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

FORM 10-Q

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

For the quarterly period ended June 30, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-34736

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

Delaware	**20-3533152**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**

Two Warren Place
6120 S. Yale Avenue, Suite 1500
Tulsa, OK 74136-4231
(Address of principal executive offices and zip code)

(918) 524-8100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): **Yes** ☒ **No** ☐

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

Large accelerated filer ☒	**Accelerated filer** ☐
Non-accelerated filer ☐ **(Do not check if a smaller reporting company)**	
	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Class		Outstanding at July 31, 2018	
Class A	Common stock, $0.01 par	79,038,619	Shares
Class B	Common stock, $0.01 par	—	Shares

SemGroup Corporation

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Cautionary Note Regarding Forward-Looking Statements

Certain matters contained in this Quarterly Report on Form 10-Q 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-Q regarding the prospects of our industry, our anticipated financial performance, management’s plans and objectives for future operations, planned capital expenditures, business prospects, outcome of regulatory proceedings, market conditions and other matters, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as “may,” “will,” “expect,” “intend,” “estimate,” “foresee,” “project,” “anticipate,” “believe,” “plans,” “forecasts,” “continue” or “could” or the negative of these terms or variations of them or similar terms. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks, and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those discussed in Item 1A of our most recent Annual Report on Form 10-K, entitled “Risk Factors,” risk factors discussed in other reports and documents that we file with the Securities and Exchange Commission (the “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;
- 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 failure to realize the anticipated benefits of our acquisition of 100% of the equity interests in Buffalo Parent Gulf Coast Terminals LLC ("Buffalo Parent"), the parent company of Buffalo Gulf Coast Terminals LLC ("BGCT") and HFOTCO LLC, doing business as Houston Fuel Oil Terminal Company LLC (“HFOTCO”);
- 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 consequences of any divestitures of non-strategic operating assets or divestitures of interests in some of our operating assets through partnerships and/or 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;
- Our ability to comply with the covenants contained in our credit agreements, continuing covenant agreement and the indentures governing our notes, including requirements under our credit agreements and continuing covenant agreement 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;
- Any future impairment of goodwill resulting from the loss of customers or business;
- Changes in currency exchange rates;
- Weather and other natural phenomena, including climate conditions;
- 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-Q, 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.

Investors and others should note that we announce material company information using our investor relations website (www.semgroupcorp.com), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as 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 others interested in our company to review the information we post on the social media channels listed on our investor relations website.

As used in this Form 10-Q, 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, residual fuel oil and liquid asphalt cement, collectively, as "petroleum products" or "products."

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,324	$ 93,699
Accounts receivable (net of allowance of $1,680 and $2,628, respectively)	544,457	653,484
Receivable from affiliates	1,072	1,691
Inventories	66,711	101,665
Current assets held for sale	—	38,063
Other current assets	28,300	14,297
Total current assets	695,864	902,899
Property, plant and equipment (net of accumulated depreciation of $524,495 and $444,842, respectively)	3,415,505	3,315,131
Equity method investments	276,120	285,281
Goodwill	257,302	257,302
Other intangible assets (net of accumulated amortization of $73,212 and $56,409, respectively)	381,840	398,643
Other noncurrent assets	145,044	132,600
Noncurrent assets held for sale	—	84,961
Total assets	$ 5,171,675	$ 5,376,817
LIABILITIES, PREFERRED STOCK AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 469,546	$ 587,898
Payable to affiliates	825	6,971
Accrued liabilities	115,701	131,407
Deferred revenue	9,082	7,518
Current liabilities held for sale	—	23,847
Other current liabilities	13,042	3,395
Current portion of long-term debt	6,000	5,525
Total current liabilities	614,196	766,561
Long-term debt, net	2,534,894	2,853,095
Deferred income taxes	55,070	46,585
Other noncurrent liabilities	35,867	38,495
Noncurrent liabilities held for sale	—	13,716
Commitments and contingencies (Note 7)		
Preferred stock, $0.01 par value, $354,832 liquidation preference (authorized - 4,000 shares; issued - 350 and 0 shares, respectively)	347,130	—
SemGroup owners' equity:		
Common stock, $0.01 par value (authorized - 190,000 and 100,000 shares; issued - 79,117 and 79,708 shares, respectively)	785	786
Additional paid-in capital	1,696,865	1,770,117
Treasury stock, at cost (88 and 1,024 shares, respectively)	(699)	(8,031)
Accumulated deficit	(82,983)	(50,706)
Accumulated other comprehensive loss	(29,450)	(53,801)
Total owners' equity	1,584,518	1,658,365
Total liabilities, preferred stock and owners' equity	$ 5,171,675	$ 5,376,817

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Revenues:				
Product	$ 423,290	$ 368,006	$ 934,058	$ 741,367
Service	148,964	88,487	280,859	156,680
Lease	4,251	—	8,580	—
Other	19,289	16,596	33,906	31,142
Total revenues	595,794	473,089	1,257,403	929,189
Expenses:				
Costs of products sold, exclusive of depreciation and amortization shown below	412,089	340,107	908,221	689,105
Operating	90,245	73,346	160,036	125,429
General and administrative	22,886	26,819	49,363	48,531
Depreciation and amortization	51,755	25,602	102,291	50,201
Loss (gain) on disposal or impairment, net	1,824	(234)	(1,742)	2,176
Total expenses	578,799	465,640	1,218,169	915,442
Earnings from equity method investments	14,351	17,753	26,965	34,844
Operating income	31,346	25,202	66,199	48,591
Other expenses (income), net:				
Interest expense	35,904	13,477	78,365	27,344
Loss on early extinguishment of debt	—	8	—	19,930
Foreign currency transaction loss (gain)	2,314	(1,011)	5,608	(1,011)
Other income, net	(533)	(508)	(1,483)	(726)
Total other expenses, net	37,685	11,966	82,490	45,537
Income (loss) before income taxes	(6,339)	13,236	(16,291)	3,054
Income tax expense (benefit)	(3,613)	3,625	19,470	3,720
Net income (loss)	(2,726)	9,611	(35,761)	(666)
Less: cumulative preferred stock dividends	6,211	—	11,043	—
Net income (loss) attributable to common shareholders	$ (8,937)	$ 9,611	$ (46,804)	$ (666)
Net income (loss)	$ (2,726)	$ 9,611	$ (35,761)	$ (666)
Other comprehensive income, net of income tax	6,180	8,952	24,351	14,985
Comprehensive income (loss)	$ 3,454	$ 18,563	$ (11,410)	$ 14,319
Net income (loss) per common share (Note 12):				
Basic	$ (0.11)	$ 0.15	$ (0.60)	$ (0.01)
Diluted	$ (0.11)	$ 0.15	$ (0.60)	$ (0.01)

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

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

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	$ (35,761)	$ (666)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	102,291	50,201
Loss (gain) on disposal or impairment of long-lived assets, net	(1,742)	2,176
Earnings from equity method investments	(26,965)	(34,844)
Distributions from equity method investments	26,943	34,234
Amortization of debt issuance costs and discount	3,611	2,888
Loss on early extinguishment of debt	—	19,930
Deferred tax expense	5,618	472
Non-cash equity compensation	5,594	5,560
Provision for uncollectible accounts receivable, net of recoveries	(250)	300
Foreign currency transaction loss (gain)	5,608	(1,011)
Inventory valuation adjustment	—	455
Changes in operating assets and liabilities (Note 13)	11,499	12,599
Net cash provided by operating activities	96,446	92,294
Cash flows from investing activities:		
Capital expenditures	(234,294)	(211,098)
Proceeds from sale of long-lived assets	154	16,163
Contributions to equity method investments	(2,453)	(9,627)
Proceeds from business divestitures	146,735	—
Distributions in excess of equity in earnings of affiliates	11,636	13,410
Net cash used in investing activities	(78,222)	(191,152)
Cash flows from financing activities:		
Debt issuance costs	(4,469)	(6,019)
Borrowings on credit facilities and issuance of senior notes, net of discount	997,500	550,018
Principal payments on credit facilities and other obligations	(1,315,798)	(388,730)
Debt extinguishment costs	—	(16,293)
Proceeds from preferred stock issuance, net of offering costs	342,299	—
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(699)	(1,266)
Dividends paid	(74,423)	(59,493)
Proceeds from issuance of common stock under employee stock purchase plan	245	542
Net cash provided by (used in) financing activities	(55,345)	78,759
Effect of exchange rate changes on cash and cash equivalents	(1,254)	2,418
Change in cash and cash equivalents	(38,375)	(17,681)
Cash and cash equivalents at beginning of period	93,699	74,216
Cash and cash equivalents at end of period	$ 55,324	$ 56,535

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

SEMGROUP CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

1. OVERVIEW

SemGroup Corporation is a Delaware corporation headquartered in Tulsa, Oklahoma. The terms "we," "our," "us," "SemGroup," "the Company" and similar language used in these notes to the unaudited condensed consolidated financial statements refer to SemGroup Corporation and its subsidiaries.

Basis of presentation

The accompanying condensed consolidated balance sheet at December 31, 2017 , which is derived from audited financial statements, and the unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC"). These financial statements include all normal and recurring adjustments that, in the opinion of management, are necessary to present fairly the financial position of the Company and the results of its operations and its cash flows.

Our condensed consolidated financial statements include the accounts of our controlled subsidiaries. All significant transactions between our consolidated subsidiaries have been eliminated.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Although management believes these estimates are reasonable, actual results could differ materially from these estimates. The results of operations for the three months and six months ended June 30, 2018 , are not necessarily indicative of the results to be expected for the full year ending December 31, 2018 .

Pursuant to the rules and regulations of the SEC, the accompanying condensed consolidated financial statements do not include all of the information and notes normally included with financial statements prepared in accordance with U.S. GAAP. Certain reclassifications have been made to conform previously reported balances to the current presentation. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017 , which are included in our Annual Report on Form 10-K for the year ended December 31, 2017 , filed with the SEC.

Our significant accounting policies are consistent with those described in our Annual Report on Form 10-K for the year ended December 31, 2017 .

Recently adopted accounting pronouncements

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting", to provide clarity and reduce diversity in practice in determining which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting under Accounting Standards Codification Topic 718. We adopted this guidance in the first quarter of 2018. The impact was not material.

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost", which requires that an employer disaggregate the service cost component from other components of net benefit cost. This ASU also provides explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allows only the service cost component of net benefit cost to be eligible for capitalization. We adopted this guidance retrospectively in the first quarter of 2018. For the three months and six months ended June 30, 2017, we reclassified $0.1 million and $0.1 million , respectively, of non-service pension costs from "general and administrative expense" to "other expense (income)".

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory", which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. We adopted this guidance in the first quarter of 2018. The impact was not material.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)", to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The update addresses eight different transaction types and clarifies how to classify each in the statement of cash flows, where previously there was unclear or no specific guidance. We adopted this guidance in the first quarter of 2018. The impact was not material.

1. OVERVIEW, Continued

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”, as amended, which supersedes nearly all existing revenue recognition guidance under 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 were required under previous U.S. GAAP.

On January 1, 2018, we adopted the guidance of ASU 2014-09, codified as Accounting Standards Codification 606 - Revenue from Contracts with Customers (“ASC 606”), using a modified retrospective approach. Upon adoption, a reduction to accumulated deficit of $11.5 million was recorded to reflect the impact of adoption related to uncompleted contracts at the date of adoption. The impacts of adoption to the current period results are as follows (in thousands):

	June 30, 2018		
	Under ASC 606	Under ASC 605	Increase/(Decrease)
Accounts receivable, net	$ 544,457	$ 542,717	$ 1,740
Other noncurrent assets	$ 145,044	$ 126,180	$ 18,864
Other current liabilities	$ 13,042	$ 12,699	$ 343
Deferred income taxes	$ 55,070	$ 49,385	$ 5,685
Accumulated deficit	$ (82,983)	$ (97,559)	$ 14,576

	Three Months Ended June 30, 2018		
	Under ASC 606	Under ASC 605	Increase/(Decrease)
Revenue	$ 595,794	$ 590,082	$ 5,712
Cost of sales	$ 412,089	$ 407,717	$ 4,372
General and administrative expense	$ 22,886	$ 22,786	$ 100
Income tax expense (benefit)	$ (3,613)	$ (3,664)	$ 51
Net loss	$ (2,726)	$ (3,915)	$ 1,189
Net loss attributable to common shareholders	$ (8,937)	$ (10,126)	$ 1,189
Net loss per common share:			
Basic	$ (0.11)	$ (0.13)	$ 0.02
Diluted	$ (0.11)	$ (0.13)	$ 0.02

	Six Months Ended June 30, 2018		
	Under ASC 606	Under ASC 605	Increase/(Decrease)
Revenue	$ 1,257,403	$ 1,245,805	$ 11,598
Cost of sales	$ 908,221	$ 900,308	$ 7,913
General and administrative expense	$ 49,363	$ 49,163	$ 200
Income tax expense (benefit)	$ 19,470	$ 19,047	$ 423
Net loss	$ (35,761)	$ (38,823)	$ 3,062
Net loss attributable to common shareholders	$ (46,804)	$ (49,866)	$ 3,062
Net loss per common share:			
Basic	$ (0.60)	$ (0.64)	$ 0.04
Diluted	$ (0.60)	$ (0.64)	$ 0.04

1. OVERVIEW, Continued

- Changes to revenue primarily relate to the timing of recognition of deficiencies on take-or-pay agreements for which there is a contractual make-up period and a change to reporting certain gas gathering and processing fees as revenue rather than a reduction of cost of sales. Under ASC 605 - Revenue ("ASC 605"), revenue related to deficiencies with a make-up period was deferred until the contractual right to make-up a deficiency expired. Under ASC 606, we recognize all or a portion of revenue related to deficiencies before the make-up period expires if we determine that it is probable that the customer will not make-up all or some of its deficient volumes, for example if there is insufficient capacity to make up the deficient volumes. This may lead to earlier recognition of deficiency revenues under ASC 606 as compared with ASC 605.
- Changes to cost of sales are due to how certain gathering and processing fees related to percentage of proceeds contracts are treated as revenues rather than reductions to purchase price of commodities (cost of sales).
- Changes to accounts receivable, net and noncurrent receivables (included in other noncurrent assets on the condensed consolidated balance sheets) primarily relate to the timing of recognizing take-or-pay deficiencies with make-up rights as discussed above. Noncurrent receivables related to contracts for which we do not have the right to bill the customer for deficiencies until the contract expiration date.
- Changes to other noncurrent assets include success fee payments to third parties for certain contracts which were expensed as incurred under ASC 605, but which have been recognized as assets under ASC 606 and are amortized to general and administrative expense in the consolidated statement of operations and comprehensive income (loss).
- Changes to deferred income taxes primarily relate to the deferred tax impact of adoption entries.
- Changes to retained earnings are due to the impact of adoption at January 1, 2018, as described above, and cumulative differences in net income through June 30, 2018.

See Note 10 for additional information.

Recent accounting pronouncements not yet adopted

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. For public entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those years and early adoption is permitted in the year prior to the effective date. We will adopt this guidance in the first quarter of 2019. The amendments in this update should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The impact is not expected to be material.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which introduces new guidance for estimating credit losses on certain types of financial instruments based on expected losses and the timing of the recognition of such losses. For public entities, this ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those years and early adoption is permitted in the year prior to the effective date. We will adopt this guidance in the first quarter of 2020. The impact is not expected to be material.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which amends the existing lease guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by operating and finance leases and to disclose additional quantitative and qualitative information about leasing arrangements. This ASU, as amended, also provides clarifications surrounding the presentation of the effects of leases in the income statement and statement of cash flows. For public entities, this ASU will be effective for annual periods beginning after December 15, 2018, and interim periods within those years. The new guidance will be applied using a modified retrospective approach and early adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements, but are not yet able to quantify the impact. We continue to monitor FASB activity related to this ASU and have engaged with various peer groups to assess certain interpretive issues related to this ASU. We will adopt this guidance in the first quarter of 2019.

2. DISPOSALS OR IMPAIRMENTS OF LONG-LIVED ASSETS

On March 15, 2018 , we completed the sale of our Mexican asphalt business for $70.7 million , including the impact of a $2.8 million post-closing adjustment paid to the buyer in June of 2018. We recorded a pre-tax gain on disposal of $1.6 million for the six months ended June 30, 2018. The Mexican asphalt business was held for sale and carried at net realizable value at December 31, 2017. The Mexican asphalt business contributed $2.3 million of pre-tax income for the six months ended June 30, 2018, excluding the gain on disposal.

On April 12, 2018 , we completed the sale of our U.K. operations, SemLogistics, for $73.1 million in cash, including an estimated payable of $1.6 million for post-closing adjustments. We recorded a pre-tax gain on disposal of $0.4 million for the six months ended June 30, 2018, including estimated post-closing adjustments. The U.K. business was held for sale and carried at net realizable value at December 31, 2017. The U.K. business contributed a pre-tax loss of $0.4 million and pre-tax income of $5.4 million , respectively, for the three and six months ended June 30, 2018, excluding the loss on disposal.

In the second quarter of 2018, we recorded an incremental gain of $1.4 million related to customary post-closing adjustments related to the prior year sale of our equity interest in Glass Mountain Pipeline.

3. EQUITY METHOD INVESTMENTS

Our equity method investments consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
White Cliffs Pipeline, L.L.C.	$ 257,179	$ 266,362
NGL Energy Partners LP	18,941	18,919
Total equity method investments	$ 276,120	$ 285,281

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
White Cliffs Pipeline, L.L.C.	$ 14,338	$ 15,976	$ 26,943	$ 31,169
Glass Mountain Pipeline, LLC	—	1,771	—	3,666
NGL Energy Partners LP	13	6	22	9
Total earnings from equity method investments	$ 14,351	$ 17,753	$ 26,965	$ 34,844

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
White Cliffs Pipeline, L.L.C.	$ 19,429	$ 22,514	$ 38,579	$ 40,704
Glass Mountain Pipeline, LLC	—	3,437	—	6,940
Total cash distributions received from equity method investments	$ 19,429	$ 25,951	$ 38,579	$ 47,644

3. EQUITY METHOD INVESTMENTS, Continued

White Cliffs Pipeline, L.L.C.

