets	150,292	124,346
Deferred tax liabilities:		
Intangible assets	(4,638)	(5,770)
Prepaid expenses	(142)	(163)
Property, plant and equipment	(219,247)	(178,505)
Equity investment in partnerships	(85,385)	(78,813)
Other	(4,107)	(2,549)
Total deferred tax liabilities	(313,519)	(265,800)
Net deferred tax liabilities	$(163,227)	$(141,454)

At December 31, 2015, we had a cumulative U.S. federal net operating loss of approximately $127.9 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 $90.4 million available for carryforward, which begin to expire in 2016. We had a foreign net operating loss of $23.6 million available for indefinite carryforward. We had foreign tax credits of approximately $59.3 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 periods prior to March 31, 2013. 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 had a material impact to the available positive and objectively verifiable evidence and combined with other factors, resulted in the change in our assessment of recoverability of the deferred tax assets. We did not release the valuation allowance attributable to a small portion of our state net operating loss carryovers 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 increased by $1.7 million during 2015. The change related to a net increase of $1.7 million for foreign tax credits and offset to branch deferreds.

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14. INCOME TAXES, Continued

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 from bankruptcy remain open for examination in U.S. jurisdictions under general operation of the statute of limitations, including special provisions with regard to net operating loss carryovers. In foreign jurisdictions, all tax periods prior to the emergence from bankruptcy are closed. The statute of limitations has not been waived with respect to any foreign jurisdictions post emergence and tax periods are open for examination in accordance with the general statutes of each foreign jurisdiction. Currently, there are no examinations in progress for our federal, state or foreign jurisdictions.

15. LONG-TERM DEBT
Our long-term debt consisted of the following (in thousands):

	December 31,	
	2015	2014
SemGroup 7.50% senior unsecured notes due 2021	$300,000	$300,000
SemGroup corporate revolving credit facility	30,000	35,000
Rose Rock 5.625% senior unsecured notes due 2022	400,000	400,000
Rose Rock 5.625% senior unsecured notes due 2023, net of discount	344,545	—
Rose Rock credit facility	—	32,000
SemMexico credit facility	—	—
Capital leases	83	132
Total long-term debt	1,074,628	767,132
less: current portion of long-term debt	31	40
Noncurrent portion of long-term debt	$1,074,597	$767,092

SemGroup senior unsecured notes due 2021
At December 31, 2015, we had outstanding $300 million of 7.50% senior unsecured notes due 2021 (the “SemGroup Notes”). The SemGroup Notes are guaranteed by certain of our subsidiaries: SemGas, 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 and Mid-America Midstream Gas Services, L.L.C. (collectively, the "Guarantors"). The guarantees of the SemGroup Notes are full and unconditional and constitute the joint and several obligations of the Guarantors.
The SemGroup 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 SemGroup Notes and accrued interest due and payable.
The SemGroup 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 SemGroup Notes.
The Company may issue additional SemGroup Notes under the Indenture from time to time, subject to the terms of the Indenture.

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SEMGROUP CORPORATION
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15. LONG-TERM DEBT, Continued

Except as described below, the SemGroup 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 SemGroup 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:

SemGroup 2021 senior unsecured notes	
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 SemGroup Notes at a redemption price equal to 107.5% 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 SemGroup 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 SemGroup Notes at an amount equal to 101% of the principal plus accrued and unpaid interest.

Interest on the SemGroup 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 years ended December 31, 2015, 2014 and 2013, we incurred $23.3 million, $23.3 million and $12.7 million, respectively, of interest expense related to the SemGroup Notes including the amortization of debt issuance costs. At December 31, 2015, we had $4.5 million of unamortized debt issuance costs related to the SemGroup Notes included in other noncurrent assets on our consolidated balance sheet.

At December 31, 2015, we were in compliance with the terms of the SemGroup Notes.

SemGroup corporate credit agreement

Our revolving credit facility has a capacity of $500 million at December 31, 2015. This capacity may be used either for cash borrowings or letters of credit, although the maximum letter of credit capacity is $250 million. The credit agreement allows for the increase of the revolving commitments under the credit agreement by an aggregate amount of $300 million subject to the satisfaction of certain conditions. The agreement matures on December 11, 2018. 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.

Interest on revolving credit cash borrowings is charged at either a Eurodollar rate or an alternate base rate ("ABR"), at our election, plus, in each case an applicable margin. The applicable margin will range from 2.0% to 3.25% in the case of a Eurodollar loan, and from 1.0% to 2.25% in the case of an ABR loan, in each case, based on a leverage ratio specified in the agreement.

At December 31, 2015, there were $30.0 million of outstanding borrowings which incurred interest at the ABR. The interest rate in effect at December 31, 2015 on alternate base rate borrowings was 4.50%.

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, 2015, we had $4.7 million of outstanding letters of credit for which the rate in effect was 2.0%. 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.

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15. LONG-TERM DEBT, Continued

At December 31, 2015, we had unamortized capitalized loan fees of $4.2 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 $3.8 million, $6.3 million and $7.7 million for the years ended December 31, 2015, 2014 and 2013, 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 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, 2015, we were in compliance with the terms of the credit agreement.

Rose Rock senior unsecured notes due 2022 and 2023

At December 31, 2015, Rose Rock had outstanding $400 million of 5.625% senior unsecured notes due 2022 (the “Rose Rock 2022 Notes”) and $350 million of 5.625% senior unsecured notes due 2023 (the "Rose Rock 2023 Notes") (collectively, the "Rose Rock Notes"). Rose Rock and its wholly-owned subsidiary, Rose Rock Finance Corporation ("Finance Corp."), are co-issuers of the Rose Rock Notes.

The Rose Rock 2023 Notes were sold at 98.345% of par, a discount of $5.8 million, on May 14, 2015. The discount is reported as a reduction to the face value of the Rose Rock 2023 Notes on our consolidated balance sheets and is being amortized over the life of the Rose Rock 2023 Notes using the interest method. At December 31, 2015, the unamortized discount was $5.5 million.

The net proceeds from the offering of the Rose Rock 2023 Notes of $337.7 million, after the discount and $6.5 million of underwriters' fees and offering expenses, were used to repay amounts borrowed under Rose Rock's revolving credit facility and for general partnership purposes.

Interest on the Rose Rock 2022 Notes is payable in arrears on January 15th and July 15th to holders of record on January 1st and July 1st each year until maturity. For the years ended December 31, 2015 and 2014, we recorded interest expense of $23.5 million and $11.7 million, respectively, including amortization of debt issuance costs on the Rose Rock 2022 Notes. Interest on the Rose Rock 2023 Notes is payable in arrears on May 15th and November 15th to holders of record on May 1st and November 1st each year until maturity. For the year ended December 31, 2015, we recorded interest expense of $13.2 million, including amortization of debt issuance costs and amortization of discount on the Rose Rock 2023 Notes.

At December 31, 2015, we had $12.2 million of debt issuance costs, net of accumulated amortization, related to the Rose Rock Notes included in other noncurrent assets on our consolidated balance sheet.

The Rose Rock Notes are governed by indentures between Rose Rock, its subsidiary guarantors, Finance Corp. and Wilmington Trust, National Association, as trustee (the “Rose Rock Indenture”). The Rose Rock Indentures include customary covenants, including limitations on Rose Rock's 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; merge, consolidate, sell or otherwise dispose of all or substantially all of its assets; and designate its subsidiaries as unrestricted under the Rose Rock Indentures.

The Rose Rock Indentures include customary events of default. A default would permit the trustee or holders of at least 25% in aggregate principal amounts of the Rose Rock Notes then outstanding to declare all amounts owing under the Rose Rock Notes to be due and payable.