We own a 51% interest in White Cliffs Pipeline, L.L.C. ("White Cliffs"), which we account for under the equity method. Certain unaudited summarized income statement information of White Cliffs for the three months and six months ended June 30, 2018 and 2017 , is shown below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	$ 44,209	$ 49,659	$ 84,600	$ 99,843
Cost of products sold, exclusive of depreciation and amortization shown below	$ (415)	$ 4,338	$ (31)	$ 8,451
Operating, general and administrative expenses	$ 6,594	$ 5,886	$ 11,997	$ 12,126
Depreciation and amortization expense	$ 9,606	$ 9,209	$ 19,197	$ 18,465
Net income	$ 28,423	$ 30,185	$ 53,437	$ 60,760

Our equity in earnings of White Cliffs for the three months and six months ended June 30, 2018 and 2017 , is less than 51% of the net income of White Cliffs for the same periods. This is due to certain general and administrative expenses we incur in managing the operations of White Cliffs that the other owners are not obligated to share.

The members of White Cliffs are required to contribute capital to White Cliffs to fund various projects. For the six months ended June 30, 2018, we contributed $1.8 million for a project to convert one of White Cliff's 12-inch pipelines from crude to natural gas liquids service. Remaining contributions related to the conversion project will be paid in 2018 and 2019 and are expected to total $31.2 million . The project is expected to be completed during the fourth quarter of 2019.

Glass Mountain Pipeline, LLC

On December 22, 2017, we completed the sale of our equity method investment in Glass Mountain Pipeline LLC ("Glass Mountain") for $300 million , subject to working capital and other adjustments. Proceeds from the sale were used to repay borrowings on SemGroup's revolving credit facility.

NGL Energy Partners LP

We own an 11.78% interest in the general partner of NGL Energy Partners LP (NYSE: NGL) ("NGL Energy") which is being accounted for under the equity method in accordance with ASC 323-30-S99-1, as our ownership is in excess of the 3 to 5 percent interest which is generally considered to be more than minor. The general partner of NGL Energy is not a publicly traded company.

4. FINANCIAL INSTRUMENTS

Fair value of financial instruments

We record certain financial assets and liabilities at fair value at each balance sheet date. The tables below summarize the balances of derivative assets and liabilities at June 30, 2018 and December 31, 2017 (in thousands):

	June 30, 2018				
	Level 1	Level 2	Level 3	Netting [1]	Total - Net
Assets:					
Commodity derivatives [2]	$ 500	$ —	$ —	$ (500)	$ —
Interest rate swaps	—	—	166	—	166
Total assets	500	—	166	(500)	166
Liabilities:					
Commodity derivatives	8,503	—	—	(500)	8,003

4. FINANCIAL INSTRUMENTS, Continued

Foreign currency forwards		—		2,513		—		—		2,513
Interest rate swaps		—		—		56		—		56
Total liabilities		8,503		2,513		56		(500)		10,572
Net assets (liabilities) at fair value	$	(8,003)	$	(2,513)	$	110	$	—	$	(10,406)

	December 31, 2017									
	Level 1		Level 2		Level 3		Netting (1)		Total - Net	
Assets:										
Commodity derivatives (2)	$	602	$	—	$	—	$	(602)	$	—
Foreign currency forwards		—		2,564		—		—		2,564
Total assets		602		2,564		—		(602)		2,564
Liabilities:										
Commodity derivatives		1,970		—		—		(602)		1,368
Interest rate swaps		—		—		1,228		—		1,228
Total liabilities		1,970		—		1,228		(602)		2,596
Net assets (liabilities) at fair value	$	(1,368)	$	2,564	$	(1,228)	$	—	$	(32)

(1) Relates primarily to exchange traded futures. Gain and loss positions on multiple contracts are settled net on a daily basis with the exchange.
(2) Commodity derivatives are subject to netting arrangements.

"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.

"Level 2" measurements are based on inputs consisting of market observable and corroborated prices for similar derivative contracts. Assets and liabilities classified as Level 2 include over the counter ("OTC") traded physical fixed priced purchases and sales forward contracts.

"Level 3" measurements are based on inputs from a pricing service and/or internal valuation models incorporating observable and unobservable market data. These could 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 and interest rate swaps for which certain unobservable inputs are used in the valuation.

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. At June 30, 2018 , all of our physical fixed price forward purchases and sales commodity contracts were being accounted for as normal purchases and normal sales.

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

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
Net assets (liabilities) at beginning of the period	$	130	$	(1,228)
Transfers out of Level 3		—		—
Realized/Unrealized gain (loss) included in earnings*		(84)		1,219
Settlements		64		119
Net assets (liabilities) at end of period	$	110	$	110

*Gains and losses related to interest rate swaps are recorded in interest expense in the condensed consolidated statements of operations and comprehensive income (loss).

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4. FINANCIAL INSTRUMENTS, Continued

There were no financial assets or liabilities recorded at fair value which were classified as Level 3 during the three months and six months ended June 30, 2017 .

See Note 6 for fair value of debt instruments. The approximate fair value of cash and cash equivalents, accounts receivable and accounts payable is equal to book value due to the short-term nature of these items.

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 time and location basis risks, respectively. All marketing activities are subject to our Comprehensive Risk Management Policy, Delegation of Authority policy and their supporting policies and procedures, which establish 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, natural gas 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sales	3,624	2,282	7,763	6,594
Purchases	3,816	2,821	7,191	6,952

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 condensed consolidated balance sheets in “other current assets” and “other current liabilities” in the following amounts (in thousands):

	June 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Commodity contracts	$ —	$ 8,003	$ —	$ 1,368

We have posted margin deposits as collateral with brokers who have the right of set off associated with these funds. At June 30, 2018 and December 31, 2017 , our margin deposit balances were in net asset positions of $9.6 million and $1.9 million , respectively. These margin account balances have not been offset against our net commodity derivative instrument (contract) positions. Had these margin deposits been netted against our net commodity derivative instrument (contract) positions as of June 30, 2018 and December 31, 2017 , we would have had asset positions of $1.6 million and $0.5 million , respectively.

4. FINANCIAL INSTRUMENTS, Continued

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Commodity contracts	$ (9,094)	$ 4,122	$ (12,230)	$ 8,783

Interest rate swaps

At June 30, 2018 , we had interest rate swaps which allow us to limit exposure to interest rate fluctuations. The swaps only apply to a portion of our outstanding debt and provide only partial mitigation of interest rate fluctuations. We have not designated the swaps as hedges, as such, changes in the fair value of the swaps are recorded through current period earnings as a component of interest expense. At June 30, 2018 , we had interest rate swaps with notional values of $489.7 million . At June 30, 2018 , the fair value of our interest rate swaps was $0.1 million which was reported within "other current assets" in our condensed consolidated balance sheet. For the three months ended June 30, 2018 , we recognized realized and unrealized losses of $0.1 million related to interest rate swaps. For the six months ended June 30, 2018 , we recognized realized and unrealized gains of $1.2 million related to interest rate swaps.

Foreign currency forwards

At June 30, 2018 , we had foreign currency forwards primarily to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our SemCAMS segment primarily to fund capital projects. We have not designated the forwards as hedges, as such, changes in the fair value of the forwards are recorded through current period earnings as a component of foreign currency translation gains and losses. At June 30, 2018 , we had foreign currency forwards with notional values of $95.0 million . At June 30, 2018 , the fair value of our foreign currency swaps was $2.5 million , which is reported within "other current liabilities" in our consolidated balance sheet. For the three months and six months ended June 30, 2018 , we recognized realized and unrealized losses of $2.1 million and $6.5 million , respectively, related to foreign currency forwards.

Concentrations of risk

During the three months ended June 30, 2018 , one customer, primarily of our Crude Supply and Logistics segment, accounted for more than 10% of our consolidated revenue with revenues of $190.7 million . One third-party supplier of our Crude Supply and Logistics segment accounted for more than 10% of our consolidated costs of products sold with purchases of $59.0 million .

During the six months ended June 30, 2018 , one customer, primarily of our Crude Supply and Logistics segment, accounted for more than 10% of our consolidated revenue with revenues of $420.2 million . One third-party supplier of our Crude Supply and Logistics segment accounted for more than 10% of our consolidated costs of products sold with purchases of $93.9 million .

At June 30, 2018 , one third-party customer, primarily of our Crude Supply and Logistics segment, accounted for approximately 12% of our consolidated accounts receivable.

5. INCOME TAXES

The effective tax rate was 57% and 27% for the three months ended June 30, 2018 and 2017, respectively. The effective tax rate was (120)% and 122% for the six months ended June 30, 2018 and 2017, respectively. The rate for the six months ended June 30, 2018, is impacted by a discrete tax expense related to the vesting of restricted stock in the amount of $1.7 million , a discrete tax expense of $10.0 million in Mexico on the sale of the 100% equity interest in our Mexican asphalt business, and a discrete tax expense of $2.7 million on the foreign tax deduction offset to branch deferreds on the sale of our U.K. operations. The rate is also affected by the U.S. deduction for foreign taxes. The rate for the six months ended June 30, 2017, is impacted by a discrete tax expense related to the vesting of restricted stock in the amount of $1.4 million . Significant items that impacted the effective tax rate for each period, as compared to the U.S. federal statutory rate of 21% , include earnings in foreign jurisdictions taxed at different rates and foreign earnings taxed in foreign jurisdictions as well as in the U.S., since they are disregarded entities for U.S. federal income tax purposes. These

5. INCOME TAXES, Continued

combined factors, and the magnitude of the permanent items impacting the tax rate relative to income from continuing operations before income taxes, result in rates that are not comparable between the periods.

We have a valuation allowance on a small portion of our state net operating loss carryovers with shorter carryover periods and a foreign tax credit carryover generated in tax years prior to 2014. 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. 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.

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 and state jurisdictions. Canada Revenue Agency has completed an income tax audit of SemCAMS ULC for the tax years 2013 and 2014 and closure of the 2015 audit is pending with no material adjustments. No other foreign jurisdictions are currently under audit.

6. LONG-TERM DEBT

Our long-term debt consisted of the following (dollars in thousands):

	Interest rate at June 30, 2018	June 30, 2018	December 31, 2017
Senior unsecured notes due 2022	5.625%	$ 400,000	$ 400,000
Senior unsecured notes due 2023	5.625%	350,000	350,000
Senior unsecured notes due 2025	6.375%	325,000	325,000
Senior unsecured notes due 2026	7.250%	300,000	300,000
SemGroup $1.0 billion corporate revolving credit facility (1)			
Alternate base rate borrowings	5.750%	25,000	—
Eurodollar borrowings	4.062%	350,000	131,000
HFOTCO acquisition final payment		—	565,868
HFOTCO term loan B (2)	5.090%	600,000	532,125
HFOTCO tax exempt notes payable due 2050	3.087%	225,000	225,000
HFOTCO $75 million revolving credit facility		—	60,000
Capital leases		—	25
Unamortized premium (discount) and debt issuance costs, net		(34,106)	(30,398)
Total long-term debt, net		2,540,894	2,858,620
Less: current portion of long-term debt		6,000	5,525
Noncurrent portion of long-term debt, net		$ 2,534,894	$ 2,853,095

(1) SemGroup $1.0 billion corporate revolving credit facility matures on March 15, 2021.
(2) HFOTCO term loan B is due in quarterly installments of $1.5 million with a final payment due on June 26, 2025.

6. LONG-TERM DEBT, Continued

HFOTCO credit agreement

On June 26, 2018, HFOTCO and Buffalo Gulf Coast Terminals LLC ("BGCT") entered into an Amendment and Restatement Agreement (the “Amendment and Restatement Agreement”). Pursuant to the Amendment and Restatement Agreement, the HFOTCO credit agreement was amended and restated in its entirety (as so amended and restated, the “Restated HFOTCO Credit Agreement”).

The Restated HFOTCO Credit Agreement increases the aggregate term loans incurred thereunder to $600 million , terminates the HFOTCO $75.0 million revolving credit facility, and extends the maturity date of the term loans to June 26, 2025 (the “Maturity Date”). In addition, HFOTCO may incur additional term loans in an aggregate amount not to exceed the greater of $120 million and a measure of HFOTCO’s EBITDA, defined in the credit agreement, at the time of determination, plus additional amounts subject to satisfaction of certain leverage-based criteria, subject to receiving commitments for such additional term loans from either new lenders or increased commitments from existing lenders. The term loan B was issued at a discount of $1.5 million .

At HFOTCO’s option, the term loans will bear interest at the Eurodollar rate or an alternate base rate (“ABR”), plus, in each case, an applicable margin of 2.75% relating to any term loans accruing interest at the Eurodollar rate and 1.75% relating to term loans accruing interest at ABR.

The Restated HFOTCO Credit Agreement includes customary representations and warranties and affirmative and negative covenants, which were made only for the purposes of the Restated HFOTCO Credit Agreement and as of the specific date (or dates) set forth therein, and may be subject to certain limitations as agreed upon by the contracting parties, and apply only to BGCT, HFOTCO and any subsidiaries of HFOTCO party to the Restated HFOTCO Credit Agreement. Such limitations include the creation of new liens, indebtedness, making of certain restricted payments and payments on indebtedness, making certain dispositions, making material changes in business activities, making fundamental changes including liquidations, mergers or consolidations, making certain investments, entering into certain transactions with affiliates, making amendments to material agreements, modifying the fiscal year, dealing with hazardous materials in certain ways, entering into certain hedging arrangements, entering into certain restrictive agreements, and funding or engaging in sanctioned activities.

The Restated HFOTCO Credit Agreement includes customary events of default, including events of default relating to inaccuracy of representations and warranties in any material respect when made or when deemed made, non-payment of principal and other amounts owing under the Restated HFOTCO Credit Agreement, including, in respect of, violation of covenants, cross acceleration to any material indebtedness of BGCT, HFOTCO and its subsidiaries, bankruptcy and insolvency events, certain unsatisfied judgments, certain ERISA events, certain invalidities of loan documents and the occurrence of a change of control. A default under the Restated HFOTCO Credit Agreement would permit the participating banks to require immediate repayment of any outstanding loans with interest and any unpaid accrued fees, and subject to intercreditor arrangements with the holders of the HFOTCO tax exempt notes payable, exercise other rights and remedies.

HFOTCO acquisition final payment

On April 17, 2018 , we made the final payment related to the HFOTCO acquisition in the amount of $579.6 million . The payment was funded through revolving credit facility borrowings and cash on hand.

Pledges and guarantees

Our senior unsecured notes are guaranteed by certain subsidiaries. See Note 15 for additional information.

Our $1.0 billion corporate revolving credit facility is guaranteed by all of SemGroup’s material wholly-owned domestic subsidiaries, with the exception of Maurepas Pipeline LLC and HFOTCO, and secured by a lien on substantially all of the property and assets of SemGroup Corporation and the other loan parties, subject to customary exceptions.

The HFOTCO term loan B and HFOTCO tax exempt notes payable are secured by substantially all of the assets of HFOTCO and its immediate parent, BGCT. The HFOTCO tax exempt notes payable have a priority position over the HFOTCO term loan B.

SEMGROUP CORPORATION
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6. LONG-TERM DEBT, Continued

Letters of credit

We had the following outstanding letters of credit at June 30, 2018 (dollars in thousands):

SemGroup $1.0 billion revolving credit facility	1.75%	$	28,335
Secured bi-lateral [1]	1.75%	$	62,393

(1) Secured bi-lateral letters of credit are external to the SemGroup $1.0 billion revolving credit facility and do not reduce availability for borrowing on the credit facility.

Capitalized interest

During the six months ended June 30, 2018 and 2017 , we capitalized interest of $6.5 million and $12.0 million , respectively.

Fair value

We estimate the fair value of our senior unsecured notes based on unadjusted, transacted market prices near the measurement date. Our other long-term debts are estimated to be carried at fair value as a result of the recent timing of borrowings or rate resets. We estimate the fair value of our consolidated long-term debt, including current maturities, to be approximately $2.5 billion at June 30, 2018 , which is categorized as a Level 2 measurement.

7. COMMITMENTS AND CONTINGENCIES

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 believed, based on their historical use, may have had 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 sites are in various stages of follow-up investigation, remediation, monitoring, or closure under KDHE oversight. The environmental work at these sites is being completed under consent orders between Rose Rock Midstream Crude, L.P. and the KDHE. Two of the remaining sites have limited impacts to shallow soil and groundwater and the groundwater is currently being monitored on a semi-annual basis until such time that closure can be granted by the KDHE. No active remediation is anticipated for these two sites. The final two sites have required additional investigation and soil and groundwater remediation may be necessary to achieve KDHE closure. 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. At June 30, 2018 , we have an asset retirement obligation liability of $22.3 million , which is included within other noncurrent liabilities on our condensed consolidated balance sheets. This amount was

7. COMMITMENTS AND CONTINGENCIES, Continued

calculated using the $126.6 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.

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.

Purchase and sale commitments

We routinely enter into agreements to purchase and sell petroleum products at specified future dates. We account for derivatives at fair value with the exception of commitments that have been designated as normal purchases and sales for which we do not record assets or liabilities related to these agreements until the product is purchased or sold. At June 30, 2018 , such commitments included the following (in thousands):

	Volume (Barrels)	Value
Fixed price purchases	2,814	$ 187,712
Fixed price sales	2,937	$ 196,985
Floating price purchases	10,568	$ 769,611
Floating price sales	15,735	$ 989,740

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 through June 2023. The approximate amount of future obligation is as follows (in thousands):

For year ending:	
December 31, 2018	$ 5,319
December 31, 2019	9,567
December 31, 2020	8,864
December 31, 2021	7,175
December 31, 2022	6,753
Thereafter	2,791
Total expected future payments	$ 40,469

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.