The Rose Rock Notes are effectively subordinated in right of payment to any of Rose Rock's, and the subsidiary guarantors', existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness.

Rose Rock may issue additional Rose Rock Notes under the Rose Rock Indentures from time to time, subject to the terms of the Rose Rock Indentures.

Except as described below, the Rose Rock 2022 and 2023 Notes are not redeemable at Rose Rock's option prior to July 15, 2017 and May 15, 2019, respectively. From and after July 15, 2017, in the case of the Rose Rock 2022 Notes, or May 15, 2019, in the case of the Rose Rock 2023 Notes, Rose Rock may redeem the Rose Rock 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 July 15 for the Rose Rock 2022 Notes or May 15 for the Rose Rock 2023 Notes of each of the years indicated below for the respective Notes:

Rose Rock 2022 senior unsecured notes	
2017	104.219%
2018	102.813%
2019	101.406%
2020 and thereafter	100.000%
Rose Rock 2023 senior unsecured notes	
2019	102.813%
2020	101.406%
2021 and thereafter	100.000%

Prior to July 15, 2017, in the case of the Rose Rock 2022 Notes, or May 15, 2018, in the case of the Rose Rock 2023 Notes, Rose Rock may, at its option, on one or more occasions, redeem up to 35% of the sum of the original aggregate principal amount of the Rose Rock Notes at a redemption price equal to 105.625% of the aggregate principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of one or more equity offerings of Rose Rock, or the parent of Rose Rock to the extent such net proceeds are contributed to Rose Rock, subject to certain conditions.

Prior to July 15, 2017, in the case of the 2022 Notes, or May 15, 2019, in the case of the 2023 Notes, Rose Rock may also redeem all or part of the Rose Rock 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 redemption price from the table above plus all required interest payments due through July 15, 2017, with respect to the Rose Rock 2022 Notes, or May 15, 2019, with respect to the Rose Rock 2023 Notes, computed using a discount rate based on a published United States Treasury Rate plus 50 basis points, over the principal value of such Rose Rock Note.

In the event of a change of control, Rose Rock is required to offer to repurchase the Rose Rock Notes at an amount equal to 101% of the principal plus accrued and unpaid interest.

At December 31, 2015, we were in compliance with the terms of the Rose Rock Indentures.

Rose Rock credit facility

Our Rose Rock senior secured revolving credit facility agreement provides for a revolving credit facility of $585 million and includes a $150 million sub-limit for letters of credit. The facility can be increased by not more than $200 million, subject to certain conditions. The credit agreement expires on September 20, 2018.

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, 2015, we had no outstanding cash borrowings on this credit facility.

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, 2015, there were $35.3 million in outstanding letters of credit, and the rate in effect was 2.50%. 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, 2015, we had $42.9 million of secured bilateral letters of credit outstanding and the interest rate in effect was 1.75%.

At December 31, 2015, we had $2.8 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 $6.9 million, $9.0 million and $8.7 million for the years ended December 31, 2015, 2014 and 2013, respectively, including amortization of debt issuance costs and interest on bilateral letters of credit.

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.

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, 2015, we were in compliance with the terms of the credit agreement.

SemMexico facilities

During the year ended December 31, 2015, SemMexico's credit facilities expired and, on May 22, 2015, SemMexico entered into a $100 million Mexican pesos (U.S. $5.8 million at the December 31, 2015 exchange rate) revolving credit facility, which matures in May 2018. There were no outstanding borrowings on the facility at December 31, 2015. Borrowings are unsecured and bear interest at the bank prime rate in Mexico plus 1.50%.

At December 31, 2015, SemMexico had outstanding letters of credit of $292.8 million Mexican pesos (U.S. $16.9 million). Fees charged on outstanding letters of credit were 0.25%.

SemMexico recorded interest expense of $0.1 million, $0.2 million and $0.2 million during the years ended December 31, 2015, 2014 and 2013, respectively.

At December 31, 2015, we were in compliance with the terms of this facility.

Scheduled principal payments

The following table summarizes the scheduled principal payments as of December 31, 2015 (in thousands). As described above, our debt agreements require accelerated principal payments under certain circumstances. As a result, principal payments may occur earlier than shown in the table below.

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Notes to Consolidated Financial Statements
15. LONG-TERM DEBT, Continued

	SemGroup Notes	Rose Rock 2022 Notes	Rose Rock 2023 Notes	SemGroup Facility	Rose Rock Facility	SemMexico Facility	Capital Leases	Total
For the year ended:								
December 31, 2016	$—	$—	$—	$—	$—	$—	$31	$31
December 31, 2017	—	—	—	—	—	—	26	26
December 31, 2018	—	—	—	30,000	—	—	26	30,026
December 31, 2019	—	—	—	—	—	—	—	—
December 31, 2020	—	—	—	—	—	—	—	—
Thereafter	300,000	400,000	350,000	—	—	—	—	1,050,000
Total	$300,000	$400,000	$350,000	$30,000	$—	$—	$83	$1,080,083

Fair value
We estimate the fair value of the SemGroup Notes to be $279 million and the fair value of the Rose Rock 2022 Notes and 2023 Notes to be $337 million and $300 million, respectively at December 31, 2015, based on transacted market prices for identical liabilities near the measurement date, which is categorized as a Level 2 measurement. We estimate that the fair value of our other long-term debt was not materially different than the recorded values at December 31, 2015. 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, 2015. This estimate is categorized as a Level 2 measurement.

16. COMMITMENTS AND CONTINGENCIES
Bankruptcy matters
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 for creditor protection in Canada. 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"). 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 protection on November 30, 2009 (the "Emergence Date").
Claims reconciliation process
A large number of parties made claims against us for obligations alleged to have been incurred prior to our predecessor's bankruptcy filing. We have resolved or settled all of these outstanding claims and have made all required distributions. The Plan of Reorganization has therefore been fully administered. On November 7, 2014, SemGroup Corporation and the other reorganized debtors moved for a final decree from the bankruptcy court closing the debtors’ bankruptcy cases. The United States Bankruptcy Court for the District of Delaware granted the request and entered its Order Granting Motion of Remaining Debtors for Entry of Final Decree on December 18, 2014. Accordingly, the bankruptcy cases for SemCrude, L.P., Eaglwing, L.P., SemCanada II, L.P., SemCanada L.P., SemGas, L.P., SemGroup, L.P., SemMaterials, L.P., and SemStream, L.P. have been closed. As part of its decree, the Court retained jurisdiction over certain on-going adversary proceedings, but the debtors have estimated and paid the claims associated with these remaining adversaries, leaving the non-debtor parties to the adversaries to resolve their remaining claims amongst themselves. On January 2, 2015, Bettina M. Whyte, the duly appointed Trustee of the SemGroup Litigation Trust (the “Litigation Trustee”), filed a notice of appeal of the Bankruptcy Court’s December 18, 2014 order closing the aforementioned bankruptcy cases. However, the Bankruptcy Court’s order of final decree was effective upon entry, and the appeal does not stay the effect of the order. The Litigation Trustee’s appeal to the United

States District Court for the District of Delaware is currently pending and will be opposed by SemGroup Corporation and the other remaining reorganized debtors.

Dimmit County, TX claims

An employee of Rose Rock Midstream Field Services, LLC was involved in a tractor trailer accident on January 15, 2015 in Dimmit County, Texas. A second accident followed resulting in six fatalities and multiple injuries. Multiple lawsuits involving claims of wrongful death and personal injury were filed in Zavala County and Dimmit County, Texas. These lawsuits have been consolidated and the trial will be held in the District Court, 293rd Judicial District, Zavala County, Texas. The trial for cause number 15-01-13356-ZCV, Maribel Rodriguez and the Estate of David Rodriguez, et al., vs. Rose Rock Midstream Field Services, LLC, SemGroup Corporation, Rose Rock Midstream, L.P. and SemManagement LLC, et al., was set to begin on February 9, 2016, and has been postponed to April 12, 2016. We will continue to defend our position and believe that any liability that may arise from this incident will be covered by our insurance; however, we cannot predict the outcome.

Environmental

We may, from time to time, experience leaks of petroleum products from our facilities and, 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 Transportation 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. Four of the sites have limited amounts of soil contamination that will be excavated and/or remediated on site. Four of the sites appeared to have ground water contamination requiring further delineation and/or ongoing monitoring. Work plans have been submitted to, and approved by, the KDHE. One site has been closed. Groundwater beneath two sites is being monitored until contaminants achieve regulatory threshold for closure and will not require active remediation. Two sites are in the process of completing assessment and characterization and will be remediated if necessary. We do not anticipate any penalties or fines for these historical sites.

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, 2012 through December 31, 2015 (in thousands):

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16.COMMITMENTS AND CONTINGENCIES, Continued

Balance, December 31, 2012	$40,105
Accretion	4,752
Payments made	(808)
Currency translation adjustments	(2,864)
Balance, December 31, 2013	41,185
Accretion	4,807
Payments made	(514)
Currency translation adjustments	(3,524)
Balance, December 31, 2014	41,954
Accretion	4,748
Payments made	(511)
Revaluation	(26,000)
Currency translation adjustments	(4,245)
Balance, December 31, 2015	$15,946

The December 31, 2015 liability was calculated using the $117.8 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. During the year ended December 31, 2015, we completed a reevaluation of our asset retirement obligations and recorded reductions to the liability and offsetting asset of $26.0 million. The reduction was largely due to a change in the estimated timing of the retirement of the facilities. The $117.8 million estimated cost represents only our proportionate share of the obligations associated with these facilities. An additional $20.0 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 and vehicles. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2015 are as follows (in thousands):

For year ending:	
December 31, 2016	$9,218
December 31, 2017	7,001
December 31, 2018	3,055
December 31, 2019	1,941
December 31, 2020	157
Thereafter	6,814
Total future minimum lease payments	$28,186

We recorded lease and rental expenses of $15.5 million, $16.2 million and $11.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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16. 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, 2015, such commitments included the following (in thousands):

	Volume (barrels)	Value
Fixed price purchases	1,976	$71,709
Fixed price sales	2,907	$116,329
Floating price purchases	17,361	$652,122
Floating price sales	19,691	$709,991

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 continues through June 2023. At December 31, 2015, approximately $110.7 thousand was due under the contract. The approximate amount of future obligation is as follows (in thousands):

For year ending:	
December 31, 2016	$11,804
December 31, 2017	11,938
December 31, 2018	10,060
December 31, 2019	9,121
December 31, 2020	8,451
Thereafter	15,941
Total expected future payments	$67,315

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.
Rose Rock has a throughput commitment with our equity method investee, White Cliffs, for approximately 5,000 barrels per day of space on White Cliffs' pipeline which became effective in October 2015 and has a term of five years. Annual payments to White Cliffs under the agreement are expected to be $9.4 million.
Rose Rock has a throughput commitment for 5,000 barrels per day on the Dakota Access Pipeline which becomes effective upon the full service date of the pipeline which is expected in the fourth quarter of 2016. The commitment has a seven year term. Annual payments are expected to be $11.9 million.
Capital expenditures
We expect to spend $325 million for construction of the Maurepas Pipeline in 2016. See Note 5 for commitments related to the White Cliffs expansion project.

17. EQUITY
Common stock
The par value of common stock reflected on the consolidated balance sheet at December 31, 2015 is summarized below:

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17. EQUITY, Continued

	Class A	Class B
Shares accounted for at December 31, 2012	41,971,050	28,235
Issuance of shares under employee and director compensation programs(1)	107,988	—
Shares issued upon exercise of warrants	425,618	—
Shares accounted for at December 31, 2013	42,504,656	28,235
Conversion of Class B shares	28,235	(28,235)
Issuance of shares under employee and director compensation programs(1)	169,933	—
Shares issued under employee stock purchase plan	6,999	—
Shares issued upon exercise of warrants	904,231	—
Shares accounted for at December 31, 2014	43,614,054	—
Issuance of shares under employee and director compensation programs(1)	184,803	—
Shares issued under employee stock purchase plan	24,882	—
Shares accounted for at December 31, 2015(2)	43,823,739	—

(1) Of these vested shares, recipients sold back to the Company 62,291, 11,120 and 8,591 shares during the years ended December 31, 2015, 2014 and 2013, respectively, to satisfy tax withholding obligations. These repurchased shares are being recognized at cost as treasury stock on the consolidated balance sheet.
(2) In addition to the shares in the table above, there are shares of unvested restricted stock outstanding at December 31, 2015. The par value of these shares has not yet been reflected in common stock on the consolidated balance sheet, as these 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. Certain unvested restricted stock is considered legally issued and outstanding and is included in the number of shares presented on the consolidated balance sheets.

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. All Class B stock has been converted to Class A 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

Prior to November 30, 2014, we had outstanding common stock warrants which entitled the holder to purchase one share of common stock for $25. Upon exercise, a holder could elect a cashless exercise, whereby the number of shares to be issued to the holder was reduced, in lieu of a cash payment. Changes in the fair value of warrants were recorded in "other expense (income)" in the consolidated statements of operations and comprehensive income. The warrants expired on November 30, 2014.

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:

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17. EQUITY, Continued

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
June 30, 2014	$0.24	May 8, 2014	May 19, 2014	May 29, 2014
September 30, 2014	$0.27	August 6, 2014	August 18, 2014	August 28, 2014
December 31, 2014	$0.30	November 6, 2014	November 17, 2014	November 28, 2014
March 31, 2015	$0.34	February 26, 2015	March 9, 2015	March 20, 2015
June 30, 2015	$0.38	May 6, 2015	May 18, 2015	May 29, 2015
September 30, 2015	$0.42	August 4, 2015	August 17, 2015	August 25, 2015
December 31, 2015	$0.45	November 3, 2015	November 16, 2015	November 24, 2015
March 31, 2016	$0.45	February 24, 2016	March 7, 2016	March 17, 2016

18. EARNINGS PER SHARE

Earnings per share is calculated based on income from continuing and discontinued operations less any income attributable to noncontrolling interests. Income attributable to noncontrolling interests represents third-party limited partner unitholders' interests in the earnings of 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.

Basic earnings (loss) per share is calculated based on the weighted average shares outstanding during the period. Diluted earnings (loss) per share includes the dilutive effect of warrants and unvested equity compensation awards.