Our Crude Supply and Logistics segment has minimum volume commitments for pipeline transportation of crude oil. The approximate amount of future obligations is as follows (in thousands):

7. COMMITMENTS AND CONTINGENCIES, Continued

For year ending:		
December 31, 2018	$	10,860
December 31, 2019		21,865
December 31, 2020		19,770
December 31, 2021		12,976
December 31, 2022		13,231
Thereafter		20,312
Total expected future payments	$	99,014

8. EQUITY

The following table shows the changes in our consolidated owners' equity accounts from December 31, 2017 to June 30, 2018 (in thousands):

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Owners' Equity
Balance at December 31, 2017	$ 786	$ 1,770,117	$ (8,031)	$ (50,706)	$ (53,801)	$ 1,658,365
Adoption of ASC 606	—	—	—	11,513	—	11,513
Net loss	—	—	—	(35,761)	—	(35,761)
Other comprehensive income, net of income taxes	—	—	—	—	24,351	24,351
Dividends paid	—	(79,253)	—	—	—	(79,253)
Unvested dividend equivalent rights	—	(64)	—	—	—	(64)
Non-cash equity compensation	—	5,545	—	—	—	5,545
Issuance of common stock under compensation plans	1	520	—	—	—	521
Retirement of treasury stock	(2)	—	8,031	(8,029)	—	—
Repurchase of common stock	—	—	(699)	—	—	(699)
Balance at June 30, 2018	$ 785	$ 1,696,865	$ (699)	$ (82,983)	$ (29,450)	$ 1,584,518

Accumulated other comprehensive loss

The following table presents the changes in the components of accumulated other comprehensive loss from December 31, 2017 to June 30, 2018 (in thousands):

	Currency Translation	Employee Benefit Plans	Total
Balance at December 31, 2017	$ (51,014)	$ (2,787)	$ (53,801)
Currency translation adjustment, net of income tax benefit of $8,073	(25,000)	—	(25,000)
Currency translation adjustment reclassified to gain (loss) on disposal, net of income tax expense of $15,935	49,346	—	49,346
Changes related to benefit plans, net of income tax expense of $1	—	5	5
Balance at June 30, 2018	$ (26,668)	$ (2,782)	$ (29,450)

Equity issuances

During the six months ended June 30, 2018 , 30,645 shares under the Employee Stock Purchase Plan were issued and 199,064 shares related to our equity-based compensation awards vested.

8 EQUITY, Continued

Equity-based compensation

At June 30, 2018 , there were 1,424,130 unvested shares that have been granted under our director and employee compensation programs. The par value of these shares is not reflected in common stock on the condensed consolidated balance sheets, as these shares have not yet vested. For certain of the awards, the number of shares that will vest is contingent upon our achievement of certain specified targets. If we meet the specified maximum targets, approximately 573,000 additional shares could vest.

The holders of certain restricted stock awards are entitled to equivalent dividends ("UDs") to be received upon vesting of the related restricted stock awards and will be settled in cash. At June 30, 2018 , the value of the UDs to be settled in cash related to unvested restricted stock awards was approximately $2.0 million .

During the six months ended June 30, 2018 , we granted 684,692 restricted stock awards with a weighted average grant date fair value of $22.60 per award.

Common Stock Dividends

The following table sets forth the quarterly common stock dividends per share declared and/or paid to shareholders for the periods indicated:

Quarter Ending	Dividend Per Share		Date of Record	Date Paid
March 31, 2017	$	0.45	March 7, 2017	March 17, 2017
June 30, 2017	$	0.45	May 15, 2017	May 26, 2017
September 30, 2017	$	0.45	August 18, 2017	August 28, 2017
December 31, 2017	$	0.45	November 20, 2017	December 1, 2017
March 31, 2018	$	0.4725	March 9, 2018	March 19, 2018
June 30, 2018	$	0.4725	May 16, 2018	May 25, 2018
September 30, 2018	$	0.4725	August 20, 2018	August 29, 2018

9. REDEEMABLE PREFERRED STOCK

On January 19, 2018 (the "Issue Date"), we issued and sold to WP SemGroup Holdings L.P. ("Warburg") and certain other investors an aggregate of 350,000 shares of Series A Cumulative Perpetual Convertible Preferred Stock, par value $0.01 per share, of the Company (the "Preferred Stock"), convertible into 10,606,061 shares (subject to adjustment) of the Company's Class A Common Stock, par value $0.01 per share (the "Common Stock"), for a cash purchase price of $1,000 per share of Preferred Stock and aggregate gross proceeds to the Company of $350,000,000 , which proceeds were utilized (i) to repay amounts borrowed under the Company's revolving credit facility, (ii) to fund growth capital expenditures and (iii) for general corporate purposes. The Preferred Stock was recorded on our condensed consolidated balance sheets net of $7.7 million of issuance costs.

The Preferred Stock is a new class of equity security that ranks senior to the Common Stock with respect to distribution rights and rights upon liquidation. Subject to certain exceptions, so long as any Preferred Stock remains outstanding, no dividend or distribution will be declared or paid on, and no redemption or repurchase will be agreed to or consummated of, stock on a parity with the Preferred Stock ("Parity Stock"), Common Stock or any other shares of stock junior to the Preferred Stock, unless all accumulated and unpaid dividends for all preceding full fiscal quarters have been declared and paid with respect to the Preferred Stock. In addition, no dividend or distribution or redemption or repurchase shall be paid on Parity Stock, Common Stock or any other shares of stock junior to the Preferred Stock for any period unless the Preferred Stock has been paid full cash dividends in respect of the same period; provided, however, that the Company may pay dividends on Common Stock in respect of any fiscal quarter ending on or prior to June 30, 2020 (the "PIK Period").

The holders of Preferred Stock (the "Holders") will receive quarterly distributions equal to an annual rate of 7.0% ($70.00 per share annualized) of $1,000 per share of Preferred Stock, subject to certain adjustments (the "Liquidation Preference"). With respect to any quarter ending on or prior to the PIK Period, the Company may elect, in lieu of paying

9.REDEEMABLE PREFERRED STOCK, Continued

a distribution in cash, to have the amount that would have been payable if such dividend had been paid in cash added to the Liquidation Preference.

On or after the eighteen month anniversary of the Issue Date, the Holders may convert their Preferred Stock into a number of shares of Common Stock equal to, per share of Preferred Stock, the quotient of the Liquidation Preference divided by $33.00 (the "Conversion Price"), subject to certain adjustments including customary anti-dilution adjustments (such quotient, the "Conversion Rate"). Holders may elect to convert the Preferred Stock, in whole or in part, so long as the aggregate value of Common Stock to be issued pursuant to such partial conversion is not for less than $50,000,000 or a lesser amount if such conversion relates to all of a Holder's remaining Preferred Stock.

On or after the three year anniversary of the Issue Date, if the Holders have not elected to convert all of their shares of Preferred Stock, the Company may cause the outstanding Preferred Stock to be converted into a number of shares of Common Stock equal to, per share of Preferred Stock, the quotient of the Liquidation Preference divided by the Conversion Price, subject to certain adjustments including customary anti-dilution adjustments; provided, that in order for the Company to exercise such conversion right, the closing sale price of the Common Stock during a designated period be greater than or equal to $47.85 , the resale of the shares of Common Stock issuable upon conversion shall be registered and available for resale by the Holders pursuant to a registration statement declared effective by the SEC covering such resales, the Common Stock is listed on a national securities exchange, and certain average daily trading volume minimum requirements are met. The Company may elect to convert the Preferred Stock, in whole or in part, so long as the aggregate value of Common Stock to be issued pursuant to such partial conversion is not for less than $50,000,000 or such lesser amount if such conversion relates to the aggregate amount of all remaining Preferred Stock.

Upon a change of control that involves consideration that is at least 90% cash, Holders are required to convert their shares of Preferred Stock into Common Stock at a rate equal to the greater of (i) the product of the Conversion Rate and the quotient of (a) the product of the Conversion Price and the Cash Change of Control Conversion Premium (as defined below), divided by (b) the average volume weighted average price of the Common Stock during a designated period and (ii) the Conversion Rate otherwise in effect at such time. The "Cash Change of Control Conversion Premium" equals (i) on or prior to the first anniversary of the Issue Date, 130% , (ii) after the first anniversary of the Issue Date, but on or prior to the second anniversary of the Issue Date, 120% , (iii) after the second anniversary of the Issue Date, but on or prior to the third anniversary of the Issue Date, 105% , and (iv) thereafter, 101% .

Upon a change of control that involves consideration that is less than 90% cash, Holders may elect to: (i) convert all, but not less than all, outstanding shares of Preferred Stock into Common Stock at the then-applicable Conversion Rate; (ii) except as described below, if the Company will not be the surviving person upon the consummation of such change of control, require the Company to use its commercially reasonable efforts to deliver to the Holders a security in the surviving person or the parent of the surviving person that has rights, preferences and privileges substantially similar to the Preferred Stock; provided, however, that, if the Company is unable to do so, such Holders shall be entitled to: (A) instead elect to convert shares of Preferred Stock pursuant to the mechanics described in clause (i) above or (B) require the Company to redeem all (but not less than all) of such Holder's Preferred Stock at a price per share equal to 101% of the Liquidation Preference, with the redemption price being paid (at the Company's option): (1) in cash or (2) in Common Stock; (iii) if the Company is the surviving person upon the consummation of such change of control, continue to hold such Holders' shares of Preferred Stock; or (iv) require the Company to redeem all (but not less than all) of such Holder's Preferred Stock at a cash price per share equal to the Liquidation Preference. At June 30, 2018 , a change in control is not considered probable.

Holders shall be entitled to vote on all matters on which the holders of shares of Common Stock are entitled to vote and, except as otherwise provided in the Certificate of Incorporation, or by law, the Holders shall vote together with the holders of shares of Common Stock as a single class. Each Holder shall be entitled to a number of votes equal to the number of votes such Holder would have had if all shares of Preferred Stock held by such Holder had been converted into shares of Common Stock.

So long as any Preferred Stock is outstanding, the affirmative vote or consent of the Holders of at least 66 2/3% of the outstanding Preferred Stock, voting together as a separate class, will be necessary for effecting or validating: (i) any issuance of stock senior to the Preferred Stock, (ii) any issuance by the Company of Parity Stock, subject to certain exceptions described below, (iii) any repurchase by the Company of any Preferred Stock, other than on a pro rata basis among all Holders of Preferred Stock, (iv) any special, one-time dividend or distribution with respect to any class of junior stock and (v) any spinoff or other distribution of any equity securities or assets of any of the Company's subsidiaries to its stockholders in which the consideration received by the Company in such transaction is less than fair

9.REDEEMABLE PREFERRED STOCK, Continued

market value, subject to certain exceptions. However, the foregoing rights of the Holders will not restrict any of the following actions, subject to certain terms: (i) the Company and any of its controlled affiliates entering into joint ventures with third parties, (ii) the issuance of securities, capital contributions or incurrence of intercompany indebtedness among the Company or any of its subsidiaries, or (iii) the issuance of securities, capital contributions or incurrence of intercompany indebtedness among the Company and any joint ventures, partnerships or other minority owned entities in which the Company or its subsidiaries have an equity or other interest, in each case, which exist as of the Issue Date.

Notwithstanding the vote or consent of the Holders described above, after the Issue Date, the Company may issue certain amounts of Parity Stock without the approval of the Holders if: (A) the aggregate amount of such issuances is less than or equal to $250,000,000 (excluding the aggregate amount of any additional shares of Preferred Stock issued to Warburg); or (B) the aggregate initial purchase price of the then outstanding Preferred Stock is less than $100,000,000 .

Prior to the first anniversary of the Issue Date, no Holder may transfer any Preferred Stock without the prior written consent of the Company. Prior to the second anniversary of the Issue Date, Holders and their affiliates are prohibited from directly or indirectly engaging in any short sales or other hedging transactions involving the Preferred Stock and Common Stock underlying such Holder's Preferred Stock.

For so long as Warburg and its affiliates collectively own 75% or more of the outstanding Preferred Stock acquired by Warburg and its affiliates on the Issue Date, the Company, prior to any issuance of Parity Stock, is required to provide Warburg with a reasonable opportunity to purchase all or any portion of such shares of Parity Stock to be issued by the Company on substantially the same terms offered to the other purchasers of such securities.

The terms of the Preferred Stock purchase agreement (the "Purchase Agreement") contains customary representations, warranties and covenants of the Company and the Purchasers made as of the date of the Purchase Agreement and as of the Issue Date, and the parties have agreed to indemnify each other against certain losses resulting from breaches of their respective representations, warranties and covenants.

Pursuant to the Purchase Agreement, the Company has granted to Warburg, until Warburg no longer owns at least 50% of the Preferred Stock issued to Warburg and its affiliates on the Issue Date, certain rights to designate an observer (the "Board Observer") to the board of directors of the Company (the "Board"), who shall have the right to attend full meetings of the Board (including any executive session and certain committees thereof) and receive such materials as other members of the Board receive.

In addition, pursuant to the Purchase Agreement, the Company also granted Warburg and its affiliates rights to require the Company to file and maintain, subject to the penalties described in the Purchase Agreement, registration statements with respect to the resale of the Common Stock issuable upon conversion of the Preferred Stock. The Company is required to file or cause to be filed a registration statement (the "Preferred Registration Statement") for the resale of registrable securities and is required to cause the Preferred Registration Statement to become effective no later than the eighteen month anniversary of the Issue Date. In certain circumstances, Warburg and its affiliates will have piggyback registration rights on offerings initiated by the Company or other persons who have been granted registration rights, and Warburg has the right to request two underwritten offerings upon certain terms and conditions set forth in the Purchase Agreement. Holders of registrable securities will cease to have registration rights under the Purchase Agreement on the earlier of (i) the second anniversary of the date on which shares Preferred Stock are first converted into shares of Common Stock and (ii) the date on which no registrable securities remain outstanding; provided, that the Company shall use reasonable best efforts to maintain the effectiveness of the Preferred Registration Statement during all periods in which Warburg (A) is deemed to be an affiliate of the Company pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), or (B) together with its affiliates, owns more than 5% of the Company's Common Stock (including Common Stock it would own on an as-converted basis).

On May 25, 2018, we paid-in-kind a preferred stock dividend of $4.8 million , which was prorated for the period from January 19, 2018 to March 31, 2018. The dividend paid-in-kind increased the Liquidation Preference such that as of June 30, 2018, the Preferred Stock was convertible into 10,752,483 shares. On August 7, 2018, we declared a preferred stock dividend to be paid-in-kind of $6.2 million , which will be paid on August 29, 2018.

SEMGROUP CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

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 Gulf Coast, Midwest and Rocky Mountain regions of the United States of America (the "U.S.") and Western Canada. In general, we recognize service revenue as the service is performed ("over time") and product sales revenues are recognized when control of the product transfers to the customer ("point in time"). Our revenue from contracts with customers are disaggregated by segment as follows:

Crude Transportation

- Crude Transportation generates revenue by providing crude oil pipeline and truck transportation services to customers under fee-based contractual arrangements generally based on units of volume transported. In some instances fees are fixed and not dependent on usage, such as take-or-pay arrangements.

Crude Facilities

- Crude Facilities generates revenue by providing crude oil storage and terminalling services primarily to customers at the Cushing Hub under fee-based contractual arrangements that, in some instances are fixed and not dependent on usage. Pump-over and unloading fees are based on per volume fees for units delivered or withdrawn.

Crude Supply and Logistics

- Crude Supply and Logistics performs marketing activities including purchasing crude oil for its own account from producers and aggregators and selling to traders and refiners under contracts generally with initial terms of less than one year. Revenue is recognized based on market prices at the time the commodities are sold. In certain transactions, we 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.

HFOTCO

- HFOTCO generates revenue by providing storage and terminalling services to customers in the Houston Ship Channel. These contractual arrangements typically include fixed take-or-pay fees related to provision of storage and throughput capacity and usage based charges for pump-over, heating, berthing and excess throughput volumes.

- HFOTCO also generates revenue from leases of certain land, tanks and a barge dock, which are accounted for as a direct financing lease and are outside of the scope of ASC 606.

SemGas

- SemGas generates revenue by providing natural gas and natural gas liquids gathering and processing services to customers based on agreements that are a combination of percent of proceeds and fee-based 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. SemGas' customers include producers, operators, marketers and traders. Gathering and processing fees are generally based on per volume fees. Product sales revenue is generated from the sale of NGLs and residue gas arising from processing at prevailing market prices.

SemCAMS

- SemCAMS generates revenue from its 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. Pass-through cost and operating expense fee recoveries are reported as "Other revenue" in the consolidated statements of operations and comprehensive income (loss). 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 its processing plant.

10. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

SemCAMS' customers include producers of varying sizes. To support operations at our plants, several producers have committed to process all of their current and future natural gas production.

Corporate and Other

- Corporate and Other is not an operating segment, but contains the results of operations for our former Mexican asphalt business and U.K. storage business, which are not significant components of our business.

Key areas of judgment

Take or pay

Contracts with take-or-pay provisions are recognized over time as the customer simultaneously receives and consumes the benefit of available capacity. Payments made for unused take-or-pay capacity, which allow the customer to carryforward a portion of the unused capacity to future periods, are deferred until it becomes unlikely that the capacity will be used prior to contract expiration. Determining when, or if, the capacity will be used requires judgment.

Percentage of proceeds

Contracts with percentage of proceeds terms typically involve the receipt of natural gas at the wellhead and include gathering, processing and marketing of the resulting NGLs and residue gas with SemGroup retaining a portion of the proceeds from the ultimate sale to a third-party. The terms of these agreements include various gathering and processing fees. The determination of whether the transaction is a purchase at the wellhead by SemGroup with gathering and processing performed on our own account or whether the transaction represents gathering and processing as a service provided to the producer by SemGroup with a purchase and sale of processed gas at the completion of the service, requires judgment and is impacted by when control of the underlying commodity has been deemed to move from the producer to the processor. This determination impacts whether gathering and processing fees are recorded as reductions to cost of sales or recorded as service revenue.

Principal vs. agent

We engage in various types of transactions where we perform marketing activities for producers, such as our percentage of proceeds contracts, or transactions where costs are incurred and reimbursed by customers or other owners in facilities, such as SemCAMS' pass-through costs. These types of transactions require judgment to determine whether we are the principal or an agent in the transaction and as a result whether revenues are recorded gross or net.

Non-cash consideration

SemGroup receives commodities from its customers in the form of plant and field fuel, pipeline loss allowance and retention of drip liquids. The purpose of the receipt of these commodities is to keep the Company whole in the case of minor operational usage or loss of product and is not intended as a consideration for services performed. Therefore, the receipt of these commodities does not represent consideration and is not recorded as revenue. Any net retention of commodities in excess of actual losses is recorded in inventory and recognized as revenue when sold.

Tiered pricing and material rights

We have certain contracts that provide customers with rates that reduce incrementally as volumes increase beyond certain thresholds. These types of agreements require judgment to determine if the option for the customer to acquire additional services constitutes a material right that the customer would not receive without entering into the contract, e.g. the discount exceeds the range of discounts typically given. If it is determined that a material right exists, a portion of the revenue is allocated to that right at contract inception and recognized as revenue as the option for additional services is exercised or when the option expires. In contrast, if it is concluded that the option to acquire additional services reflects standalone selling price, this would constitute a marketing offer and not a material right.