The following summarizes the calculation of basic earnings per share for the years ended December 31, 2015, 2014 and 2013 (in thousands, except per share amounts):

	Year Ended December 31, 2015		
	Continuing Operations	Discontinued Operations	Net
Income	$42,816	$(4)	$42,812
less: Income attributable to noncontrolling interest	12,492	—	12,492
Income attributable to SemGroup	$30,324	$(4)	$30,320
Weighted average common stock outstanding	43,787	43,787	43,787
Basic earnings per share	$0.69	$0.00	$0.69

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18. EARNINGS PER SHARE, Continued

	Year Ended December 31, 2014		
	Continuing Operations	Discontinued Operations	Net
Income	$52,058	$(1)	$52,057
less: Income attributable to noncontrolling interest	22,817	—	22,817
Income attributable to SemGroup	$29,241	$(1)	$29,240
Weighted average common stock outstanding	42,665	42,665	42,665
Basic earnings per share	$0.69	$0.00	$0.69

	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
Income attributable to SemGroup	$48,043	$59	$48,102
Weighted average common stock outstanding	42,339	42,339	42,339
Basic earnings per share	$1.13	$0.00	$1.14

The following summarizes the calculation of diluted earnings per share for the years ended December 31, 2015, 2014 and 2013 (in thousands, except per share amounts):

	Year Ended December 31, 2015		
	Continuing Operations	Discontinued Operations	Net
Income	$42,816	$(4)	$42,812
less: Income attributable to noncontrolling interest	12,492	—	12,492
Income attributable to SemGroup	$30,324	$(4)	$30,320
Weighted average common stock outstanding	43,787	43,787	43,787
Effect of dilutive securities	183	183	183
Diluted weighted average common stock outstanding	43,970	43,970	43,970
Diluted earnings per share	$0.69	$0.00	$0.69

	Year Ended December 31, 2014		
	Continuing Operations	Discontinued Operations	Net
Income	$52,058	$(1)	$52,057
less: Income attributable to noncontrolling interest	22,817	—	22,817
Income attributable to SemGroup	$29,241	$(1)	$29,240
Weighted average common stock outstanding	42,665	42,665	42,665
Effect of dilutive securities	302	302	302
Diluted weighted average common stock outstanding	42,967	42,967	42,967
Diluted earnings per share	$0.68	$0.00	$0.68

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18. 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
Income attributable to SemGroup	$48,043	$59	$48,102
Weighted average common stock outstanding	42,339	42,339	42,339
Effect of dilutive securities	307	307	307
Diluted weighted average common stock outstanding	42,646	42,646	42,646
Diluted earnings per share	$1.13	$0.00	$1.13

All outstanding warrants expired on November 30, 2014 and therefore have no dilutive effect for the years ended December 31, 2015 and 2014. For the year ended December 31, 2013, 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.

19. 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, performance or market related vesting conditions are met. The awards typically have one year vesting period for non-management directors and three years for employees. The awards may be subject to accelerated vesting in the event of involuntary terminations. We record expense for these awards (and corresponding increases to additional paid-in capital) based on the grant date fair value of the awards over the vesting period. We use authorized but unissued shares to satisfy our equity-based payment obligations. Although these awards are to be settled in shares, we may elect to give participants the option of surrendering a portion of the awards, to meet statutory minimum tax withholding requirements. The activity related to these awards during the period from December 31, 2012 to December 31, 2015 is summarized below:

	Unvested Shares	Average Grant Date Fair Value	Aggregate Fair Value of Shares (in thousands)
Outstanding at December 31, 2012	450,552	$26.87	
Awards granted - 2013	201,451	$52.78	
Awards vested - 2013	(107,988)	$25.71	$2,776
Awards forfeited - 2013	(13,412)	$32.36	
Outstanding at December 31, 2013	530,603	$36.80	
Awards granted - 2014	207,786	$77.14	
Awards vested - 2014	(169,340)	$33.07	$5,600
Awards forfeited - 2014	(119,130)	$42.16	
Outstanding at December 31, 2014	449,919	$70.69	
Awards granted - 2015	151,789	$77.93	
Awards vested - 2015	(181,906)	$35.18	$6,399
Awards forfeited - 2015	(8,494)	$42.05	
Outstanding at December 31, 2015	411,308	$75.25	

Of the awards vested during the years ended December 31, 2015, 2014 and 2013, 62,291, 11,120 and 8,591 shares were withheld to satisfy minimum tax requirements, respectively.

For certain of the awards granted in 2015, 2014 and 2013, 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

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19. EQUITY-BASED COMPENSATION, Continued

price on the New York Stock Exchange based on the number of awards expected to vest. Awards with market conditions are valued using Monte Carlo simulations. The following table sets forth the assumptions used in the valuations of these awards granted in 2015, 2014 and 2013:

	2015	2014	2013
Volatility	26.8%	29.3%	28.9%
Risk-free interest rate	1.06%	0.66%	0.35%

Volatility assumptions related to 2015 and 2014 awards containing a market condition were based on historical volatility using a simple average calculation of volatility over a period equal to the vesting period of the awards. We do not expect future volatility over the term of the awards to be significantly different from historical volatility. Volatility assumptions related to 2013 awards containing a market condition were comprised of 50% historical volatility and 50% implied volatility. We intend to use only historical volatility going forward. The change in assumption basis from 2014 to 2013 did not have a significant impact.

If we meet the specified maximum targets, approximately 72 thousand, 51 thousand and 47 thousand additional shares could vest related to the 2015, 2014 and 2013 awards, respectively.

The holders of certain restricted stock awards are entitled to equivalent dividends (“UDs”) to be received upon vesting of the restricted stock awards. The UDs are subject to the same forfeiture and acceleration conditions as the associated restricted stock awards. For awards granted prior to 2013, the dividends were settled in common shares based on the market price of our Class A shares as of the close of business on the vesting date. For the year ended December 31, 2015, 1,793 shares were issued upon the vesting of these restricted stock awards. For the year ended December 31, 2014, 593 shares were issued upon the vesting of these restricted stock awards. No shares were issued upon vesting of restricted stock awards for the year ended December 31, 2013. As of December 31, 2015, all awards granted prior to 2013 have vested. UDs related to restricted stock awards granted after 2013 will be settled in cash upon vesting. At December 31, 2015, the value of UDs to be settled in cash related to unvested restricted stock awards was approximately $595 thousand.

Compensation costs expensed for the years ended December 31, 2015, 2014 and 2013 were $9.1 million, $7.3 million and $6.5 million, respectively. As of December 31, 2015, there was $13.0 million of total unrecognized compensation cost related to our non-vested awards, which is expected to be recognized over a weighted-average period of 17 months.

Director Retainer

During the year ended December 31, 2015 we issued 1,104 shares of common stock to a director in lieu of an annual cash retainer.

Employee stock purchase plan

Our employee stock purchase plan ("ESPP") allows eligible employees to contribute up to 10% of their base earnings toward the semi-annual purchase of our common stock, subject to an annual maximum dollar amount. The purchase price is 85% of the closing price on the last business day of the offering period. We have reserved a total of 1,000,000 shares of common stock for issuance under the ESPP. During the years ended December 31, 2015 and 2014, we issued 24,882 and 6,999 shares under our ESPP, respectively.

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. Generally, the awards vest three years after the date of grant for employees and one year after the date of grant for non-management directors, contingent upon the continued service of the recipients and may be subject to accelerated vesting in the event of involuntary terminations. Awards are valued based on the grant date closing price listed on the New York Stock Exchange. Compensation expense is recognized over the vesting period and is discounted for estimated forfeitures. Vesting of these awards dilutes our ownership interest. The activity related to these awards is summarized below:

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19. EQUITY-BASED COMPENSATION, Continued

	Unvested Units	Average Grant Date Fair Value	Aggregate Fair Value of Units (in thousands)
Outstanding at December 31, 2012	43,960	$21.91	
Awards granted - 2013	49,104	$34.41	
Awards vested - 2013	(9,333)	$27.25	$254
Awards forfeited - 2013	(783)	$34.40	
Outstanding at December 31, 2013	82,948	$28.59	
Awards granted - 2014	46,536	$41.35	
Awards vested - 2014	(5,712)	$35.87	$205
Awards forfeited - 2014	(21,432)	$29.82	
Outstanding at December 31, 2014	102,340	$33.79	
Awards granted - 2015	36,527	$39.03	
Awards vested - 2015	(38,366)	$27.54	$1,057
Awards forfeited - 2015	(310)	$42.80	
Outstanding at December 31, 2015	100,191	$38.70	

Of the awards vested during the year ended December 31, 2015, 12,892 units were withheld to satisfy minimum tax requirements. No units were withheld to satisfy minimum tax requirements for the years ended December 31, 2014 and 2013.

Compensation cost expensed for the years ended December 31, 2015, 2014 and 2013 was $1.4 million, $0.9 million and $0.8 million, respectively, and represents an increase in noncontrolling interests in consolidated subsidiaries. As of December 31, 2015, there was $1.9 million of total unrecognized compensation cost related to the non-vested awards, which is expected to be recognized over a weighted-average period of 14 months.

The holders of certain of these restricted unit awards are entitled to equivalent distributions (“UUDs”) to be received upon vesting of the restricted unit awards. For awards granted prior to 2013, the UUDs were settled in common units based on the market price of our limited partner common units as of the close of business on the vesting date. For the year ended December 31, 2015, 3,335 UUDs were issued upon the vesting of these restricted units. No UUD units were issued upon vesting of restricted units for the year ended December 31, 2014. For the year ended December 31, 2013, 406 UUDs were issued upon the vesting of these restricted units. As of December 31, 2015, all awards granted prior to 2013 have vested. UUDs related to the restricted unit awards granted subsequent to 2013 will be settled in cash upon vesting. At December 31, 2015, the value of these cash settled UUDs related to unvested restricted units was approximately $381 thousand.

20. 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 $2.4 million, $1.9 million, and $1.1 million for the years ended December 31, 2015, 2014 and 2013, 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. These plans are closed to new participants and do not accrue any additional benefits.

We recognize the funded status of the Pension Plans, measured as the difference between the fair value of the plan assets and the projected benefit obligation, in the Consolidated Balance Sheets. The table below summarizes the balances of

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20. EMPLOYEE BENEFIT PLANS, Continued

the projected benefit obligation and fair value of the plan assets at December 31, 2015 and 2014 (in thousands):

	December 31,	
	2015	2014
Projected benefit obligation	$23,865	$29,266
Fair value of plan assets	22,204	26,368
Funded status:	$(1,661)	$(2,898)

All of the plan's assets are invested in pooled funds that hold highly-liquid securities and are classified as Level 2 within the fair value hierarchy. We recorded other noncurrent liabilities of $1.7 million and $2.9 million at December 31, 2015 and 2014, respectively, to reflect the funded status of the Pension Plans.

We record changes in the funded status of the Pension Plans to other comprehensive income (loss), net of income taxes. These amounts were a gain of $0.7 million, a loss of $3.7 million and a gain of $4.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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 $1.4 million at December 31, 2015 and $1.7 million at December 31, 2014, and is reported within other noncurrent liabilities on the consolidated balance sheets.

21. 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	Total
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)
Currency translation adjustment, net of income tax benefit of $11,102	(20,551)	—	(20,551)
Changes related to benefit plans, net of income tax benefit of $1,245	—	(3,736)	(3,736)
Balance, December 31, 2014	(25,059)	(2,082)	(27,141)
Currency translation adjustment, net of income tax benefit of $19,593	(32,142)	—	(32,142)
Changes related to benefit plans, net of income tax expense of $240	—	721	721
Balance, December 31, 2015	$(57,201)	$(1,361)	$(58,562)

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22. SUPPLEMENTAL CASH FLOW INFORMATION
Operating assets and liabilities
The following table summarizes the changes in the components of operating assets and liabilities, net of the effects of acquisitions (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Decrease (increase) in restricted cash	$6,764	$(2,045)	$29,467
Decrease (increase) in accounts receivable	9,051	(32,602)	11,172
Decrease (increase) in receivable from affiliates	10,905	50,454	(61,095)
Decrease (increase) in inventories	(31,043)	(6,243)	(11,352)
Decrease (increase) in derivatives and margin deposits	(2,109)	28	1,012
Decrease (increase) in other current assets	(413)	(614)	9,361
Decrease (increase) in other assets	4,015	2	137
Increase (decrease) in accounts payable and accrued liabilities	2,513	11,461	31,030
Increase (decrease) in payable to affiliates	(8,427)	(48,819)	62,279
Increase (decrease) in payables to pre-petition creditors	(3,837)	(54)	(29,609)
Increase (decrease) in other noncurrent liabilities	(2,625)	5,067	(2,541)
	$(15,206)	$(23,365)	$39,861

Non-cash transactions
During the years ended December 31, 2015, 2014 and 2013, we recorded reductions of $51.5 million, $85.2 million and $180.2 million, respectively, to noncontrolling interests in consolidated subsidiaries and offsetting increases to additional paid-in capital of $30.7 million, $53.2 million and $112.9 million, respectively, (net of tax impacts of $20.8 million, $31.9 million and $67.3 million, respectively). These non-cash entries represent the portion of proceeds in excess of historical cost which were attributed to Rose Rock's third-party unitholders related to Rose Rock's common control acquisitions from SemGroup (Note 4).
During the years ended December 31, 2014 and 2013, we issued 904,231 and 425,618 shares of Class A common stock, respectively, related to the exercise of warrants. These issuances resulted in the non-cash reclassifications for the years ended December 31, 2014 and 2013 of $73.0 million and $21.4 million, respectively, from other noncurrent liabilities to common stock and additional paid-in capital. Cash proceeds of $1.5 million and $0.2 million were received in connection with the warrant exercises for the years ended December 31, 2014 and 2013, respectively. Outstanding warrants expired in 2014.
See Note 16 for discussion of non-cash change to ARO liability for the year ended December 31, 2015.
Other supplemental disclosures
We paid cash for interest totaling $64.9 million, $36.7 million and $23.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.
We paid cash for income taxes (net of refunds received) in the amount of $7.3 million, $23.5 million and $13.9 million during the years ended December 31, 2015, 2014 and 2013, respectively.
We accrued $11.8 million, $7.0 million and $10.1 million at December 31, 2015, 2014 and 2013, respectively, for purchases of property, plant and equipment.
We sold common units of NGL Energy for proceeds of $88.8 million during the year ended December 31, 2014 (Note 5), of which only $79.7 million of proceeds from the sales had been received at December 31, 2014. We recorded an accrual for the proceeds that had not been received at December 31, 2014.

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23. QUARTERLY FINANCIAL DATA (UNAUDITED)
Summarized information on our consolidated results of operations for the quarters during the year ended December 31, 2015 is shown below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$298,310	$377,226	$397,065	$382,493	$1,455,094
Loss (gain) on disposal or impairment, net	1,058	1,372	(951)	9,993	11,472
Other operating costs and expenses	301,206	352,549	376,973	371,512	1,402,240
Total expenses	302,264	353,921	376,022	381,505	1,413,712
Earnings from equity method investments	20,559	23,903	16,237	20,687	81,386
Gain on issuance of common units by equity method investee	—	5,897	136	352	6,385
Operating income	16,605	53,105	37,416	22,027	129,153
Other expenses, net	6,087	9,809	17,829	19,082	52,807
Income from continuing operations before income taxes	10,518	43,296	19,587	2,945	76,346
Income tax expense	4,742	14,861	10,006	3,921	33,530
Income from continuing operations	5,776	28,435	9,581	(976)	42,816
Loss from discontinued operations, net of income taxes	—	(2)	(1)	(1)	(4)
Net income	5,776	28,433	9,580	(977)	42,812
Less: net income (loss) attributable to noncontrolling interests	4,310	5,136	4,707	(1,661)	12,492
Net income attributable to SemGroup	$1,466	$23,297	$4,873	$684	$30,320
Earnings per share—basic	$0.03	$0.53	$0.11	$0.02	$0.69
Earnings per share—diluted	$0.03	$0.53	$0.11	$0.02	$0.69