Disaggregated revenue

Our revenue is disaggregated by segment and by activity below (in thousands):

SEMGROUP CORPORATION
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10. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Crude Transportation				
Pipeline transportation	$ 22,675	$ 6,443	$ 43,787	$ 12,627
Truck transportation	12,804	14,477	25,968	28,826
Crude Facilities				
Storage fees	7,460	7,183	15,009	15,064
Service fees	5,206	5,132	9,934	9,392
Crude Supply and Logistics				
Product sales	381,719	291,319	825,118	588,790
HFOTCO				
Storage fees	32,882	—	64,984	—
Service fees	8,810	—	16,577	—
Lease revenue	4,251	—	8,580	—
SemGas				
Product sales	44,776	44,682	84,484	91,910
Service fees	17,598	13,705	33,785	28,141
SemCAMS				
Service fees	50,402	43,554	80,944	65,946
Other revenue	19,229	16,561	33,832	30,966
Corporate and Other				
Product sales	—	34,635	31,319	67,208
Storage fees	649	5,972	7,753	11,841
Service fees	215	1,447	3,070	3,470
Intersegment eliminations	(12,882)	(12,021)	(27,741)	(24,992)
Total revenue	$ 595,794	$ 473,089	$ 1,257,403	$ 929,189

Remaining performance obligations

Most of our service contracts are such that we have the right to consideration from a customer in an amount that corresponds directly with the value to the customer of our performance completed to date. Therefore, we are utilizing the practical expedient in ASC 606-10-55-18 under which we recognize revenue in the amount to which we have the right to invoice. Applying this practical expedient, we are not required to disclose the transaction price allocated to remaining performance obligations under these agreements. However, certain of our agreements, such as "take-or-pay" agreements, do not qualify for the practical expedient. The amount and timing of revenue recognition for such contracts is presented below (in thousands):

10. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

	2018	2019	2020	2021	2022	Thereafter
Expected timing of revenue recognized for remaining performance obligations	$ 148,253	$ 234,297	$ 190,657	$ 160,007	$ 158,492	$ 1,380,705

For our product sales contracts, we have elected the practical expedient set out in ASC 606-10-50-14A that states that we are not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under these agreements, each unit of product represents a separate performance obligation and therefore future volumes are wholly unsatisfied and disclosure of transaction price allocated to remaining performance obligations is not required. Under product sales contracts, the variability arises as both volume and pricing (typically index based) are not known until the product is delivered.

Receivables from contracts with customers

Accounts receivable, net on the condensed consolidated balance sheets represents current receivables from contracts with customers. Certain noncurrent receivables from contracts with customers are included in “other noncurrent assets” on the condensed consolidated balance sheets. These amounts are accruals to recognize revenue for performance to date related to customer deficiencies on minimum volume commitments with make-up rights for which the use of the make-up rights are not probable due to capacity constraints or other factors. Therefore, we have accrued the amount for which no future performance by SemGroup will be required, but for which we do not have a present right to bill the customer until the end of the contract. The balance of noncurrent receivables from customer contracts was (in thousands):

	June 30, 2018	December 31, 2017
Noncurrent receivables	$ 9,266	$ —

Noncurrent receivables for the transactions described above were not recorded prior to the adoption of ASC 606 as our policy was to defer recognition of deficiencies with make-up rights until the contractual make-up rights expired.

Deferred revenue

We record deferred revenue when we have received a payment in advance of delivering a product or performing a service. For the three and six months ended June 30, 2018, we recognized $0.4 million and $3.3 million , respectively, of revenue which was included in deferred revenue at the beginning of the period.

Costs to obtain or fulfill a contract

Unless material, we expense costs to obtain or fulfill a contract in the period incurred. At June 30, 2018, we had contract assets of $9.6 million related to costs incurred to obtain contracts which had been expensed as incurred under previous guidance. These costs are reported within “other noncurrent assets” on the condensed consolidated balance sheets and are being amortized straight-line over the 25 -year life of the related contracts.

11. SEGMENTS

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. 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. Prior period segment disclosures have been recast to include the former SemMexico and SemLogistics segments within Corporate and Other, as these businesses are no longer significant and are not expected to be significant in the future. These businesses were sold in during the six months ended June 30, 2018 . Eliminations of transactions between segments are also included within Corporate and Other in the tables below.

11. SEGMENTS , Continued

During the fourth quarter of 2017, we changed our definition of segment profit to focus on the results of each segment exclusive of general and administrative costs and related overhead allocations. Segment Profit is defined as revenue, less cost of products sold (exclusive of depreciation and amortization) and operating expenses, plus equity earnings and is adjusted to remove unrealized gains and losses on commodity derivatives and to reflect equity earnings on an earnings before interest, taxes and depreciation and amortization ("EBITDA") basis. Reflecting equity earnings on an EBITDA basis is achieved by adjusting equity earnings to exclude our percentage of interest, taxes, depreciation and amortization from equity earnings for operated equity method investees. For our investment in NGL Energy, we exclude equity earnings and include cash distributions received. Prior period segment profit has been recast to be consistent with the revised definition.

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.

Our results by segment are presented in the tables below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Crude Transportation				
External	$ 28,648	$ 14,019	$ 54,716	$ 27,998
Intersegment	6,831	6,901	15,039	13,455
Crude Facilities				
External	9,821	9,825	19,105	19,460
Intersegment	2,845	2,490	5,838	4,996
Crude Supply and Logistics				
External	381,719	291,319	825,118	588,790
HFOTCO				
External	45,943	—	90,141	—
SemGas				
External	59,169	55,758	111,406	113,510
Intersegment	3,205	2,630	6,863	6,541
SemCAMS				
External	69,631	60,114	114,776	96,912
Corporate and Other				
External	864	42,054	42,142	82,519
Intersegment	(12,882)	(12,021)	(27,741)	(24,992)
Total Revenues	$ 595,794	$ 473,089	$ 1,257,403	$ 929,189

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	2018	2017	2018	2017
Earnings from equity method investments:				
Crude Transportation	$ 14,338	$ 17,747	$ 26,943	$ 34,835
Corporate and Other	13	6	22	9
Total earnings from equity method investments	$ 14,351	$ 17,753	$ 26,965	$ 34,844

SEMGROUP CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

11. SEGMENTS , Continued

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Depreciation and amortization:								
Crude Transportation	$	13,053	$	6,498	$	25,529	$	12,425
Crude Facilities		2,153		2,022		4,285		3,966
Crude Supply and Logistics		198		78		391		140
HFOTCO		19,492		—		38,798		—
SemGas		10,821		9,099		21,270		18,026
SemCAMS		5,264		4,434		10,502		8,930
Corporate and Other		774		3,471		1,516		6,714
Total depreciation and amortization	$	51,755	$	25,602	$	102,291	$	50,201

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Income tax expense (benefit):								
HFOTCO	$	181	$	—	$	390	$	—
SemCAMS		3,136		2,267		6,106		3,691
Corporate and Other [1]		(6,930)		1,358		12,974		29
Total income tax expense (benefit)	$	(3,613)	$	3,625	$	19,470	$	3,720

(1) Corporate and Other includes the impact of intra-period tax allocation.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Segment profit:								
Crude Transportation	$	37,865	$	29,028	$	72,175	$	57,279
Crude Facilities		9,683		9,481		19,024		19,045
Crude Supply and Logistics		(1,959)		(2,173)		(8,542)		(4,601)
HFOTCO		34,804		—		65,792		—
SemGas		15,437		19,483		29,714		37,711
SemCAMS		21,448		19,038		43,561		35,902
Corporate and Other		(172)		8,296		10,791		16,663
Total segment profit	$	117,106	$	83,153	$	232,515	$	161,999

SEMGROUP CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

11. SEGMENTS , Continued

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Reconciliation of segment profit to net income (loss):				
Total segment profit	$ 117,106	$ 83,153	$ 232,515	$ 161,999
Less:				
Adjustment to reflect equity earnings on an EBITDA basis	4,886	6,692	9,769	13,401
Net unrealized loss (gain) related to commodity derivative instruments	4,409	(928)	6,635	(901)
General and administrative expense	22,886	26,819	49,363	48,531
Depreciation and amortization	51,755	25,602	102,291	50,201
Loss (gain) on disposal or impairment, net	1,824	(234)	(1,742)	2,176
Interest expense	35,904	13,477	78,365	27,344
Loss on early extinguishment of debt	—	8	—	19,930
Foreign currency transaction loss (gain)	2,314	(1,011)	5,608	(1,011)
Other income, net	(533)	(508)	(1,483)	(726)
Income tax expense (benefit)	(3,613)	3,625	19,470	3,720
Net income (loss)	$ (2,726)	$ 9,611	$ (35,761)	$ (666)

	June 30, 2018	December 31, 2017
Total assets (excluding intersegment receivables):		
Crude Transportation	$ 1,027,033	$ 1,039,399
Crude Facilities	149,143	153,953
Crude Supply and Logistics	523,464	674,684
HFOTCO	2,030,483	2,003,298
SemGas	722,568	714,777
SemCAMS	615,889	518,900
Corporate and Other	103,095	271,806
Total assets	$ 5,171,675	$ 5,376,817

	June 30, 2018	December 31, 2017
Equity investments:		
Crude Transportation	$ 257,179	$ 266,362
Corporate and Other	18,941	18,919
Total equity investments	$ 276,120	$ 285,281

12. EARNINGS PER SHARE

Basic earnings per share is based on net income (loss) attributable to common shareholders, which is calculated as net income (loss) less cumulative preferred stock dividends. Diluted earnings per share includes the dilutive effect of unvested equity compensation awards and the potential conversion of preferred stock, if dilutive.

The following summarizes the calculation of basic earnings per share for the three months and six months ended June 30, 2018 and 2017 (in thousands, except per share amounts):

SEMGROUP CORPORATION
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12. EARNINGS PER SHARE, Continued

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Income (loss)	$ (2,726)	$ 9,611
Less: cumulative preferred stock dividends	6,211	—
Net income (loss) attributable to common shareholders	$ (8,937)	$ 9,611
Weighted average common stock outstanding	78,319	65,749
Basic income (loss) per share	$ (0.11)	$ 0.15

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net loss	$ (35,761)	$ (666)
Less: cumulative preferred stock dividends	11,043	—
Net loss attributable to common shareholders	$ (46,804)	$ (666)
Weighted average common stock outstanding	78,259	65,717
Basic loss per share	$ (0.60)	$ (0.01)

The following summarizes the calculation of diluted earnings per share for the three months and six months ended June 30, 2018 and 2017 (in thousands, except per share amounts):

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Income (loss)	$ (2,726)	$ 9,611
Less: cumulative preferred stock dividends	6,211	—
Net income (loss) attributable to common shareholders	$ (8,937)	$ 9,611
Weighted average common stock outstanding	78,319	65,749
Effect of dilutive securities	—	528
Diluted weighted average common stock outstanding	78,319	66,277
Diluted income (loss) per share	$ (0.11)	$ 0.15

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net loss	$ (35,761)	$ (666)
Less: cumulative preferred stock dividends	11,043	—
Net loss attributable to common shareholders	$ (46,804)	$ (666)
Weighted average common stock outstanding	78,259	65,717
Effect of dilutive securities	—	—
Diluted weighted average common stock outstanding	78,259	65,717
Diluted loss per share	$ (0.60)	$ (0.01)

For the three and six months ended June 30, 2018, we experienced net losses attributable to common shareholders. The unvested equity compensation awards and the preferred stock would have been antidilutive and, therefore, were not included in the computation of diluted earnings per share. For the six months ended June 30, 2017, we experienced net losses. The unvested equity compensation awards would have been antidilutive and, therefore, were not included in the computation of diluted earnings per share.

13. SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes the changes in the components of operating assets and liabilities shown on our condensed consolidated statements of cash flows (in thousands):

	Six Months Ended June 30,	
	2018	2017
Decrease (increase) in restricted cash	$ 33	$ (3)
Decrease (increase) in accounts receivable	99,923	43,717
Decrease (increase) in receivable from affiliates	(92)	16,805
Decrease (increase) in inventories	40,051	19,994
Decrease (increase) in other current assets	(7,338)	(3,034)
Decrease (increase) in other assets	(3,702)	(14,710)
Increase (decrease) in accounts payable and accrued liabilities	(111,712)	(28,909)
Increase (decrease) in payable to affiliates	(6,088)	(23,000)
Increase (decrease) in other noncurrent liabilities	424	1,739
	$ 11,499	$ 12,599

Other supplemental disclosures

We paid cash interest of $82.9 million and $25.2 million for the six months ended June 30, 2018 and 2017 , respectively.

We paid cash income taxes, net of refunds, of $14.7 million and $2.9 million for the six months ended June 30, 2018 and 2017 , respectively.

We incurred liabilities for capital expenditures that had not been paid of $54.5 million and $17.4 million as of June 30, 2018 and 2017 , respectively. Such amounts are not included in capital expenditures on the consolidated statements of cash flows.

We financed prepayments of insurance premiums of $7.2 million and $6.1 million for the six months ended June 30, 2018 and 2017 , respectively.

14. RELATED PARTY TRANSACTIONS

Transactions with NGL Energy and its subsidiaries primarily relate to crude oil marketing, leased storage and transportation services, including buy/sell transactions. Transactions with White Cliffs primarily relate to leased storage, purchases and sales of crude oil, transportation fees for shipments on the White Cliffs Pipeline, and management fees.

In accordance with ASC 845-10-15, the buy/sell transactions with NGL Energy and White Cliffs were reported as revenue on a net basis in our condensed consolidated statements of operations and comprehensive income (loss) because the purchases of inventory and subsequent sales of the inventory were with the same counterparty and entered into in contemplation of one another.

During the three months and six months ended June 30, 2018 and 2017 , we generated the following transactions with related parties (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
NGL Energy				
Revenues	$ 998	$ 2,512	$ 7,178	$ 24,716
Purchases	$ 144	$ 1,564	$ 380	$ 17,148
White Cliffs				
Crude oil revenues	$ —	$ —	$ —	$ 436
Storage revenues	$ 1,088	$ 1,088	$ 2,176	$ 2,176

14. RELATED PARTY TRANSACTIONS, Continued

Transportation fees	$	2,697	$	2,386	$	6,320	$	5,041
Management fees	$	133	$	127	$	266	$	254
Crude oil purchases	$	—	$	4,613	$	895	$	8,616

15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS

Our senior unsecured notes are guaranteed by certain of our subsidiaries as follows: Rose Rock Finance Corporation, Rose Rock Midstream Operating, LLC, Rose Rock Midstream Energy GP, LLC, Rose Rock Midstream Crude, L.P., Rose Rock Midstream Field Services, LLC, 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., Mid-America Midstream Gas Services, L.L.C., SemCrude Pipeline, L.L.C., and Wattenberg Holding, LLC (collectively, the "Guarantors").

As of June 30, 2018, Beachhead Holdings LCC, Beachhead I LLC and Beachhead II LLC were added to the Guarantors and Glass Mountain Holding, LLC had been removed as a guarantor. Accordingly, prior period financial information below has been recast to reflect these changes.

Each of the Guarantors is 100% owned by SemGroup Corporation (the "Parent"). Such guarantees of our senior unsecured notes are full and unconditional and constitute the joint and several obligations of the Guarantors. 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. Distributions of cash flows from HFOTCO, a non-guarantor, are restricted by the existing indebtedness of HFOTCO. 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.

Unaudited condensed consolidating financial statements for the Parent, the Guarantors and non-guarantors as of June 30, 2018 and December 31, 2017 , and for the three months and six months ended June 30, 2018 and 2017 , 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 notes 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. These balances are eliminated through consolidating adjustments below.

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15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS , Continued

Condensed Consolidating Guarantor Balance Sheets

	June 30, 2018				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 16,146	$ —	$ 41,382	$ (2,204)	$ 55,324
Accounts receivable	1	437,693	106,763	—	544,457
Receivable from affiliates	928	12	132	—	1,072
Inventories	—	66,711	—	—	66,711
Other current assets	8,373	14,802	5,125	—	28,300
Total current assets	25,448	519,218	153,402	(2,204)	695,864
Property, plant and equipment, net	7,342	1,009,227	2,398,936	—	3,415,505
Equity method investments	3,629,794	1,432,344	—	(4,786,018)	276,120
Goodwill	—	—	257,302	—	257,302
Other intangible assets	7	123,683	258,150	—	381,840
Other noncurrent assets, net	43,072	2,848	99,124	—	145,044
Total assets	$ 3,705,663	$ 3,087,320	$ 3,166,914	$ (4,788,222)	$ 5,171,675
LIABILITIES, PREFERRED STOCK AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 503	$ 414,712	$ 54,331	$ —	$ 469,546
Payable to affiliates	—	825	—	—	825
Accrued liabilities	39,924	21,714	54,061	2	115,701
Other current liabilities	4,565	11,833	11,726	—	28,124
Total current liabilities	44,992	449,084	120,118	2	614,196
Long-term debt	1,720,286	6,547	814,608	(6,547)	2,534,894
Deferred income taxes	7,052	—	48,018	—	55,070
Other noncurrent liabilities	1,685	—	34,182	—	35,867
Commitments and contingencies					
Preferred stock	347,130	—	—	—	347,130
Total owners' equity	1,584,518	2,631,689	2,149,988	(4,781,677)	1,584,518
Total liabilities, preferred stock and owners' equity	$ 3,705,663	$ 3,087,320	$ 3,166,914	$ (4,788,222)	$ 5,171,675

15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS , Continued

	December 31, 2017				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 32,457	$ —	$ 69,872	$ (8,630)	$ 93,699
Accounts receivable	(9)	562,967	90,526	—	653,484
Receivable from affiliates	58	1,421	212	—	1,691
Inventories	—	101,665	—	—	101,665
Current assets held for sale	—	—	38,063	—	38,063
Other current assets	6,671	4,493	3,133	—	14,297
Total current assets	39,177	670,546	201,806	(8,630)	902,899
Property, plant and equipment, net	8,086	1,002,982	2,304,063	—	3,315,131
Equity method investments	3,085,274	2,110,299	—	(4,910,292)	285,281
Goodwill	—	—	257,302	—	257,302
Other intangible assets	10	127,783	270,850	—	398,643
Other noncurrent assets, net	45,587	3,097	83,916	—	132,600
Noncurrent assets held for sale	—	—	84,961	—	84,961
Total assets	$ 3,178,134	$ 3,914,707	$ 3,202,898	$ (4,918,922)	$ 5,376,817
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 646	$ 533,651	$ 53,601	$ —	$ 587,898
Payable to affiliates	10	6,961	—	—	6,971
Accrued liabilities	38,747	26,092	66,570	(2)	131,407
Current liabilities held for sale	—	—	23,847	—	23,847
Other current liabilities	1,922	5,532	8,984	—	16,438
Total current liabilities	41,325	572,236	153,002	(2)	766,561
Long-term debt	1,474,491	572,558	829,236	(23,190)	2,853,095
Deferred income taxes	1,892	—	44,693	—	46,585
Other noncurrent liabilities	2,061	—	36,434	—	38,495
Noncurrent liabilities held for sale	—	—	13,716	—	13,716
Commitments and contingencies					
Total owners' equity	1,658,365	2,769,913	2,125,817	(4,895,730)	1,658,365
Total liabilities and owners' equity	$ 3,178,134	$ 3,914,707	$ 3,202,898	$ (4,918,922)	$ 5,376,817