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23. QUARTERLY FINANCIAL DATA (UNAUDITED), Continued

Summarized information on our consolidated results of operations for the quarters during the year ended December 31, 2014 is shown below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$498,883	$482,224	$594,235	$547,237	$2,122,579
Loss (gain) on disposal or impairment, net	(58)	19,315	1,376	11,959	32,592
Other operating costs and expenses	478,264	471,863	575,936	530,150	2,056,213
Total expenses	478,206	491,178	577,312	542,109	2,088,805
Earnings from equity method investments	14,962	19,187	14,223	15,827	64,199
Gain on issuance of common units by equity method investee	8,127	—	18,772	2,121	29,020
Operating income	43,766	10,233	49,918	23,076	126,993
Other expenses (income), net	7,497	29,489	(6,368)	(2,196)	28,422
Income (loss) from continuing operations before income taxes	36,269	(19,256)	56,286	25,272	98,571
Income tax expense (benefit)	16,526	(6,672)	24,090	12,569	46,513
Income (loss) from continuing operations	19,743	(12,584)	32,196	12,703	52,058
Income (loss) from discontinued operations, net of income taxes	(5)	—	—	4	(1)
Net income (loss)	19,738	(12,584)	32,196	12,707	52,057
Less: net income attributable to noncontrolling interests	6,150	5,025	6,934	4,633	22,817
Net income (loss) attributable to SemGroup	$13,588	$(17,609)	$25,262	$8,074	$29,240
Earnings (loss) per share—basic	$0.32	$(0.41)	$0.59	$0.19	$0.69
Earnings (loss) per share—diluted	$0.29	$(0.41)	$0.59	$0.18	$0.68

24. RELATED PARTY TRANSACTIONS
NGL Energy Partners LP
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, 2015, 2014 and 2013, we generated the following transactions with NGL Energy and its subsidiaries (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Revenues	$157,732	$456,987	$796,440
Purchases	$138,095	$437,015	$669,450
Reimbursements from NGL Energy for services	$56	$168	$198

White Cliffs
We generated approximately $4.8 million, $2.9 million and $2.9 million of revenue from services we provided to White Cliffs during the years ended December 31, 2015, 2014 and 2013, respectively. We incurred $5.2 million and $3.9 million of cost for the years ended December 31, 2015 and 2014, respectively, related to transportation fees for shipments on the White Cliffs Pipeline.

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SEMGROUP CORPORATION

Notes to Consolidated Financial Statements

24. RELATED PARTY TRANSACTIONS, Continued

Glass Mountain

We incurred $5.1 million and $0.8 million of cost for the years ended December 31, 2015 and 2014, respectively, related to product purchases and transportation fees for shipments on the Glass Mountain Pipeline. We received $0.8 million and $0.7 million in fees from Glass Mountain for the years ended December 31, 2015 and 2014, respectively, related to support and administrative services associated with pipeline operations.

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. Mr. Berman does not perform any legal services for us. SemGroup paid $1.3 million, $1.3 million and $1.9 million in legal fees and related expenses to this law firm during the years ended December 31, 2015, 2014 and 2013, respectively (of which $3.4 thousand, $0.1 million and $0.2 million was paid by White Cliffs, respectively).

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS

We have outstanding $300 million of 7.50% senior unsecured notes due 2021 (the “SemGroup Notes”). The SemGroup Notes are guaranteed by certain of our subsidiaries as follows: SemGas, 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 and Mid-America Midstream Gas Services, L.L.C. (collectively, the "Guarantors").

The guarantees of the SemGroup 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 of 1933, as amended.

In February 2015, we contributed our interests in Wattenberg Holding, LLC and Glass Mountain Holding, LLC to Rose Rock (Note 4). As a result of this transaction, Wattenberg Holding, LLC and Glass Mountain Holding, LLC no longer guarantee our SemGroup Notes. In June 2015, SemCanada, L.P. and SemCanada II, L.P. were released as Guarantors and no longer guarantee our SemGroup Notes. Prior period comparative information has been recast to reflect Wattenberg Holding, LLC, Glass Mountain Holding, LLC, SemCanada, L.P. and SemCanada II, L.P. as non-guarantors.

Condensed consolidating financial statements for the Parent, the Guarantors and non-guarantors as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 are presented on an equity method basis in the tables below (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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25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Balance Sheets

	December 31, 2015				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$4,559	$—	$ 55,101	$(1,564)	$58,096
Restricted cash	—	—	32	—	32
Accounts receivable	640	20,015	306,058	—	326,713
Receivable from affiliates	1,616	1,119	6,141	(2,962)	5,914
Inventories	—	(48)	70,287	—	70,239
Other current assets	8,477	359	10,551	—	19,387
Total current assets	15,292	21,445	448,170	(4,526)	480,381
Property, plant and equipment	4,335	536,628	1,025,858	—	1,566,821
Equity method investments	1,546,853	426,801	438,291	(1,860,867)	551,078
Goodwill	—	13,052	34,980	—	48,032
Other intangible assets	20	144,183	18,020	—	162,223
Other noncurrent assets, net	43,898	881	17,376	—	62,155
Total assets	$1,610,398	$1,142,990	$ 1,982,695	$(1,865,393)	$2,870,690
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$734	$11,221	$ 261,711	$—	$273,666
Payable to affiliates	78	155	7,762	(2,962)	5,033
Accrued liabilities	5,551	10,957	68,534	5	85,047
Deferred revenue	—	—	11,349	—	11,349
Other current liabilities	569	—	1,332	—	1,901
Current portion of long-term debt	—	—	31	—	31
Total current liabilities	6,932	22,333	350,719	(2,957)	377,027
Long-term debt	330,000	7,340	761,097	(23,840)	1,074,597
Deferred income taxes	155,411	—	45,542	—	200,953
Other noncurrent liabilities	2,528	—	19,229	—	21,757
Commitments and contingencies					
Owners' equity excluding noncontrolling interests in consolidated subsidiaries	1,115,527	1,113,317	725,279	(1,838,596)	1,115,527
Noncontrolling interests in consolidated subsidiaries	—	—	80,829	—	80,829
Total owners' equity	1,115,527	1,113,317	806,108	(1,838,596)	1,196,356
Total liabilities and owners' equity	$1,610,398	$1,142,990	$ 1,982,695	$(1,865,393)	$2,870,690

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25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	December 31, 2014				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$9,254	$—	$ 35,445	$(4,101)	$40,598
Restricted cash	3,856	—	3,124	—	6,980
Accounts receivable	9,669	32,056	309,609	—	351,334
Receivable from affiliates	2,512	6,624	15,659	(7,976)	16,819
Inventories	—	248	43,284	—	43,532
Other current assets	10,498	575	8,944	—	20,017
Total current assets	35,789	39,503	416,065	(12,077)	479,280
Property, plant and equipment	4,112	452,352	800,361	—	1,256,825
Equity method investments	1,551,825	348,115	415,673	(1,737,693)	577,920
Goodwill	—	13,052	45,274	—	58,326
Other intangible assets	26	152,383	20,656	—	173,065
Other noncurrent assets, net	24,555	958	18,873	—	44,386
Total assets	$1,616,307	$1,006,363	$ 1,716,902	$(1,749,770)	$2,589,802
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$649	$22,097	$ 234,431	$—	$257,177
Payable to affiliates	21	7	21,406	(7,974)	13,460
Accrued liabilities	11,993	17,575	63,126	—	92,694
Payables to pre-petition creditors	3,129	—	—	—	3,129
Deferred revenue	—	—	23,688	—	23,688
Other current liabilities	224	707	543	—	1,474
Current portion of long-term debt	—	—	40	—	40
Total current liabilities	16,016	40,386	343,234	(7,974)	391,662
Long-term debt	335,000	—	490,946	(58,854)	767,092
Deferred income taxes	112,897	—	49,059	—	161,956
Other noncurrent liabilities	2,886	—	46,769	—	49,655
Commitments and contingencies					
Owners' equity excluding noncontrolling interests in consolidated subsidiaries	1,149,508	965,977	716,965	(1,682,942)	1,149,508
Noncontrolling interests in consolidated subsidiaries	—	—	69,929	—	69,929
Total owners' equity	1,149,508	965,977	786,894	(1,682,942)	1,219,437
Total liabilities and owners' equity	$1,616,307	$1,006,363	$ 1,716,902	$(1,749,770)	$2,589,802