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15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS , Continued

Condensed Consolidating Guarantor Statements of Operations

	Three Months Ended June 30, 2018				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 423,290	$ —	$ —	$ 423,290
Service	—	41,102	107,862	—	148,964
Lease	—	—	4,251	—	4,251
Other	—	—	19,289	—	19,289
Total revenues	—	464,392	131,402	—	595,794
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	411,982	107	—	412,089
Operating	—	28,632	61,613	—	90,245
General and administrative	6,489	6,091	10,306	—	22,886
Depreciation and amortization	770	19,622	31,363	—	51,755
Loss (gain) on disposal or impairment, net	83,322	(72,324)	(9,174)	—	1,824
Total expenses	90,581	394,003	94,215	—	578,799
Earnings from equity method investments	100,135	28,424	—	(114,208)	14,351
Operating income	9,554	98,813	37,187	(114,208)	31,346
Other expenses (income), net:					
Interest expense	17,862	11,966	6,076	—	35,904
Foreign currency transaction loss (gain)	2,063	344	(93)	—	2,314
Other income, net	(121)	(3)	(409)	—	(533)
Total other expenses, net	19,804	12,307	5,574	—	37,685
Income (loss) before income taxes	(10,250)	86,506	31,613	(114,208)	(6,339)
Income tax expense (benefit)	(7,524)	—	3,911	—	(3,613)
Net income (loss)	(2,726)	86,506	27,702	(114,208)	(2,726)
Other comprehensive income (loss), net of income taxes	(4,479)	411	10,248	—	6,180
Comprehensive income (loss)	$ (7,205)	$ 86,917	$ 37,950	$ (114,208)	$ 3,454

SEMGROUP CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS , Continued

	Three Months Ended June 30, 2017				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 333,371	$ 34,635	$ —	$ 368,006
Service	—	37,549	50,938	—	88,487
Other	—	—	16,596	—	16,596
Total revenues	—	370,920	102,169	—	473,089
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	310,506	29,601	—	340,107
Operating	—	27,809	45,537	—	73,346
General and administrative	10,613	7,754	8,452	—	26,819
Depreciation and amortization	530	17,667	7,405	—	25,602
Gain on disposal or impairment, net	—	(18)	(216)	—	(234)
Total expenses	11,143	363,718	90,779	—	465,640
Earnings from equity method investments	25,104	17,298	1,771	(26,420)	17,753
Operating income	13,961	24,500	13,161	(26,420)	25,202
Other expenses (income), net:					
Interest expense (income)	4,725	9,709	(750)	(207)	13,477
Loss on early extinguishment of debt	8	—	—	—	8
Foreign currency transaction gain	—	—	(1,011)	—	(1,011)
Other income, net	(247)	(3)	(465)	207	(508)
Total other expense (income), net	4,486	9,706	(2,226)	—	11,966
Income before income taxes	9,475	14,794	15,387	(26,420)	13,236
Income tax expense (benefit)	(136)	—	3,761	—	3,625
Net income	9,611	14,794	11,626	(26,420)	9,611
Other comprehensive income (loss), net of income taxes	(5,369)	(256)	14,577	—	8,952
Comprehensive income	$ 4,242	$ 14,538	$ 26,203	$ (26,420)	$ 18,563

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15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS , Continued

	Six Months Ended June 30, 2018				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 902,739	$ 31,319	$ —	$ 934,058
Service	—	78,612	202,247	—	280,859
Lease	—	—	8,580	—	8,580
Other	—	—	33,906	—	33,906
Total revenues	—	981,351	276,052	—	1,257,403
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	881,980	26,241	—	908,221
Operating	—	56,173	103,863	—	160,036
General and administrative	12,975	11,860	24,528	—	49,363
Depreciation and amortization	1,494	38,353	62,444	—	102,291
Loss (gain) on disposal or impairment, net	132,610	(151,053)	16,701	—	(1,742)
Total expenses	147,079	837,313	233,777	—	1,218,169
Earnings from equity method investments	159,581	28,981	—	(161,597)	26,965
Operating income	12,502	173,019	42,275	(161,597)	66,199
Other expenses (income), net:					
Interest expense	31,241	35,531	11,833	(240)	78,365
Foreign currency transaction loss (gain)	6,466	147	(1,005)	—	5,608
Other income, net	(856)	(8)	(859)	240	(1,483)
Total other expenses, net	36,851	35,670	9,969	—	82,490
Income (loss) before income taxes	(24,349)	137,349	32,306	(161,597)	(16,291)
Income tax expense	11,412	—	8,058	—	19,470
Net income (loss)	(35,761)	137,349	24,248	(161,597)	(35,761)
Other comprehensive income (loss), net of income taxes	(10,091)	155	34,287	—	24,351
Comprehensive income (loss)	$ (45,852)	$ 137,504	$ 58,535	$ (161,597)	$ (11,410)

SEMGROUP CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS , Continued

	Six Months Ended June 30, 2017				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 674,159	$ 67,208	$ —	$ 741,367
Service	—	75,599	81,081	—	156,680
Other	—	—	31,142	—	31,142
Total revenues	—	749,758	179,431	—	929,189
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	632,163	56,942	—	689,105
Operating	—	55,763	69,666	—	125,429
General and administrative	16,543	14,249	17,739	—	48,531
Depreciation and amortization	1,003	34,497	14,701	—	50,201
Loss on disposal or impairment, net	—	1,964	212	—	2,176
Total expenses	17,546	738,636	159,260	—	915,442
Earnings from equity method investments	44,291	33,969	3,666	(47,082)	34,844
Operating income	26,745	45,091	23,837	(47,082)	48,591
Other expenses (income), net:					
Interest expense (income)	10,591	18,671	(1,518)	(400)	27,344
Loss on early extinguishment of debt	19,930	—	—	—	19,930
Foreign currency transaction gain	—	—	(1,011)	—	(1,011)
Other income, net	(444)	(5)	(677)	400	(726)
Total other expense (income), net	30,077	18,666	(3,206)	—	45,537
Income (loss) before income taxes	(3,332)	26,425	27,043	(47,082)	3,054
Income tax expense (benefit)	(2,666)	—	6,386	—	3,720
Net income (loss)	(666)	26,425	20,657	(47,082)	(666)
Other comprehensive income (loss), net of income taxes	(8,950)	(330)	24,265	—	14,985
Comprehensive income (loss)	$ (9,616)	$ 26,095	$ 44,922	$ (47,082)	$ 14,319

SEMGROUP CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS , Continued

Condensed Consolidating Guarantor Statements of Cash Flows

	Six Months Ended June 30, 2018				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ (48,349)	$ 58,071	$ 86,724	$ —	$ 96,446
Cash flows from investing activities:					
Capital expenditures	(747)	(47,205)	(186,342)	—	(234,294)
Proceeds from sale of long-lived assets	—	212	(58)	—	154
Proceeds from business divestitures	155,447	6,753	(15,465)	—	146,735
Contributions to equity method investments	—	(2,453)	—	—	(2,453)
Distributions in excess of equity in earnings of affiliates	—	11,636	—	—	11,636
Net cash provided (used in) investing activities	154,700	(31,057)	(201,865)	—	(78,222)
Cash flows from financing activities:					
Debt issuance costs	(475)	—	(3,994)	—	(4,469)
Borrowings on credit facilities and issuance of senior notes, net of discount	399,000	—	598,500	—	997,500
Principal payments on credit facilities and other obligations	(157,769)	(565,904)	(592,125)	—	(1,315,798)
Proceeds from issuance preferred stock, net of offering costs	342,299	—	—	—	342,299
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(699)	—	—	—	(699)
Dividends paid	(74,423)	—	—	—	(74,423)
Proceeds from issuance of common stock under employee stock purchase plan	245	—	—	—	245
Intercompany borrowings (advances), net	(630,840)	538,904	85,510	6,426	—
Net cash provided by (used in) financing activities	(122,662)	(27,000)	87,891	6,426	(55,345)
Effect of exchange rate changes on cash and cash equivalents	—	(14)	(1,240)	—	(1,254)
Change in cash and cash equivalents	(16,311)	—	(28,490)	6,426	(38,375)
Cash and cash equivalents at beginning of period	32,457	—	69,872	(8,630)	93,699
Cash and cash equivalents at end of period	$ 16,146	$ —	$ 41,382	$ (2,204)	$ 55,324

SEMGROUP CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

15. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS , Continued

	Six Months Ended June 30, 2017				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ (11,065)	$ 76,696	$ 26,663	$ —	$ 92,294
Cash flows from investing activities:					
Capital expenditures	(2,959)	(46,587)	(161,552)	—	(211,098)
Proceeds from sale of long-lived assets	—	15,530	633	—	16,163
Contributions to equity method investments	—	(2,271)	(7,356)	—	(9,627)
Distributions in excess of equity in earnings of affiliates	—	10,136	3,274	—	13,410
Net cash provided by (used in) investing activities	(2,959)	(23,192)	(165,001)	—	(191,152)
Cash flows from financing activities:					
Debt issuance costs	(6,019)	—	—	—	(6,019)
Borrowings on credit facilities and issuance of senior notes, net of discount	550,018	—	—	—	550,018
Principal payments on credit facilities and other obligations	(388,719)	(11)	—	—	(388,730)
Debt extinguishment costs	(16,293)	—	—	—	(16,293)
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(1,266)	—	—	—	(1,266)
Dividends paid	(59,493)	—	—	—	(59,493)
Proceeds from issuance of common stock under employee stock purchase plan	542	—	—	—	542
Intercompany borrowing (advances), net	(74,530)	(53,493)	125,830	2,193	—
Net cash provided by (used in) financing activities	4,240	(53,504)	125,830	2,193	78,759
Effect of exchange rate changes on cash and cash equivalents	—	—	2,418	—	2,418
Change in cash and cash equivalents	(9,784)	—	(10,090)	2,193	(17,681)
Cash and cash equivalents at beginning of period	19,002	—	59,796	(4,582)	74,216
Cash and cash equivalents at end of period	$ 9,218	$ —	$ 49,706	$ (2,389)	$ 56,535

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and our Annual Report on Form 10-K for the year ended December 31, 2017 , filed with the SEC.

Overview of Business

Our business is to provide gathering, transportation, storage, distribution, marketing and other midstream services primarily to producers, refiners of petroleum products and other market participants located in the Gulf Coast, Midwest and Rocky Mountain regions of the United States of America (the "U.S.") and Canada. We, or our significant equity method investees, have an asset base consisting of pipelines, gathering systems, storage facilities, terminals, processing plants and other distribution assets located between North American production and supply areas, including the Gulf Coast, Midwest, Rocky Mountain and Western Canadian regions. At June 30, 2018 , our operations are conducted directly and indirectly through our primary business segments – Crude Transportation, Crude Facilities, Crude Supply and Logistics, HFOTCO, SemGas ® and SemCAMS.

Our Assets

At June 30, 2018 , our segments owned the following:

- Crude Transportation operates crude oil pipelines and truck transportation businesses in the U.S. Crude Transportation's assets include:
    - a 460 -mile crude oil gathering and transportation pipeline system with over 560,000 barrels of associated storage capacity in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries;
    - 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 85,000 barrels per day as well as 360,000 barrels of operational storage;
    - a crude oil trucking fleet of approximately 210 transport trucks and approximately 220 trailers;
    - Maurepas Pipeline, consisting of three pipelines, with an approximate total of 106 miles, that service refineries in the Gulf Coast region (the "Maurepas Pipeline"); and
    - a 51% ownership interest in White Cliffs, which owns two parallel 527-mile 12-inch common carrier, crude oil pipelines, that transport crude oil from Platteville, Colorado to Cushing, Oklahoma (the "White Cliffs Pipeline") that we operate.
- Crude Facilities operates crude oil storage and terminal businesses in the U.S. Crude Facilities' assets include:
    - approximately 7.6 million barrels of crude oil storage capacity in Cushing, Oklahoma, of which approximately 6.0 million barrels were leased to customers and the remaining barrels were available for use in 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.
- 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.
- HFOTCO operates a large terminal facility located on the U.S. Gulf Coast. HFOTCO's assets include:
    - approximately 18.4 million barrels of product storage with crude pipeline connectivity to the local refining complex, deep water marine access and inbound crude receipt pipeline connectivity, as well as rail and truck loading and unloading capabilities; and
    - 330 acres on the Houston Ship Channel.
- SemGas, which provides natural gas gathering and processing services in the U.S. 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.

Additionally, we hold an 11.78% ownership interest in the general partner of NGL Energy Partners LP (“NGL Energy”) (NYSE: NGL) which is reported within Corporate and Other.

Results of Operations

Consolidated Results of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2018	2017	2018	2017
Revenue	$ 595,794	$ 473,089	$ 1,257,403	$ 929,189
Expenses:				
Costs of products sold, exclusive of depreciation and amortization shown below	412,089	340,107	908,221	689,105
Operating	90,245	73,346	160,036	125,429
General and administrative	22,886	26,819	49,363	48,531
Depreciation and amortization	51,755	25,602	102,291	50,201
Loss (gain) on disposal or impairment, net	1,824	(234)	(1,742)	2,176
Total expenses	578,799	465,640	1,218,169	915,442
Earnings from equity method investments	14,351	17,753	26,965	34,844
Operating income	31,346	25,202	66,199	48,591
Other expenses (income), net:				
Interest expense	35,904	13,477	78,365	27,344
Loss on early extinguishment of debt	—	8	—	19,930
Foreign currency transaction loss (gain)	2,314	(1,011)	5,608	(1,011)
Other income, net	(533)	(508)	(1,483)	(726)
Total other expenses, net	37,685	11,966	82,490	45,537
Income (loss) before income taxes	(6,339)	13,236	(16,291)	3,054
Income tax expense (benefit)	(3,613)	3,625	19,470	3,720
Net income (loss)	$ (2,726)	$ 9,611	$ (35,761)	$ (666)

Revenue and Expenses

Revenue and expenses are analyzed by operating segment below.

Operating expense

Operating expense increased in the three months ended June 30, 2018 , to $90.2 million from $73.3 million in the three months ended June 30, 2017 , primarily due to the prior year acquisition of HFOTCO. Operating expense increased in the six months ended June 30, 2018 , to $160.0 million from $125.4 million in the six months ended June 30, 2017 , primarily due to the prior year acquisition of HFOTCO.

General and administrative expense

General and administrative expense decreased in the three months ended June 30, 2018 , to $22.9 million from $26.8 million in the three months ended June 30, 2017 , primarily due to the disposal of our Mexican asphalt and U.K. storage businesses and non-recurring prior year costs related to the acquisition of HFOTCO. These decreases were partially offset by on-going general and administrative costs related to HFOTCO subsequent to acquisition. General and administrative expense increased in the six months ended June 30, 2018 , to $49.4 million from $48.5 million in the six months ended June 30, 2017 , primarily due to on-going general and administrative costs related to HFOTCO subsequent to acquisition. These increases were partially offset by decreases due to the disposal of our Mexican asphalt and U.K. storage businesses and non-recurring prior year costs related to the acquisition of HFOTCO.

Depreciation and amortization expense

Depreciation and amortization expense increased in the three months ended June 30, 2018 , to $51.8 million from $25.6 million in the three months ended June 30, 2017 . Depreciation and amortization expense increased in the six months ended June 30, 2018 , to $102.3 million from $50.2 million in the six months ended June 30, 2017 . The increases in both periods were primarily as a result of the acquisition of HFOTCO and completion of the Maurepas Pipeline.

Loss (gain) on disposal or impairment, net

Net loss on disposal or impairment for the three months ended June 30, 2018 , was primarily due to an unfavorable post-closing adjustment recorded in the second quarter of $2.8 million related to the sale of our Mexican asphalt business, partially offset by a favorable $1.4 million post-closing adjustment on our prior year Glass Mountain Pipeline disposal. The net gain on disposal or impairment for the six months ended June 30, 2018 , was primarily due to a gain of $1.6 million from the sale of our Mexican asphalt business, including the post-closing adjustments, and the $1.4 million post-closing adjustment related to our prior year Glass Mountain Pipeline disposal.

Interest expense

Interest expense increased in the three months ended June 30, 2018 , to $35.9 million from $13.5 million in the three months ended June 30, 2017 . Interest expense increased in the six months ended June 30, 2018 , to $78.4 million from $27.3 million in the six months ended June 30, 2017 . For both periods, the increase in interest expense is primarily due to incremental debt outstanding as a result of the HFOTCO acquisition.

Loss on early extinguishment of debt

During the six months ended June 30, 2017 , we purchased $290 million of our outstanding $300 million senior unsecured notes due 2021 (the “2021 Notes”) through a tender offer. The price included a premium and interest to the purchase date. A notice of redemption was issued for the remaining $10 million of 2021 Notes, which were not redeemed through the tender offer, pursuant to the redemption and satisfaction and discharge provisions of the indenture governing the 2021 Notes. The redemption price included a redemption premium and interest to the redemption date. As a result, we recognized a loss of $19.9 million on the early extinguishment of the 2021 Notes, which included premiums of $15.9 million and the write off of $3.6 million of associated unamortized debt issuance costs.

Foreign currency transaction loss

Foreign currency transaction loss for the three months and six months ended June 30, 2018 , is primarily due to foreign currency forwards to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canadian operations.

Income tax expense (benefit)

We reported an income tax expense of $19.5 million for the six months ended June 30, 2018, compared to an expense of $3.7 million for the six months ended June 30, 2017. The effective tax rate was (120%) and 122% for the six months ended June 30, 2018 and 2017, respectively. The rate for the six months ended June 30, 2018, is impacted by a discrete tax expense related to the vesting of restricted stock in the amount of $1.7 million, a discrete tax expense of $10.0 million in Mexico on the sale of the 100% equity interest in our Mexican asphalt business, and a discrete tax expense of $2.7 million on the foreign tax deduction offset to branch deferreds on the sale of our U.K. operations. The rate is also affected by the U.S. deduction for foreign taxes. The rate for the six months ended June 30, 2017, is impacted by a discrete tax expense related to the vesting of restricted stock in the amount of $1.4 million. Significant items that impacted the effective tax rate for each period, as compared to the U.S. federal statutory rate of 21%, include earnings in foreign jurisdictions taxed at different rates and foreign earnings taxed in foreign jurisdictions as well as in the U.S., since they are disregarded entities for U.S. federal income tax purposes.

These combined factors, and the magnitude of the permanent items impacting the tax rate relative to income from continuing operations before income taxes, result in rates that are not comparable between the periods.

Results of Operations by Reporting Segment

Crude Transportation

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2018	2017	2018	2017
Revenue:				
Pipeline transportation	$ 22,675	$ 6,443	$ 43,787	$ 12,627
Truck transportation	12,804	14,477	25,968	28,826
Total revenue	35,479	20,920	69,755	41,453
Less:				
Operating expense	16,851	16,337	34,314	32,419
Plus:				
Earnings from equity method investments	14,338	17,747	26,943	34,835
Adjustments to reflect equity earnings on an EBITDA basis	4,899	6,698	9,791	13,410
Segment profit	$ 37,865	$ 29,028	$ 72,175	$ 57,279

Three months ended June 30, 2018 versus three months ended June 30, 2017

Revenue

Pipeline transportation revenue increased to $22.7 million in the three months ended June 30, 2018 , from $6.4 million in the three months ended June 30, 2017 . The increase was primarily the result of $15.0 million related the Maurepas Pipeline which started operations in the third quarter of 2017, a $1.2 million increase on the WOT and a $0.1 million increase in other volumes.

Truck transportation revenue decreased to $12.8 million in the three months ended June 30, 2018 , from $14.5 million for the same period in 2017 as a result of lower volumes.

Operating expense

Operating expense increased slightly to $16.9 million in the three months ended June 30, 2018 , compared to $16.3 million for the three months ended June 30, 2017 . The increase was primarily the result of our Maurepas Pipeline operations.

Earnings from equity method investments

Crude Transportation’s earnings from equity method investments decreased in the three months ended June 30, 2018 , to $14.3 million from $17.7 million in the three months ended June 30, 2017 , primarily due to the sale of Glass Mountain Pipeline in December 2017, as well as rate reductions on White Cliffs Pipeline, partially offset by higher volumes.

Adjustments to reflect equity earnings on an EBITDA basis

Segment profit adjusts earnings from our equity method investments to exclude our proportional share of our equity investee’s depreciation and amortization expense. The decrease as compared to the prior period is primarily due to the sale of Glass Mountain Pipeline in December 2017.

Six months ended June 30, 2018 versus six months ended June 30, 2017

Revenue

Pipeline transportation revenue increased to $43.8 million in the six months ended June 30, 2018 , from $12.6 million in the six months ended June 30, 2017 . The increase was primarily the result of $29.0 million related to the Maurepas Pipeline, which started operations in the third quarter of 2017, and a $2.4 million increase on the WOT, partially offset by a $0.1 million reduction to intersegment transportation attributed to our Crude Supply and Logistics segment and a $0.1 million reduction in other volumes.

Truck transportation revenue decreased to $26.0 million in the six months ended June 30, 2018 , from $28.8 million for the same period in 2017 as a result of lower volumes.

Operating expense

Operating expense increased to $34.3 million in the six months ended June 30, 2018 , compared to $32.4 million for the six months ended June 30, 2017 . The increase was primarily the result of our Maurepas Pipeline operations.

Earnings from equity method investments

Crude Transportation's earnings from equity method investments decreased in the six months ended June 30, 2018 , to $26.9 million from $34.8 million in the six months ended June 30, 2017 , primarily due to the sale of Glass Mountain Pipeline in December 2017, as well as rate reductions on White Cliffs Pipeline, partially offset by higher volumes.

Adjustments to reflect equity earnings on an EBITDA basis

Segment profit adjusts earnings from our equity method investments to exclude our proportional share of our equity investee's depreciation and amortization expense. The decrease as compared to the prior period is primarily due to the sale of Glass Mountain Pipeline in December 2017.

Crude Facilities

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2018	2017	2018	2017
Revenue:				
Storage fees	$ 7,460	$ 7,183	$ 15,009	$ 15,064
Service fees	5,206	5,132	9,934	9,392
Total revenue	12,666	12,315	24,943	24,456
Less:				
Operating expense	2,983	2,834	5,919	5,411
Segment profit	$ 9,683	$ 9,481	$ 19,024	$ 19,045

Three months ended June 30, 2018 versus three months ended June 30, 2017

Revenue

Revenue increased slightly to $12.7 million in the three months ended June 30, 2018 , from $12.3 million for the three months ended June 30, 2017 . The increase in storage revenue of $0.3 million is the result of intersegment fees for additional tankage being used internally for crude oil operations and marketing activities and a small increase in pumpover volumes. Compared to prior year, the average capacity used internally for crude oil operations and marketing activities increased to 1.7 million barrels from 1.3 million barrels and the average capacity leased by storage customers decreased to 6.0 million barrels from 6.2 million barrels.

Operating expense

Operating expense increased to $3.0 million in the three months ended June 30, 2018 , from $2.8 million for the three months ended June 30, 2017 , as a result of maintenance and repair expenses.

Six months ended June 30, 2018 versus six months ended June 30, 2017

Revenue

Revenue increased to $24.9 million in the six months ended June 30, 2018 , from $24.5 million for the six months ended June 30, 2017 , primarily due to the timing of revenue recognition related to truck unloading activities. Compared to prior year, the average capacity used internally for crude oil operations and marketing activities increased to 1.7 million barrels from 1.3 million barrels and the average capacity leased by storage customers decreased to 6.0 million barrels from 6.4 million barrels.

Operating expense

Operating expense increased to $5.9 million in the six months ended June 30, 2018 , from $5.4 million for the six months ended June 30, 2017 , as a result of maintenance and repair expense and outside service costs.

Crude Supply and Logistics

(in thousands)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue	$ 381,719	$ 291,319	$ 825,118	$ 588,790
Less:				
Costs of products sold, exclusive of depreciation and amortization shown below	386,858	291,074	837,792	589,559
Operating expense	1,229	1,490	2,503	2,931
Unrealized gain (loss) on commodity derivatives, net	(4,409)	928	(6,635)	901
Segment profit (loss)	$ (1,959)	$ (2,173)	$ (8,542)	$ (4,601)

Three months ended June 30, 2018 versus three months ended June 30, 2017

Revenue

Revenue increased to $381.7 million in the three months ended June 30, 2018 , from $291.3 million in the three months ended June 30, 2017 .

(in thousands)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Gross product revenue	$ 1,242,288	$ 1,030,006
Nonmonetary transaction adjustment	(856,160)	(739,615)
Unrealized loss on derivatives, net	(4,409)	928
Product revenue	$ 381,719	$ 291,319

Gross product revenue increased in the three months ended June 30, 2018 , to $1.2 billion from $1.0 billion in the three months ended June 30, 2017 . The increase was primarily due to a higher average sales price of $67 per barrel on lower volume sold of 18.5 million barrels in the three months ended June 30, 2018 , compared to an average sales price of $49 per barrel on volume sold of 21.2 million barrels in the three months ended June 30, 2017 .

Gross product revenue was reduced by $856.2 million and $739.6 million during the three months ended June 30, 2018 and 2017, respectively, in accordance with Accounting Standards Codification (“ASC”) 845-10-15, *“Nonmonetary Transactions”.* ASC 845-10-15 requires that certain transactions -- those where inventory is purchased from a customer then resold to the same customer -- to be presented in the income statement on a net basis, resulting in a reduction of revenue and costs of products sold by the same amount.

Costs of products sold

Costs of products sold increased in the three months ended June 30, 2018 , to $386.9 million (including $9.7 million of intersegment transportation and facility expense) from $291.1 million in the three months ended June 30, 2017 (including $9.4 million of intersegment transportation and facility expense). Costs of products sold reflect reductions of $856.2 million and $739.6 million in the three months ended June 30, 2018 and 2017, respectively, in accordance with ASC 845-10-15. There was a decrease in barrels sold, as described above, combined with an increase in the average cost per barrel of crude oil to $67 in the three months ended June 30, 2018 , from $49 in the three months ended June 30, 2017 .

Six months ended June 30, 2018 versus six months ended June 30, 2017

Revenue

Revenue increased to $825.1 million in the six months ended June 30, 2018 , from $588.8 million in the six months ended June 30, 2017 .

(in thousands)	Six Months Ended June 30, 2018	2017
Gross product revenue	$ 2,452,476	$ 2,140,567
Nonmonetary transaction adjustment	(1,620,723)	(1,552,678)
Unrealized loss on derivatives, net	(6,635)	901
Product revenue	$ 825,118	$ 588,790

Gross product revenue increased in the six months ended June 30, 2018 , to $2.5 billion from $2.1 billion in the six months ended June 30, 2017 . The increase was primarily due to a higher average sales price of $64 per barrel on lower volume sold of 38.1 million barrels in the six months ended June 30, 2018 , compared to an average sales price of $50 per barrel on volume sold of 42.9 million barrels in the six months ended June 30, 2017 .

Gross product revenue was reduced by $1.6 billion and $1.6 billion during the six months ended June 30, 2018 and 2017, respectively, in accordance with ASC 845-10-15, *"Nonmonetary Transactions"*. ASC 845-10-15 requires that certain transactions -- those where inventory is purchased from a customer then resold to the same customer -- to be presented in the income statement on a net basis, resulting in a reduction of revenue and costs of products sold by the same amount.

Costs of products sold

Costs of products sold increased in the six months ended June 30, 2018 , to $837.8 million (including $20.9 million of intersegment transportation and facility expense) from $589.6 million in the six months ended June 30, 2017 (including $18.5 million of intersegment transportation and facility expense). Costs of products sold reflect reductions of $1.6 billion and $1.6 billion in the six months ended June 30, 2018 and 2017, respectively, in accordance with ASC 845-10-15. There was a decrease in barrels sold, as described above, combined with an increase in the average cost per barrel of crude oil to $65 in six months ended June 30, 2018 , from $50 in the six months ended June 30, 2017 .

Operating expense

Operating expense decreased slightly to $2.5 million in the six months ended June 30, 2018 , from $2.9 million for the six months ended June 30, 2017 . The decrease is primarily due to lower compensation expense.

HFOTCO

(in thousands)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Revenue:		
Storage fees	$ 32,882	$ 64,984
Service fees	8,810	16,577
Lease revenue	4,251	8,580
Total revenue	45,943	90,141
Less:		
Operating expense	11,139	24,349
Segment profit	$ 34,804	$ 65,792

HFOTCO, which was acquired in July 2017, generates revenue by providing storage and terminalling services to customers in the Houston Ship Channel. These contractual arrangements typically include fixed take-or-pay fees related to provision of storage and throughput capacity and usage based charges for pump-over, heating, berthing and excess throughput volumes. HFOTCO also generates revenue from leases of certain land, tanks and a barge dock which are accounted for as a direct financing lease.

For the six months ended June 30, 2018 , HFOTCO's operating expense included the write-off of a receivable of $4.2 million related to clean up costs associated with tank damage for which the insurance claim was denied.

SemGas

(in thousands)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue:				
Product sales	$ 44,776	$ 44,682	$ 84,484	$ 91,910
Gathering and processing fees	17,598	13,705	33,785	28,141
Total revenue	62,374	58,387	118,269	120,051
Less:				
Costs of products sold, exclusive of depreciation and amortization shown below	38,006	31,453	71,929	67,596
Operating expense	8,931	7,451	16,626	14,744
Segment profit	$ 15,437	$ 19,483	$ 29,714	$ 37,711

Three months ended June 30, 2018 versus three months ended June 30, 2017

Revenue

Product sales revenue increased slightly in the three months ended June 30, 2018 , to $44.8 million from $44.7 million in the three months ended June 30, 2017 . The increase is primarily due to higher volumes (34,103 MMcf in the three months ended June 30, 2018 , compared to 25,995 MMcf for the same period in 2017) and higher average NGL basket price of $1.00/gallon in the three months ended June 30, 2018 , versus $0.76/gallon for the same period in 2017. The increase was offset by lower average natural gas NYMEX price of $2.80/ MMbtu in the three months ended June 30, 2018 , versus $3.18/MMbtu for the same period in 2017. Volume increases are primarily due to Stack production, offset by reduced Mississippi Lime drilling, coupled with natural well production declines.

Gathering and processing fee revenue increased in the three months ended June 30, 2018 , to $17.6 million from $13.7 million in the three months ended June 30, 2017 . In the current year, certain fees are reported as gathering and processing fee revenue under ASU 2016-15 - " *Revenue from Contracts with Customers* " ("ASC 606"), whereas in the prior year these amounts were reported as reductions to cost of sales under ASC 605. The current year includes $4.4 million of fee revenue which would have been included as a reduction to cost of sales under the prior year methodology. Exclusive of the impact of ASC 606, gathering and processing fee revenues are down although volumes are up, due to contract mix.

Costs of products sold

Costs of products sold increased to $38.0 million in the three months ended June 30, 2018 , from $31.5 million in the three months ended June 30, 2017 . The increase was primarily due to higher NGL prices, higher Mississippi Lime volumes and the impact of ASC 606 discussed above, offset by lower natural gas prices.

Operating expense

Operating expense increased to $8.9 million in the three months ended June 30, 2018 , from $7.5 million in the three months ended June 30, 2017 . This increase was primarily due to compressor and turbine maintenance.

Six months ended June 30, 2018 versus six months ended June 30, 2017

Revenue

Product sales revenue decreased in the six months ended June 30, 2018 , to $84.5 million from $91.9 million in the six months ended June 30, 2017 . The decrease is primarily due to lower average natural gas NYMEX price of $2.90/MMbtu in the six months ended June 30, 2018 , versus $3.25/MMbtu for the same period in 2017. The decrease was offset by higher average NGL basket price of $0.92/ gallon in the six months ended June 30, 2018 , versus $0.80/gallon for the same period in 2017 and higher volumes (62,263 MMcf in the six months ended June 30, 2018 , compared to 52,653 MMcf for the same period in 2017). Volume increases are primarily due to Stack production, offset by reduced Mississippi Lime drilling, coupled with natural well production declines.

Gathering and processing fee revenue increased in the six months ended June 30, 2018 , to $33.8 million from $28.1 million in the six months ended June 30, 2017 . In the current year, certain fees are reported as gathering and processing fee revenue under ASC 606, whereas in the prior year these amounts were reported as reductions to cost of sales under ASC 605.

The current year includes $7.9 million of fee revenue which would have been included as a reduction to cost of sales under the prior year methodology. Exclusive of the impact of ASC 606, gathering and processing fee revenues are down although volumes are up, due to contract mix.

Costs of products sold

Costs of products sold increased to $71.9 million in the six months ended June 30, 2018 , from $67.6 million in the six months ended June 30, 2017 . The increase was primarily due to the impact of ASC 606 discussed above and higher natural gas prices, offset by lower NGL prices and lower Mississippi Lime volumes.

Operating expense

Operating expense increased to $16.6 million in the six months ended June 30, 2018 , from $14.7 million in the six months ended June 30, 2017 . This increase was primarily due to compressor and turbine maintenance.

SemCAMS

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2018	2017	2018	2017
Revenue				
Service fees	$ 50,402	$ 43,554	$ 80,944	$ 65,946
Other revenue	19,229	16,561	33,832	30,966
Total revenue	69,631	60,115	114,776	96,912
Expenses:				
Costs of products sold, exclusive of depreciation and amortization shown below	107	11	209	56
Operating expense	48,076	41,066	71,006	60,954
Segment profit	$ 21,448	$ 19,038	$ 43,561	$ 35,902

Three months ended June 30, 2018 versus three months ended June 30, 2017

Revenue

Revenue increased to $69.6 million in the three months ended June 30, 2018 , from $60.1 million in the three months ended June 30, 2017 . This increase is primarily due to higher operating cost recoveries and changes in foreign currency exchange rates between periods of $6.4 million and $2.8 million, respectively.

Additionally, subsequent to the adoption of ASC 606, we recognized $1.0 million of revenue in the three months ended June 30, 2018 to recognize certain deficiencies on take-or-pay agreements for which there is a contractual make-up period. Under ASC 605, revenue related to deficiencies with a make-up period was deferred until the contractual right to make up a deficiency expired. Under ASC 606, we can recognize all or a portion of revenue related to deficiencies before the make-up period expires if we determine that it is probable that the customer will not make-up all or some of its deficient volumes, for example if there is insufficient capacity to make up the deficient volumes in future periods.

Operating expense

Operating expense increased in the three months ended June 30, 2018 , to $48.1 million from $41.1 million in the three months ended June 30, 2017 . This increase is primarily due to turnaround costs related to the KA plant, higher greenhouse gas credit purchases, higher power costs and changes in foreign currency exchange rates between periods of $24.4 million, $2.5 million, $2.0 million and $1.9 million, respectively. These increases were offset, in part, by turnaround costs in 2017 for the K3 plant and lower contractor costs of $22.8 million and $1.9 million, respectively.

Six months ended June 30, 2018 versus six months ended June 30, 2017

Revenue

Revenue increased in the six months ended June 30, 2018 , to $114.8 million from $96.9 million in the six months ended June 30, 2017 . This increase is primarily due to higher operating cost recoveries, changes in foreign currency exchange rates between periods and higher gathering and processing revenue of $10.0 million, $4.7 million and $4.4 million, respectively. These increases were offset, in part, by a 2017 true-up of take-or-pay minimum volumes commitments of $3.9 million. Further, a 31-day planned outage at the KA plant in 2018 decreased gathering and processing revenue by $2.2 million. This was offset by the 2017 planned outage at the K3 plant which decreased gathering and processing revenue by $2.5 million.