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25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Operations

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$—	$190,900	$ 948,576	$(20,590)	$1,118,886
Service	—	58,690	200,852	—	259,542
Other	—	—	76,666	—	76,666
Total revenues	—	249,590	1,226,094	(20,590)	1,455,094
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	142,576	857,563	(20,590)	979,549
Operating	—	34,407	190,036	—	224,443
General and administrative	29,914	9,935	57,517	—	97,366
Depreciation and amortization	1,522	31,395	67,965	—	100,882
Loss on disposal or impairment, net	—	142	11,330	—	11,472
Total expenses	31,436	218,455	1,184,411	(20,590)	1,413,712
Earnings from equity method investments	65,513	47,352	76,355	(107,834)	81,386
Gain on issuance of common units by equity method investee	6,385	—	—	—	6,385
Operating income	40,462	78,487	118,038	(107,834)	129,153
Other expenses (income):					
Interest expense	2,230	26,476	42,926	(1,957)	69,675
Foreign currency transaction gain	(5)	—	(1,062)	—	(1,067)
Other income, net	(16,565)	—	(1,193)	1,957	(15,801)
Total other expenses (income), net	(14,340)	26,476	40,671	—	52,807
Income from continuing operations before income taxes	54,802	52,011	77,367	(107,834)	76,346
Income tax expense	24,482	—	9,048	—	33,530
Income from continuing operations	30,320	52,011	68,319	(107,834)	42,816
Loss from discontinued operations, net of income taxes	—	(3)	(1)	—	(4)
Net income	30,320	52,008	68,318	(107,834)	42,812
Less: net income attributable to noncontrolling interests	—	—	12,492	—	12,492
Net income attributable to SemGroup	$30,320	$52,008	$ 55,826	$(107,834)	$30,320
Net income	$30,320	$52,008	$ 68,318	$(107,834)	$42,812
Other comprehensive income (loss), net of income taxes	17,420	430	(49,271)	—	(31,421)
Comprehensive income	47,740	52,438	19,047	(107,834)	11,391
Less: comprehensive income attributable to noncontrolling interests	—	—	12,492	—	12,492

Comprehensive income (loss) attributable to SemGroup	$47,740	$52,438	$ 6,555	$(107,834)	$(1,101)

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25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2014				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$—	$338,621	$ 1,479,543	$(37,850)	$1,780,314
Service	—	37,139	196,100	—	233,239
Other	—	—	109,026	—	109,026
Total revenues	—	375,760	1,784,669	(37,850)	2,122,579
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	273,309	1,387,899	(37,850)	1,623,358
Operating	—	32,132	214,481	—	246,613
General and administrative	22,394	9,328	56,123	—	87,845
Depreciation and amortization	1,678	25,714	71,005	—	98,397
Loss (gain) on disposal or impairment, net	5,945	54,698	(28,051)	—	32,592
Total expenses	30,017	395,181	1,701,457	(37,850)	2,088,805
Earnings from equity method investments	48,760	71,786	54,098	(110,445)	64,199
Gain on issuance of common units by equity method investee	29,020	—	—	—	29,020
Operating income	47,763	52,365	137,310	(110,445)	126,993
Other expenses (income):					
Interest expense	8,423	9,265	34,661	(3,305)	49,044
Foreign currency transaction gain	—	—	(86)	—	(86)
Other expenses (income), net	(24,092)	500	(249)	3,305	(20,536)
Total other expenses (income), net	(15,669)	9,765	34,326	—	28,422
Income from continuing operations before income taxes	63,432	42,600	102,984	(110,445)	98,571
Income tax expense	34,192	—	12,321	—	46,513
Income from continuing operations	29,240	42,600	90,663	(110,445)	52,058
Loss from discontinued operations, net of income taxes	—	—	(1)	—	(1)
Net income	29,240	42,600	90,662	(110,445)	52,057
Less: net income attributable to noncontrolling interests	—	—	22,817	—	22,817
Net income attributable to SemGroup	$29,240	$42,600	$ 67,845	$(110,445)	$29,240
Net income	$29,240	$42,600	$ 90,662	$(110,445)	$52,057
Other comprehensive income (loss), net of income taxes	5,159	—	(29,446)	—	(24,287)
Comprehensive income	34,399	42,600	61,216	(110,445)	27,770
Less: comprehensive income attributable to noncontrolling interests	—	—	22,817	—	22,817

Comprehensive income attributable to SemGroup	$34,399	$42,600	$ 38,399	$(110,445)	$4,953

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25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2013				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$—	$224,072	$ 944,984	$(23,952)	$1,145,104
Service	—	3,192	137,006	—	140,198
Other	—	—	141,714	—	141,714
Total revenues	—	227,264	1,223,704	(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	—	19,792	203,793	—	223,585
General and administrative	21,560	9,167	47,870	—	78,597
Depreciation and amortization	2,001	13,909	50,499	—	66,409
Loss (gain) on disposal or impairment, net	—	668	(907)	—	(239)
Total expenses	23,561	210,271	1,178,572	(23,952)	1,388,452
Earnings from equity method investments	67,965	49,825	44,099	(109,412)	52,477
Gain on issuance of common units by equity method investee	26,873	—	—	—	26,873
Operating income	71,277	66,818	89,231	(109,412)	117,914
Other expenses (income):					
Interest expense	4,826	9,700	16,028	(5,412)	25,142
Foreign currency transaction gain	—	—	(1,633)	—	(1,633)
Other expense (income), net	40,928	—	(434)	5,412	45,906
Total other expenses, net	45,754	9,700	13,961	—	69,415
Income from continuing operations before income taxes	25,523	57,118	75,270	(109,412)	48,499
Income tax expense (benefit)	(22,579)	—	5,325	—	(17,254)
Income from continuing operations	48,102	57,118	69,945	(109,412)	65,753
Income (loss) from discontinued operations, net of income taxes	—	65	(6)	—	59
Net income	48,102	57,183	69,939	(109,412)	65,812
Less: net income attributable to noncontrolling interests	—	—	17,710	—	17,710
Net income attributable to SemGroup	$48,102	$57,183	$ 52,229	$(109,412)	$48,102
Net income	$48,102	$57,183	$ 69,939	$(109,412)	$65,812
Other comprehensive loss, net of income taxes	(1,517)	—	(38)	—	(1,555)
Comprehensive income	46,585	57,183	69,901	(109,412)	64,257
Less: comprehensive income attributable to noncontrolling interests	—	—	17,710	—	17,710

Comprehensive income attributable to SemGroup	$46,585	$57,183	$ 52,191	$(109,412)	$46,547

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25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Cash Flows