Additionally, subsequent to the adoption of ASC 606, we recognized $2.3 million of revenue in the three months ended June 30, 2018 to recognize certain deficiencies on take-or-pay agreements for which there is a contractual make-up period. Under ASC 605, revenue related to deficiencies with a make-up period was deferred until the contractual right to make up a deficiency expired. Under ASC 606, we can recognize all or a portion of revenue related to deficiencies before the make-up period expires if we determine that it is probable that the customer will not make-up all or some of its deficient volumes, for example if there is insufficient capacity to make up the deficient volumes in future periods.

Operating expense

Operating expense increased in the six months ended June 30, 2018 , to $71.0 million from $61.0 million in the six months ended June 30, 2017 . This increase is primarily due to turnaround costs related to the KA plant, higher greenhouse gas credit purchases, changes in foreign currency exchange rates between periods and higher power costs of $27.1 million, $3.1 million, $2.9 million and $2.0 million, respectively. These increases were offset, in part, by turnaround costs in 2017 for the K3 plant and lower contractor costs of $24.3 million and $0.6 million, respectively.

Corporate and Other

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2018**	**2017**	**2018**	**2017**
Revenue				
Product sales	$ —	$ 34,635	$ 31,319	$ 67,208
Storage fees	649	5,972	7,753	11,841
Service fees	215	1,447	3,070	3,470
Intersegment eliminations	(12,882)	(12,021)	(27,741)	(24,992)
Total revenue	(12,018)	30,033	14,401	57,527
Less:				
Costs of products sold, exclusive of depreciation and amortization shown below	(12,882)	17,569	(1,709)	31,894
Operating expense	1,036	4,168	5,319	8,970
Plus:				
Earnings from equity method investments	13	6	22	9
Adjustments to reflect NGL Energy equity earnings on a cash basis	(13)	(6)	(22)	(9)
Segment profit (loss)	$ (172)	$ 8,296	$ 10,791	$ 16,663

Corporate and Other is not an operating segment. This table is included to permit the reconciliation of segment information to that of the consolidated Company. Product sales and cost of sales primarily related to our Mexican asphalt business which was sold on March 15, 2018 . Storage fees and services fees primarily relate to our U.K. business which was sold on April 12, 2018 . Operating expenses relate to the Mexican asphalt business and U.K. operations. Earnings from equity method investments relate to our general partner interest in NGL Energy.

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 facility. The consolidated cash balance on June 30, 2018 , was $55.3 million . Of this amount, $23.7 million was held in Canada and portions 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, debt payments and our quarterly dividends. In general, we expect to fund:

- operating expenses, maintenance capital expenditures and cash dividends through existing cash and cash from operating activities;
- expansion capital expenditures and any working capital deficits through cash on hand, borrowings under our revolving credit facility and the issuance of debt securities and equity securities;
- acquisitions through cash on hand, borrowings under our revolving credit facility, the issuance of debt securities and equity securities and proceeds from the divestiture of assets or interests in assets; and
- debt principal payments through cash from operating activities and refinancing when our revolving and term loan B credit facilities becomes 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. 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 cash outlays, such as expansion capital expenditures and potential future acquisitions.

We believe our cash from operations, our remaining borrowing capacity and other capital markets activity allow us to manage our day-to-day cash requirements, distribute our quarterly dividends and meet our capital expenditures commitments for the coming year.

Cash Flows

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

(in thousands)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Statement of cash flow data:		
Cash flows provided by (used in):		
Operating activities	$ 96,446	$ 92,294
Investing activities	(78,222)	(191,152)
Financing activities	(55,345)	78,759
Subtotal	(37,121)	(20,099)
Effect of exchange rate on cash and cash equivalents	(1,254)	2,418
Change in cash and cash equivalents	(38,375)	(17,681)
Cash and cash equivalents at beginning of period	93,699	74,216
Cash and cash equivalents at end of period	$ 55,324	$ 56,535

Operating Activities

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

(in thousands)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net loss	$ (35,761)	$ (666)
Non-cash expenses, net	120,708	80,361
Changes in operating assets and liabilities	11,499	12,599
Net cash flows provided by operating activities	$ 96,446	$ 92,294

Adjustments to net loss for non-cash expenses, net increased $40.3 million to $120.7 million for the six months ended June 30, 2018 , from $80.4 million for the six months ended June 30, 2017 . This change is primarily a result of:

- $52.1 million in depreciation and amortization expense, primarily as a result of the acquisition of HFOTCO and completion of the Maurepas Pipeline;

- $7.9 million reduction in earnings from equity method investments due to the sale of Glass Mountain Pipeline in December 2017, as well as rate reductions on White Cliffs Pipeline partially offset by higher volumes;
- $6.6 million higher currency exchange losses in the current year primarily due to foreign currency forwards to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canadian operations; and
- $5.1 million change in deferred income tax expense (benefit).

These increases to the adjustments to net income for non-cash expenses, net were offset by decreases due to:

- $19.9 million decrease related to a prior year loss on early extinguishment of $300 million of senior unsecured notes;
- $7.3 million decrease in distributions from equity investments due to our prior year disposal of our investment in Glass Mountain Pipeline; and
- $3.9 million increase in gains on disposal or impairments, net, primarily due to a current year gain of $1.6 million from the sale of our Mexican asphalt business, including the post-closing adjustments, and the $1.4 million post-closing adjustment related to our prior year Glass Mountain Pipeline disposal.

All other adjustments to net income for non-cash expenses, net for the six months ended June 30, 2018 , remained relatively comparable to the six months ended June 30, 2017 .

Changes in operating assets and liabilities for the six months ended June 30, 2018 , generated a net increase in operating cash flows of $11.5 million . The increase to operating cash flow due to the change in operating assets and liabilities was primarily a result of a decrease in assets related to accounts receivable and inventories of $99.9 million and $40.1 million , respectively, offset by increase in other current assets and other assets of $7.3 million and $3.7 million , respectively. Liabilities decreased $111.7 million in accounts payable and accrued liabilities and $6.1 million in payables to affiliates. Changes in receivables, inventory, payables and accrued liabilities are primarily due to our segments' operating activities and are subject to the timing of purchases and sales and fluctuations in commodity pricing.

Changes in operating assets and liabilities for the six months ended June 30, 2017 , generated a net increase in operating cash flows of $12.6 million. The increase to operating cash flow due to the change in operating assets and liabilities was primarily a result of decreases of $43.7 million in accounts receivable, $20.0 million in inventories and $16.8 million in receivables from affiliates. These decreases in assets were offset by increases in other assets and current assets of $14.7 million and $3.0 million, respectively. These cash flows were partially offset by cash outflows due to a decrease of $28.9 million in accounts payable and accrued liabilities and $23.0 million in payables to affiliates, offset by an increase in other noncurrent liabilities of $1.7 million. Changes in receivables, inventory, payables and accrued liabilities are primarily due to our segments' operating activities and are subject to the timing of purchases and sales and fluctuations in commodity pricing.

Investing Activities

For the six months ended June 30, 2018 , we had net cash outflows of $78.2 million from investing activities, due primarily to $234.3 million in capital expenditures and $2.5 million of contributions to equity method investments. These cash outflows were offset by investing cash inflows of $146.7 million in proceeds primarily from the sale of our Mexican asphalt and U.K. storage businesses and $11.6 million of distributions in excess of equity in earnings of affiliates. Capital expenditures primarily related to expansion projects at our SemCAMS and HFOTCO segments. Distributions in excess of equity in earnings of affiliates represent cash distributions from White Cliffs in excess of our cumulative equity in earnings and are accounted for as a return of investment.

For the six months ended June 30, 2017 , we had net cash outflows of $191.2 million from investing activities, due primarily to $211.1 million of capital expenditures and $9.6 million of contributions to equity method investments, offset by investing cash inflows of $16.2 million in proceeds from the sale of long-lived assets and $13.4 million of distributions in excess of equity in earnings of affiliates. Capital expenditures primarily related to the Maurepas Pipeline. Contributions to equity method investments primarily related to Glass Mountain growth projects. Proceeds from the sale of long-lived assets related to the sale of non-core assets. Distributions in excess of equity in earnings of affiliates represent cash distributions from White Cliffs and Glass Mountain in excess of our cumulative equity in earnings and are accounted for as a return of investment.

Financing Activities

For the six months ended June 30, 2018 , we had net cash outflows of $55.3 million from financing activities, which related to principal payments on credit facilities and other obligations of $1,315.8 million , dividends paid of $74.4 million and debt issuance costs of $4.5 million , offset by borrowings on credit facilities of $997.5 million and proceeds from the issuance of preferred stock, net of offering costs, of $342.3 million . Principal payments on credit facilities and other obligations includes the final payment related to the HFOTCO acquisition of $579.6 million and activity related to the amendment and restatement of HFOTCO's credit agreement.

For the six months ended June 30, 2017 , we had net cash inflows of $78.8 million from financing activities, which related to borrowings on credit facilities and the issuance of senior unsecured notes, net of discount, of $550.0 million, offset by principal payments on credit facilities and other obligations of $388.7 million, dividends paid of $59.5 million, debt extinguishment costs of $16.3 million, debt issuance costs of $6.0 million and $1.3 million to repurchase common stock for payment of statutory taxes due on equity-based compensation. Net borrowings were used primarily to extinguish senior unsecured notes and for capital expenditures. Debt issuance costs related to the issuance of senior unsecured notes.

Long-term Debt

Senior Unsecured Notes

At June 30, 2018 , we had outstanding $400 million of 5.625% senior unsecured notes due 2022, $350 million of 5.625% senior unsecured notes due 2023, $325 million of 6.375% senior unsecured notes due 2025 and $300 million of 7.25% senior unsecured notes due 2026.

SemGroup Revolving Credit Facility

At June 30, 2018 , we had $375 million of cash borrowings outstanding under our $1.0 billion revolving credit facility. We had $28.3 million in outstanding letters of credit on that date. The maximum letter of credit capacity under this facility is $250 million. The facility can be increased up to $300 million. The credit agreement expires on March 15, 2021.

At June 30, 2018 , we had available borrowing capacity of $596.7 million under this facility.

HFOTCO long-term debt

On June 26, 2018, we restated and amended the HFOTCO credit agreement. The aggregate term loans incurred thereunder was increased to $600 million and the revolving credit facility was terminated. The term loan is due in quarterly installments of $1.5 million with a final payment due on June 26, 2025. In addition, HFOTCO may incur additional term loans in an aggregate amount not to exceed the greater of $120 million and a measure of HFOTCO's EBITDA, defined in the credit agreement, at the time of determination, plus additional amounts subject to satisfaction of certain leverage-based criteria, subject to receiving commitments for such additional term loans from either new lenders or increased commitments from existing lenders.

At June 30, 2018 , HFOTCO had $600 million outstanding under its Term Loan B and $225 million outstanding of tax exempt notes payable due 2050.

HFOTCO acquisition final payment

On April 17, 2018 , we made the final payment related to the HFOTCO acquisition in the amount of $579.6 million . The payment was funded through revolving credit facility borrowings and cash on hand.

Series A Convertible Preferred Stock

On January 19, 2018, we sold, to certain institutional investors in a private placement, an aggregate of 350,000 shares of our Series A Cumulative Perpetual Convertible Preferred Stock, par value $0.01 per share (the "Preferred Stock"), convertible into 10,606,061 shares (subject to adjustment) of our Class A common stock, for a cash purchase price of $1,000 per share of Preferred Stock and aggregate gross proceeds to us of $350 million. These proceeds were used to repay amounts borrowed under our credit agreement, to fund growth capital expenditures and for general corporate purposes. Holders of the Preferred Stock (the "Holders") will receive quarterly distributions equal to an annual rate of 7.0% ($70.00 per share annualized) of $1,000 per share of Preferred Stock, subject to certain adjustments (the "Liquidation Preference"). With respect to any quarter ending on or prior to June 30, 2020, we may elect, in lieu of paying a distribution in cash, to have the amount that would have been payable if such dividend had been paid in cash added to the Liquidation Preference. On or after the eighteen month anniversary of January 19, 2018, the Holders may convert their shares of Preferred Stock into a number of shares of our Class A common stock equal to, per preferred share, the quotient of the Liquidation Preference divided by $33.00, subject to certain adjustments including customary anti-dilution adjustments. On or after January 19, 2021, if the Holders have not elected to convert all of their shares of Preferred Stock, we may cause, under certain circumstances, the outstanding shares of Preferred Stock to be converted into shares of our Class A common stock. Holders are entitled to vote on all matters on which the holders of shares of our Class A common stock are entitled to vote and will, in general, vote together with the holders of shares of our Class A common stock as a single class. Each Holder shall be entitled to a number of votes equal to the number of votes such Holder would have had if all shares of Preferred Stock held by such Holder had been converted into shares of our Class A common stock.

Shelf Registration Statement

We have access to a universal shelf registration statement which provides us the ability to offer and sell an unlimited amount of debt and equity securities, subject to market conditions and our capital needs. This shelf registration statement expires in March 2019.

We have also established an “at the market” offering program under this shelf registration statement, which provides for the offer and sale, from time to time, of common shares having an aggregate offering price of up to $300 million. We are able to make sales over a period of time and from time to time in transactions at prices which are prevailing market prices at the time of sale, prices related to market prices or at negotiated prices. Such sales may be made pursuant to an Equity Distribution Agreement between us and certain 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.

Projected capital expenditures for 2018 are estimated at $310 million in expansion projects, including capital contributions to affiliates for funding growth projects and acquisitions, and $40 million in maintenance projects. These estimates may change as future events unfold. See “Cautionary Note Regarding Forward-Looking Statements.” During the six months ended June 30, 2018 , we spent $234.3 million (cash basis) on capital projects and $2.5 million in capital contributions to equity method investees.

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 revolving credit facility, the issuance of debt and equity securities and proceeds from the divestiture of assets or interests in assets.

Common Stock Dividends

The table below shows common dividends declared and/or paid by SemGroup on its common stock during 2017 and 2018.

Quarter Ended	Record Date	Payment Date	Dividend Per Share
March 31, 2017	March 7, 2017	March 17, 2017	$0.45
June 30, 2017	May 15, 2017	May 26, 2017	$0.45
September 30, 2017	August 18, 2017	August 28, 2017	$0.45
December 31, 2017	November 20, 2017	December 1, 2017	$0.45
March 31, 2018	March 9, 2018	March 19, 2018	$0.4725
June 30, 2018	May 16, 2018	May 25, 2018	$0.4725
September 30, 2018	August 20, 2018	August 29, 2018	$0.4725

Preferred Stock Dividends

On May 25, 2018, we paid-in-kind a preferred stock dividend of $4.8 million , which was prorated for the period from January 19, 2018 to March 31, 2018. On August 7, 2018, we declared a preferred stock dividend to be paid-in-kind of $6.2 million, which will be paid on August 29, 2018. Paid-in-kind dividends increase the Liquidation Preference.

Credit Risk

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

Customer Concentration

Shell Trading (US) Company, a customer of our Crude Supply and Logistics segment, accounted for more than 10% of our consolidated revenue for the three months ended June 30, 2018 , at approximately 32%. Shell Trading (US) Company, a customer of our Crude Supply and Logistics segment, accounted for more than 10% of our consolidated revenue for the six months ended June 30, 2018 , at approximately 33%. The contracts from which our revenues are derived from this customer relate to our crude marketing operations and are for crude oil purchases and sales at market prices. We are not substantially dependent on such contracts and believe that if we were to lose any or all of these contracts, they could be readily replaced under substantially similar terms.

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 revenues.

Off-Balance Sheet Arrangements

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

Commitments

For information regarding purchase and sales commitments, see the discussion under the caption “Purchase and sale commitments” in Note 7 of our condensed consolidated financial statements of this Form 10-Q, which information is incorporated by reference into this Item 2.

Critical Accounting Policies and Estimates

For disclosure regarding our critical accounting policies and estimates, see the discussion under the caption “Critical Accounting Policies and Estimates” in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017 .

Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements.

Item 3. 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 Risk Governance Policies, which govern our enterprise-wide risks, including the market risks discussed in this item. Subject to our Risk Governance Policies, 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 three months and six months ended June 30, 2018 and June 30, 2017 , and the year ended December 31, 2017 .

	Light Sweet Crude Oil Futures (Barrel)	Mont Belvieu (Non-LDH) Spot Propane (Gallon)	Henry Hub Natural Gas Futures (MMBtu)
Three Months Ended June 30, 2017			
High	$53.40	$0.68	$3.42
Low	$42.53	$0.57	$2.89
High/Low Differential	*$10.87*	*$0.11*	*$0.53*
Three Months Ended June 30, 2018			
High	$74.15	$0.97	$3.02
Low	$62.06	$0.75	$2.66
High/Low Differential	*$12.09*	*$0.22*	*$0.36*
Six Months Ended June 30, 2017			
High	$54.45	$0.93	$3.42
Low	$42.53	$0.57	$2.56
High/Low Differential	*$11.92*	*$0.36*	*$0.86*
Six Months Ended June 30, 2018			
High	$74.15	$1.02	$3.63
Low	$59.19	$0.73	$2.55
High/Low Differential	*$14.96*	*$0.29*	*$1.08*
Year Ended December 31, 2017			
High	$60.42	$1.01	$3.42
Low	$42.53	$0.57	$2.56
High/Low Differential	*$17.89*	*$0.44*	*$0.86*

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

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

- A 10% increase in the price of natural gas and natural gas liquids results in approximately a $3.0 million increase to gross margin.
- A 10% decrease in those prices would have the opposite effect.

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 June 30, 2018 , 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	837 (short)	$ (8,003)	$ (6,206)	$ 6,206	August 2018

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 June 30, 2018 , an increase in these base rates of 1%, above the base rate floors, would increase our interest expense by $2.8 million and $4.9 million for the three months and six months ended June 30, 2018 , respectively. Increases in interest expense due to an increase in interest rates as presented above, would have been partially offset by a reduction of $1.5 million and $2.5 million in interest expense from interest rate swaps, discussed below, for the three months and six months ended June 30, 2018 , respectively.

The average interest rates presented below are based upon rates in effect at June 30, 2018 and December 31, 2017 . 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	June 30, 2018	December 31, 2017
Long-term debt - variable rate	$1.2 billion	$948.1 million
Average interest rate	4.43%	4.32%
Long-term debt - fixed rate	$1.4 billion	$1.4 billion
Fixed interest rate	6.16%	6.16%

Debt obligations above include the final payment related to the HFOTCO acquisition, which was made on April 17, 2018 .

In conjunction with the HFOTCO acquisition, we acquired HFOTCO's interest rate swaps. The swaps allow us to limit exposure to interest rate fluctuations. The swaps only apply to a portion of our outstanding debt and provide only partial mitigation of interest rate fluctuations. We have not designated the swaps as hedges, as such changes in the fair value of the swaps are recorded through current period earnings as a component of interest expense. At June 30, 2018 , we had interest rate swaps with notional values of $489.7 million . At June 30, 2018 , the fair value of our interest rate swaps was $0.1 million which was reported within "other current assets" in our condensed consolidated balance sheet. For the three months and six months ended June 30, 2018 , we recognized unrealized gains of $0.1 million and $1.2 million , respectively, related to interest rate swaps.

Currency Exchange Risk

The cash flows related to our Canadian operations, and our former U.K. and Mexican 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 foreign 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 three months and six months ended June 30, 2018 , would change operating income by $9.9 million and $9.9 million, respectively.

We enter into foreign currency forwards to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canadian operations. We have not designated the forwards as hedges, as such changes in the fair value of the forwards are recorded through current period earnings as a component of foreign currency translation gain/loss. At June 30, 2018 , we had foreign currency forwards with notional values of $95.0 million . At June 30, 2018 , the fair value of our foreign currency swaps was $2.5 million , which is reported within "other current liabilities" and "other noncurrent liabilities" in our consolidated balance sheet. For the quarter ended June 30, 2018 , we recognized unrealized losses of $2.1 million and $6.5 million , respectively, related to foreign currency forwards. The foreign currency forwards have maturities through June 2019.

A 1% increase in the USD/CAD foreign exchange rate would lead to a $1.2 million gain and in the event of a 1% decrease in the USD/CAD foreign exchange rate a $4.2 million loss based on the exchange rates at June 30, 2018 .

Item 4. Controls and Procedures

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 June 30, 2018 . 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.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2018 , that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see the discussion under the captions “Environmental” and “Other matters,” in Note 7 of our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, which information is incorporated by reference into this Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors involving us from those previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about purchases of our common stock by us during the quarter ended June 30, 2018 :

	Total Number of Shares Purchased (1)	Weighted Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2018 - April 30, 2018	28,849	$ 22.55	—	—
May 1, 2018 - May 31, 2018	1,223	24.89	—	—
June 1, 2018 - June 30, 2018	8,868	25.30	—	—
Total	38,940	$ 23.25	—	—

(1) Represents shares of common stock withheld from certain of our employees for payment of taxes associated with the vesting of restricted stock awards.

(2) The price paid per common share represents the closing price as posted on the New York Stock Exchange on the day that the shares were purchased.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed or furnished as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description
3	Certificate of Amendment of Amended and Restated Certificate of Incorporation, as amended, of SemGroup Corporation (filed as Exhibit 3.1 to our current report on Form 8-K dated May 16, 2018, filed May 22, 2018, and incorporated herein by reference).
4.1	Third Supplemental Indenture, dated as of May 15, 2018, among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as “Guaranteeing Subsidiaries,” Rose Rock Finance Corporation, the subsidiaries of SemGroup Corporation named therein as the other “Subsidiary Guarantors” and Wilmington Trust, National Association, as trustee.

4.2	Second Supplemental Indenture, dated as of May 15, 2018, among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries," Rose Rock Finance Corporation, the subsidiaries of SemGroup Corporation named therein as the other "Subsidiary Guarantors" and Wilmington Trust, National Association, as trustee.
4.3	First Supplemental Indenture, dated as of May15, 2018, among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries," Rose Rock Finance Corporation, the subsidiaries of SemGroup Corporation named therein as the other "Subsidiary Guarantors" and Wilmington Trust, National Association, as trustee.
4.4	First Supplemental Indenture, dated as of May15, 2018, among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries," Rose Rock Finance Corporation, the subsidiaries of SemGroup Corporation named therein as the other "Subsidiary Guarantors" and Wilmington Trust, National Association, as trustee.
10.1	Amendment and Restatement Agreement, dated as of June 26, 2018, among Buffalo Gulf Coast Terminals LLC, as the parent, HFOTCO LLC, as the borrower, Toronto Dominion (Texas) LLC, as administrative agent, and Morgan Stanley Senior Funding, Inc., as existing agent (filed as Exhibit 10.1 to our current report on Form 8-K dated June 26, 2018, filed July 2, 2018, and incorporated herein by reference).
10.2	Amendment No. 2 to Continuing Covenant Agreement, dated as of June 26, 2018, between HFOTCO LLC, as obligor, Buffalo Gulf Coast Terminals LLC, as the parent, Bank of America, N.A., as administrative agent and collateral agent, and the bondholders party thereto (filed as Exhibit 10.2 to our current report on Form 8-K dated June 26, 2018, filed July 2, 2018, and incorporated herein by reference).
10.3	SemGroup Corporation Board of Directors Compensation Plan effective June 1, 2018.
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.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date August 9, 2018	SEMGROUP CORPORATION	
	By:	/s/ Robert N. Fitzgerald
		Robert N. Fitzgerald
		Senior Vice President and
		Chief Financial Officer

EXHIBIT 4.1

THIRD SUPPLEMENTAL INDENTURE

THIRD SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of May 15, 2018, among SemGroup Corporation, a Delaware corporation ("SemGroup"), Beachhead Holdings LLC, Beachhead I LLC and Beachhead II LLC (the "Guaranteeing Subsidiaries"), each an indirect wholly-owned subsidiary of SemGroup, Rose Rock Finance Corporation, a Delaware corporation (together with SemGroup, the "Issuers"), the other Subsidiary Guarantors (as defined in the Indenture referred to below) and Wilmington Trust, National Association, as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee a senior unsecured indenture (the "Base Indenture"), dated as of July 2, 2014 providing for the issuance of 5.625% Senior Notes Due 2022 (the "Notes");

WHEREAS, the Issuers and the Subsidiary Guarantors have heretofore, executed and delivered to the Trustee a First Supplemental Indenture, dated as of April 7, 2015 (the "First Supplemental Indenture") and a Second Supplemental Indenture, dated as of September 30, 2016 (the "Second Supplemental Indenture"; the Base Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and pursuant to this Supplemental Indenture, the "Indenture");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiaries shall unconditionally guarantee all of the Issuers' Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "Subsidiary Guarantee"); and

WHEREAS, pursuant to Section 901 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO SUBSIDIARY GUARANTEE. The Guaranteeing Subsidiaries hereby agree to provide an unconditional Subsidiary Guarantee on the terms and subject to the conditions set forth in the Subsidiary Guarantee and in the Indenture including but not limited to Article 12 thereof.

3. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiaries, as such, shall have any liability for any obligations of the Issuers or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation; *provided* that the foregoing shall not limit any of the Issuers' obligations under the Notes. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

4. GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Issuers.

[signatures on following pages]

Issuer:
SemGroup Corporation
Rose Rock Finance Corporation

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

Guaranteeing Subsidiaries:
Beachhead Holdings LLC
Beachhead I LLC
Beachhead II LLC

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

Guarantors:
SemGas, L.P.
SemMaterials, L.P.

By: SemOperating G.P., L.L.C., each such Guarantor's general partner

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

SemGroup Europe Holding, L.L.C.
SemMexico, L.L.C.
Mid-America Midstream Gas Services, L.L.C.

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

SemOperating G.P., L.L.C.
SemDevelopment, L.L.C.

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

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

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

Wattenberg Holding, LLC

By: Rose Rock Midstream Operating, LLC, as sole member and manager

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

Rose Rock Midstream Operating, LLC
Rose Rock Midstream Field Services, LLC
Rose Rock Midstream Energy GP, LLC
SemCrude Pipeline, L.L.C.

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

Rose Rock Midstream Crude, L.P.

By: Rose Rock Midstream Energy GP, LLC

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

Wilmington Trust, National Association, as Trustee

By: /s/ Shawn Goffinet
Name: Shawn Goffinet
Title: Assistant Vice President

EXHIBIT 4.2

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of May 15, 2018, among SemGroup Corporation, a Delaware corporation ("SemGroup"), Beachhead Holdings LLC, Beachhead I LLC and Beachhead II LLC (the "Guaranteeing Subsidiaries"), each an indirect wholly-owned subsidiary of SemGroup, Rose Rock Finance Corporation, a Delaware corporation (together with SemGroup, the "Issuers"), the other Subsidiary Guarantors (as defined in the Indenture referred to below) and Wilmington Trust, National Association, as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee a senior unsecured indenture (the "Base Indenture"), dated as of May 14, 2015 providing for the issuance of 5.625% Senior Notes Due 2023 (the "Notes");

WHEREAS, the Issuers and the Subsidiary Guarantors have heretofore, executed and delivered to the Trustee a First Supplemental Indenture, dated as of September 30, 2016 (the "First Supplemental Indenture"; the Base Indenture, as supplemented by the First Supplemental Indenture and pursuant to this Supplemental Indenture, the "Indenture");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiaries shall unconditionally guarantee all of the Issuers' Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "Subsidiary Guarantee"); and

WHEREAS, pursuant to Section 901 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO SUBSIDIARY GUARANTEE. The Guaranteeing Subsidiaries hereby agree to provide an unconditional Subsidiary Guarantee on the terms and subject to the conditions set forth in the Subsidiary Guarantee and in the Indenture including but not limited to Article 12 thereof.

3. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiaries, as such, shall have any liability for any obligations of the Issuers or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation; *provided* that the foregoing shall not limit any of the Issuers' obligations under the Notes. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

4. GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Issuers.

[signatures on following pages]

Issuer:
SemGroup Corporation
Rose Rock Finance Corporation

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

Guaranteeing Subsidiaries:
Beachhead Holdings LLC
Beachhead I LLC
Beachhead II LLC

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

Guarantors:
SemGas, L.P.
SemMaterials, L.P.

By: SemOperating G.P., L.L.C., each such Guarantor's general partner

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

SemGroup Europe Holding, L.L.C.
SemMexico, L.L.C.
Mid-America Midstream Gas Services, L.L.C.

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

SemOperating G.P., L.L.C.
SemDevelopment, L.L.C.

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

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

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

Wattenberg Holding, LLC

By: Rose Rock Midstream Operating, LLC, as sole member and manager

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

Rose Rock Midstream Operating, LLC
Rose Rock Midstream Field Services, LLC
Rose Rock Midstream Energy GP, LLC
SemCrude Pipeline, L.L.C.

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

Wilmington Trust, National Association, as Trustee

By: /s/ Shawn Goffinet
Name: Shawn Goffinet
Title: Assistant Vice President

EXHIBIT 4.3

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of May 15, 2018, among SemGroup Corporation, a Delaware corporation ("SemGroup"), Beachhead Holdings LLC, Beachhead I LLC and Beachhead II LLC (the "Guaranteeing Subsidiaries"), each an indirect wholly-owned subsidiary of SemGroup, Rose Rock Finance Corporation, a Delaware corporation (together with SemGroup, the "Issuers"), the other Subsidiary Guarantors (as defined in the Indenture referred to below) and Wilmington Trust, National Association, as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee a senior unsecured indenture (the "Base Indenture"; the Base Indenture, as supplemented pursuant to this Supplemental Indenture, the "Indenture"), dated as of March 15, 2017 providing for the issuance of 6.375%% Senior Notes Due 2025 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiaries shall unconditionally guarantee all of the Issuers' Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "Subsidiary Guarantee"); and

WHEREAS, pursuant to Section 901 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO SUBSIDIARY GUARANTEE. The Guaranteeing Subsidiaries hereby agree to provide an unconditional Subsidiary Guarantee on the terms and subject to the conditions set forth in the Subsidiary Guarantee and in the Indenture including but not limited to Article 12 thereof.

3. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiaries, as such, shall have any liability for any obligations of the Issuers or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation; *provided* that the foregoing shall not limit any of the Issuers' obligations under the Notes. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

4. GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Issuers.

[signatures on following pages]

Issuer:
SemGroup Corporation

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

Guaranteeing Subsidiaries:
Beachhead Holdings LLC
Beachhead I LLC
Beachhead II LLC

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

Guarantors:
SemGas, L.P.
SemMaterials, L.P.

By: SemOperating G.P., L.L.C., each such Guarantor's general partner

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

SemGroup Europe Holding, L.L.C.
SemMexico, L.L.C.
Mid-America Midstream Gas Services, L.L.C.

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

SemOperating G.P., L.L.C.
SemDevelopment, L.L.C.

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

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

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

Wattenberg Holding, LLC

By: Rose Rock Midstream Operating, LLC, as sole member and manager

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

Rose Rock Finance Corporation
Rose Rock Midstream Operating, LLC
Rose Rock Midstream Field Services, LLC
Rose Rock Midstream Energy GP, LLC
SemCrude Pipeline, L.L.C.

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

Wilmington Trust, National Association, as Trustee

By: /s/ Shawn Goffinet
Name: Shawn Goffinet
Title: Assistant Vice President

EXHIBIT 4.4

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of May 15, 2018, among SemGroup Corporation, a Delaware corporation ("SemGroup"), Beachhead Holdings LLC, Beachhead I LLC and Beachhead II LLC (the "Guaranteeing Subsidiaries"), each an indirect wholly-owned subsidiary of SemGroup, Rose Rock Finance Corporation, a Delaware corporation (together with SemGroup, the "Issuers"), the other Subsidiary Guarantors (as defined in the Indenture referred to below) and Wilmington Trust, National Association, as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee a senior unsecured indenture (the "Base Indenture"; the Base Indenture, as supplemented pursuant to this Supplemental Indenture, the "Indenture"), dated as of September 20, 2017 providing for the issuance of 7.250% Senior Notes Due 2026 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiaries shall unconditionally guarantee all of the Issuers' Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "Subsidiary Guarantee"); and

WHEREAS, pursuant to Section 901 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO SUBSIDIARY GUARANTEE. The Guaranteeing Subsidiaries hereby agree to provide an unconditional Subsidiary Guarantee on the terms and subject to the conditions set forth in the Subsidiary Guarantee and in the Indenture including but not limited to Article 12 thereof.

3. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiaries, as such, shall have any liability for any obligations of the Issuers or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation; *provided* that the foregoing shall not limit any of the Issuers' obligations under the Notes. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

4. GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Issuers.

[signatures on following pages]

Issuer:
SemGroup Corporation

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

Guaranteeing Subsidiaries:
Beachhead Holdings LLC
Beachhead I LLC
Beachhead II LLC

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

Guarantors:
SemGas, L.P.
SemMaterials, L.P.

By: SemOperating G.P., L.L.C., each such Guarantor's general partner

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

SemGroup Europe Holding, L.L.C.
SemMexico, L.L.C.
Mid-America Midstream Gas Services, L.L.C.

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

SemOperating G.P., L.L.C.
SemDevelopment, L.L.C.

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

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

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

Wattenberg Holding, LLC

By: Rose Rock Midstream Operating, LLC, as sole member and manager

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

Rose Rock Finance Corporation
Rose Rock Midstream Operating, LLC
Rose Rock Midstream Field Services, LLC
Rose Rock Midstream Energy GP, LLC
SemCrude Pipeline, L.L.C.

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

Wilmington Trust, National Association, as Trustee

By: /s/ Shawn Goffinet
Name: Shawn Goffinet
Title: Assistant Vice President

EXHIBIT 10.3

SEMGROUP CORPORATION

Board of Directors
Compensation Plan

Effective June 1, 2018

Total annual compensation for the non-executive Board members of SemGroup Corporation will be paid both in a retainer (either in cash or in equity, or a combination thereof) and in an equity grant of SemGroup Corporation.

	Total Compensation [1]	Annual Retainer [2, 3, 4]	Annual Equity Grant [4]
Non-Executive Chairman of the Board	$309,000	$137,000	$172,000
Chairman - Audit Committee	$247,000	$112,500	$134,500
Members - Audit Committee	$222,000	$100,000	$122,000
Chairman - Nominating/Governance Committee	$237,000	$107,500	$129,500
Chairman - Compensation Committee	$242,000	$110,000	$132,000
Members - Nominating/Governance Committee	$222,000	$100,000	$122,000
Members - Compensation Committee	$222,000	$100,000	$122,000
Members - Board Only	$222,000	$100,000	$122,000

A. Board members will receive the Annual Equity Grant as restricted stock which shall fully vest on the first anniversary date of the grant.

B. Board members must retain 100% of all stock awarded under this plan until a minimum ownership level of vested shares equal in value to 4x's the Annual Retainer for Members - Board Only as set forth above has been achieved; provided, however, (i) that Board members will be able to sell shares to cover tax liability associated with fully-vested or vesting of restricted shares and (ii) that vested shares can be transferred: (1) to his or her revocable grantor trust in which such Director is the sole primary beneficiary; (2) to a trust maintained for the benefit of the spouse or minor child of the Director of which the Director serves as trustee; and (3) to the spouse of the director to be held in common ownership with such Director.

C. Each Board member shall receive the highest Total Compensation he or she is entitled to pursuant to the above table. No Board member shall be entitled to compensation from more than one row of the table set forth above.

D. The number of shares of restricted stock received shall be determined by dividing the dollar amount of the grant by the value of a share of common stock on the date the grant is made.

E. Board members will receive in June of each plan year, which shall commence on June 1 of each year, their Annual Retainer and Annual Equity Grant. The Annual Retainer and Annual Equity Grant shall be pro-rated for any Director whose service commences after June 1 of a plan year.

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[1] Total compensation is the sum of the Annual Retainer and Annual Equity Grant paid on an annual basis.

[2] Board members may elect, on or prior to December 31 of the calendar year preceding the plan year, to receive the Annual Retainer in either cash, fully-vested restricted stock, or a combination thereof. If a Board member does not make such an election, the entire amount of the Annual Retainer will be paid in cash.

[3] The Annual Retainer to be paid in cash can be voluntarily deferred in increments of 5% subject to compliance with the SemGroup Corporation Non-executive Directors' Compensation Deferral Program, which is attached as Attachment A hereto and hereby incorporated herein by reference.

[4] All equity grants will be made under the SemGroup Corporation Equity Incentive Plan.

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Carlin G. Conner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SemGroup Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ Carlin G. Conner

Carlin G. Conner

President and Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert N. Fitzgerald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SemGroup Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald

Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the quarterly report of SemGroup Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carlin G. Conner, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

/s/ Carlin G. Conner

Carlin G. Conner
President and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the quarterly report of SemGroup Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert N. Fitzgerald, Senior Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Senior Vice President and
Chief Financial Officer