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$37,259	$39,786	$ 141,899	$(37,182)	$181,762
Cash flows from investing activities:					
Capital expenditures	(1,740)	(110,729)	(367,061)	—	(479,530)
Proceeds from sale of long-lived assets	—	35	3,653	—	3,688
Contributions to equity method investments	—	—	(46,730)	—	(46,730)
Proceeds from sale of common units of equity method investee	56,318	—	—	—	56,318
Proceeds from the sale of Wattenberg Holding, LLC and Glass mountain Holding, LLC to Rose Rock Midstream L.P.	251,181	—	—	(251,181)	—
Distributions in excess of equity in earnings of affiliates	35,340	—	24,113	(35,340)	24,113
Net cash provided by (used in) investing activities	341,099	(110,694)	(386,025)	(286,521)	(442,141)
Cash flows from financing activities:					
Debt issuance costs	(601)	—	(5,688)	—	(6,289)
Borrowings on credit facilities and issuance of senior unsecured notes	181,000	—	686,208	—	867,208
Principal payments on credit facilities and other obligations	(186,000)	—	(374,049)	—	(560,049)
Proceeds from issuance of Rose Rock Midstream, L.P. common units, net of offering costs	—	—	89,119	—	89,119
Distributions to noncontrolling interests	—	—	(40,410)	—	(40,410)
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(4,261)	—	—	—	(4,261)
Dividends paid	(69,514)	—	—	—	(69,514)
Proceeds from issuance of common stock under employee stock purchase plan	1,223	—	—	—	1,223
Intercompany borrowings (advances), net	(304,900)	70,908	(92,248)	326,240	—
Net cash provided by (used in) financing activities	(383,053)	70,908	262,932	326,240	277,027
	—	—	850	—	850

Effect of exchange rate changes on cash and cash equivalents					
Change in cash and cash equivalents	(4,695)	—	19,656	2,537	17,498
Cash and cash equivalents at beginning of period	9,254	—	35,445	(4,101)	40,598
Cash and cash equivalents at end of period	$4,559	$—	$ 55,101	$(1,564)	$58,096

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SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2014				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$27,393	$57,976	$ 186,578	$(90,289)	$181,658
Cash flows from investing activities:					
Capital expenditures	(1,672)	(155,392)	(113,442)	—	(270,506)
Proceeds from sale of long-lived assets	—	2,368	2,077	—	4,445
Contributions to equity method investments	—	—	(71,131)	—	(71,131)
Payments to acquire businesses	—	(514)	(43,994)	—	(44,508)
Proceeds from sale of common units of equity method investee	79,741	—	—	—	79,741
Proceeds from the sale of interest in SemCrude Pipeline, L.L.C. to Rose Rock Midstream, L.P.	114,412	—	—	(114,412)	—
Distributions in excess of equity in earnings of affiliates	1,843	—	11,734	(1,843)	11,734
Net cash provided by (used in) investing activities	194,324	(153,538)	(214,756)	(116,255)	(290,225)
Cash flows from financing activities:					
Debt issuance costs	(93)	—	(8,593)	—	(8,686)
Borrowings on debt	405,500	—	848,744	—	1,254,244
Principal payments on debt and other obligations	(440,500)	—	(661,772)	—	(1,102,272)
Distributions to noncontrolling interests	—	—	(28,494)	—	(28,494)
Proceeds from warrant exercises	1,451	—	—	—	1,451
Repurchase of common stock	(719)	—	—	—	(719)
Dividends paid	(44,206)	—	—	—	(44,206)
Proceeds from issuance of common stock under employee stock purchase plan	340	—	—	—	340
Excess tax benefit from equity-based awards	1,650	—	—	—	1,650
Intercompany borrowings (advances), net	(138,431)	95,562	(161,110)	203,979	—
Net cash provided by (used in) financing activities	(215,008)	95,562	(11,225)	203,979	73,308
Effect of exchange rate changes on cash and cash equivalents	—	—	(3,494)	—	(3,494)
Change in cash and cash equivalents	6,709	—	(42,897)	(2,565)	(38,753)
Cash and cash equivalents at beginning of period	2,545	—	78,342	(1,536)	79,351
	$9,254	$—	$ 35,445	$(4,101)	$40,598

Cash and cash equivalents at end of period

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SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2013				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$20,130	$23,230	$ 150,284	$(20,235)	$173,409
Cash flows from investing activities:					
Capital expenditures	(734)	(96,909)	(117,966)	—	(215,609)
Proceeds from sale of long-lived assets	23	19	1,237	—	1,279
Contributions to equity method investments	(18,775)	—	(155,093)	—	(173,868)
Payments to acquire businesses	—	(313,487)	(48,969)	—	(362,456)
Proceeds from the sale of SemStream assets	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	(410,377)	(308,545)	(362,600)	(738,408)
Cash flows from financing activities:					
Debt issuance costs	(10,866)	—	(4,070)	—	(14,936)
Borrowings on credit facilities	706,000	—	562,474	—	1,268,474
Principal payments on credit facilities 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)	387,147	(259,503)	384,237	—
Net cash provided by (used in) financing activities	(379,822)	387,147	169,568	384,237	561,130
Effect of exchange rate changes on cash and cash equivalents	—	—	3,191	—	3,191
Change in cash and cash equivalents	(16,578)	—	14,498	1,402	(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	$—	$ 78,342	$(1,536)	$79,351

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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 June 23, 2014, 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, LLC (filed as Exhibit 2.1 to our current report on Form 8-K dated June 23, 2014, filed June 23, 2014).
2.7	Amended and Restated Contribution Agreement dated as of February 13, 2015, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, SemDevelopment, L.L.C., Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, LLC (filed as Exhibit 2.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K/A dated February 13, 2015, filed March 25, 2015).
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).
4.3	Indenture (and form of 7.50% Senior Note due 2021 attached at Exhibit A thereto), 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).

4.4	Indenture (and form of 5.625% Senior Note due 2022 attached at Exhibit A thereto), dated as of July 2, 2014, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated June 27, 2014, filed July 2, 2014).

Exhibit Number	Description
4.5	Indenture (and form of 5.625% Senior Note due 2023 attached as Exhibit A, thereto), dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated May 14, 2015, filed May 18, 2015).
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	Ninth Amendment to the Credit Facility, dated as of March 26, 2015 (filed as Exhibit 10.1 to our current report on Form 8-K dated March 26, 2015, filed April 1, 2015).
10.7*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2014 (filed as Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2014, filed August 8, 2014).
10.8*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2015 (filed as Exhibit 10.1 to our current report on Form 10-Q for the quarter ended June 30, 2015, filed August 7, 2015).
10.9*	SemGroup Corporation Nonexecutive Directors’ Compensation Deferral Program (filed as Exhibit 10.7 to the Form 10).
10.10*	SemGroup Corporation Equity Incentive Plan (filed as Exhibit 10.8 to the Form 10).
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).
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 annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013 (the "2012 Form 10-K")).
10.15*	SemGroup Corporation Equity Incentive Plan Form of 2013-2015 Performance Share Unit Award Agreement for executive officers (filed as Exhibit 10.34 to our 2012 Form 10-K).
10.16*	SemGroup Corporation Equity Incentive Plan Form of Performance Share Unit Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2016.
10.17*	Employment Agreement dated as of March 6, 2014, by and among SemManagement, L.L.C., SemGroup Corporation, Rose Rock Midstream GP, LLC and Carlin G. Conner (filed as Exhibit 10.2 to our current

report on Form 8-K dated March 6, 2014, filed March 12, 2014).

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Exhibit Number	Description
10.18*	Form of Severance Agreement between SemGroup Corporation and each of its executive officers other than Carlin G. Conner (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).
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).

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Exhibit Number	Description
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 - BDO USA, LLP.
23.2	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Carlin G. Conner, 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 Carlin G. Conner, 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, 2015 and 2014, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013, (iii) the Consolidated Statements of Changes in Owners’ Equity for the years ended December 31, 2015, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement