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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016
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)	(I.R.S. Employer Identification No.)

Two Warren Place
6120 S. Yale Avenue, Suite 1500
Tulsa, OK 74136-4231
(918) 524-8100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's Class A and Class B Common Stock held by non-affiliates at June 30, 2016, was $1,710,681,855, based on the closing price of the Class A Common Stock on the New York Stock Exchange on June 30, 2016.

At January 31, 2017, there were 66,099,848 shares of Class A Common Stock and 0 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, in connection with the registrant's Annual Stockholders' Meeting to be held on May 17, 2017, are incorporated by reference into Part III of this Form 10-K.

SEMGROUP CORPORATION AND SUBSIDIARIES
FORM 10-K— 2016 ANNUAL REPORT

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Cautionary Note Regarding Forward-Looking Statements

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

All statements, other than statements of historical fact, included in this Form 10-K regarding the prospects of our industry, our anticipated financial performance, 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 this Form 10-K, entitled “Risk Factors,” risk factors discussed in other reports that we file with the Securities and Exchange Commission (“SEC”), and the following:

- The failure to realize the anticipated benefits of the transaction consummated on September 30, 2016, pursuant to which we acquired all of the common units of our subsidiary, Rose Rock Midstream, L.P. ("Rose Rock"), not already owned by us;
- 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 loss of, or a material nonpayment or nonperformance by, any of our key customers;
- The amount of cash distributions, capital requirements and performance of our investments and joint ventures;
- The amount of collateral required to be posted from time to time in our purchase, sale or derivative transactions;
- The impact of operational and developmental hazards and unforeseen interruptions;
- Our ability to obtain new sources of supply of petroleum products;
- Competition from other midstream energy companies;
- Our ability to comply with the covenants contained in our credit agreement and the indentures governing our senior notes, including requirements under our credit 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;
- 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 United States, including political and economic instability and changes in local governmental laws, regulations and policies;
- Costs of, or changes in, laws and regulations and our failure to comply with new or existing laws or regulations, particularly with regard to taxes, safety and protection of the environment;
- The possibility that our hedging activities may result in losses or may have a negative impact on our financial results; and
- General economic, market and business conditions.

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

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

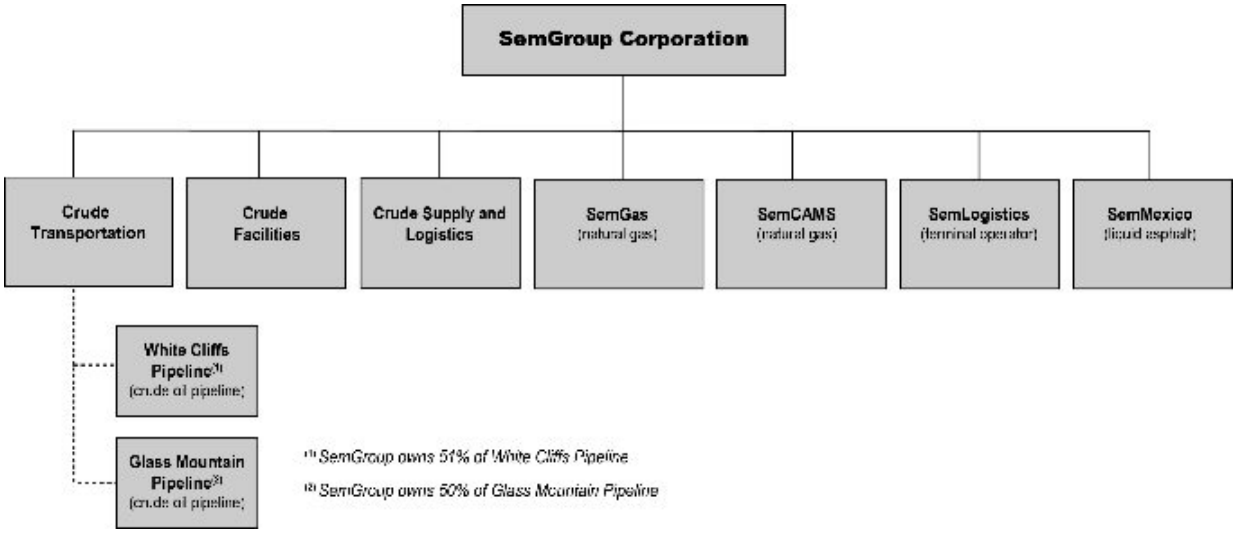
As used in this Form 10-K, and unless the context indicates otherwise, the terms the "Company," "SemGroup," "we," "us," "our," "ours," and similar terms refer to SemGroup Corporation, its consolidated subsidiaries, and its predecessors. We sometimes refer to crude oil, natural gas, natural gas liquids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

PART I

Items 1 and 2. *Business and Properties*

Overview

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



Company Information

Our principal executive offices are located at Two Warren Place, 6120 South Yale Avenue, Suite 1500, Tulsa, OK 74136-4231 and our telephone number is (918) 524-8100. Our website is www.semgroupcorp.com . Our Class A common stock trades on the New York Stock Exchange under the ticker symbol "SEMG." Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements and other information we file with, or furnish to, the SEC are available free of charge on our website. We make these documents available as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The information contained on our website, or available by hyperlink from our website, is not incorporated into this Form 10-K or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on our website in the "Investor Relations" sections. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

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

Industry Overview

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

Crude Oil Midstream Market

Our crude oil business operates primarily in Colorado, Kansas, Minnesota, Montana, North Dakota, Oklahoma, Texas and Wyoming. Our assets include gathering systems in and around producing fields and transportation pipelines and trucks carrying crude oil to logistic hubs, such as the Cushing Interchange, where we have terminalling and storage facilities.

Gathering and Transportation

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

Storage Terminals and Supply

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

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

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

Overview of Cushing Interchange

The Cushing Interchange is one of the largest crude oil marketing hubs in the U.S. and is the designated point of delivery specified in NYMEX crude oil futures contracts. The Cushing Interchange has multiple inbound and outbound pipeline interconnections and shell capacity of approximately 90 million barrels. As the NYMEX delivery point and a cash market hub, the Cushing Interchange serves as a significant source of refinery feedstock for Midwest refiners and plays an important role in establishing and maintaining markets for many varieties of crude oil.

Natural Gas Midstream Market

We operate natural gas gathering and processing assets in the U.S. and Canada. Gathering systems typically consist of a network of small diameter pipelines and compression systems that collect natural gas from producing wells and transport it to larger pipelines for further transmission to a gas processing plant.

In addition to water vapor, wellhead gas may contain impurities such as carbon dioxide, nitrogen, hydrogen sulfide, helium, oxygen and other inert components. These impurities must be removed from the gas stream to protect downstream equipment, prevent corrosion and meet downstream pipeline quality specifications. As natural gas is processed to remove unwanted elements that interfere with pipeline transportation, higher value natural gas liquids known as NGLs and condensate are separated from the raw natural gas stream. NGLs include ethane, propane, normal butane, iso-butane and natural gasoline. These products are used as petrochemical feedstock, heating and transportation fuels and refinery feedstock. Condensate is a mixture of petroleum products consisting primarily of pentanes and heavier liquids. It is used as refinery feedstock and as a diluent used to dilute crude bitumen so that it can be transported by pipeline or railcar.

Petroleum Products Storage Industry in the U.K.

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

Mexican Asphalt Industry

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

Our Property, Plant and Equipment

We, or our significant equity method investees, have an asset base consisting of pipelines, gathering systems, storage facilities, terminals, processing plants and other distribution assets located in North America, a storage terminal and marine facility in the U.K. and a network of liquid asphalt cement terminals throughout Mexico. See "Our Business Segments" below for a description of our consolidated assets.

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.

Business Strategy

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

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

Our Business Segments

We conduct our business through seven business segments:

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

For information relating to revenue and total assets for each segment, refer to Note 8 of our consolidated financial statements beginning on page F-1 of this Form 10-K.

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

Crude Transportation

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

Assets and Operations

- a 460 -mile crude oil gathering and transportation pipeline system with over 650,000 barrels of associated storage capacity in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries;
- the Wattenberg Oil Trunkline ("WOT"), a 75 -mile, 12-inch diameter crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the pipeline owned by White Cliffs Pipeline, L.L.C. ("White Cliffs"). The WOT has a capacity of approximately 85,000 barrels per day as well as 360,000 barrels of operational storage;
- a crude oil trucking fleet of over 225 transport trucks and 235 trailers;
- a 51% ownership interest in White Cliffs, which owns a 527-mile pipeline, consisting of two 12-inch common carrier, crude oil pipelines, that transports crude oil from Platteville, Colorado to Cushing, Oklahoma (the "White Cliffs Pipeline") that we operate;
- a 50% ownership interest in Glass Mountain Pipeline, LLC ("Glass Mountain"), which owns a 215 -mile pipeline that transports crude oil in western and north central Oklahoma (the "Glass Mountain Pipeline") that we operate and Glass Mountain is constructing a 44-mile extension that is expected to be operational in the fourth quarter of 2017; and
- Maurepas Pipeline, a project underway to build three pipelines to service refineries in the Gulf Coast region, which is expected to be completed in late second quarter 2017.

Delivery Points. Our Kansas and Oklahoma system connects to pipelines owned by Sunoco Logistics Partners L.P., Plains All American Pipeline, L.P., Kaw Pipeline Company, Jayhawk Pipeline LLC and MV Purchasing, LLC in Kansas and Oklahoma, and refineries owned by HollyFrontier Corporation and ConocoPhillips Company, and our storage terminal in Cushing.

Competition. Competition for crude oil volumes is primarily based on reputation, commercial terms, reliability, interconnectivity, location and available capacity.

Crude Facilities

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

Assets and Operations

- a crude oil storage facility in Cushing, Oklahoma with a capacity of over 7.6 million barrels, of which 6.25 million barrels are leased to customers and 1.35 million barrels are used for crude oil operations, blending and marketing activities; and
- a 30 -lane crude oil truck unloading facility with 350,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline.

General. We own and operate 33 crude oil storage tanks in Cushing with an aggregate storage capacity of approximately 7.6 million barrels, of which 6.25 million barrels are leased to customers and 1.35 million barrels are used for crude oil operations, blending and marketing activities. Our storage terminal has inbound connections with the White Cliffs Pipeline from Platteville, Colorado, the Great Salt Plains Pipeline from Cherokee, Oklahoma, the Cimarron Pipeline from Boyer, Kansas and two-way connections with all of the other major storage terminals in Cushing. Connection with this terminal provides our customers with access to multiple pipelines outbound from Cushing. Our Cushing terminal also includes truck unloading facilities.

All of our Cushing storage tanks have been built since the beginning of 2008 and had a weighted average age of 6.47 years as of December 31, 2016. The design and construction of our storage tanks meets the specifications established by the American Petroleum Institute in API 650 which establishes minimum requirements for material, design, fabrication, erection and testing of welded tanks for oil storage and includes seismic considerations. Our storage tanks also undergo regular maintenance and inspection programs, and we believe that these design specifications and maintenance and inspection programs reduce our maintenance capital expenditures.

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

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

Crude Supply and Logistics

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

Assets and Operations

Crude Supply and Logistics uses Crude Transportation and Crude Facilities assets for marketing purposes. In addition, Crude Supply and Logistics assets include approximately 61,800 barrels of crude oil storage capacity in Trenton and Stanley, North Dakota.

General. We mitigate the commodity price exposure of our crude oil marketing operations by limiting our net open positions through: (i) the concurrent purchase and sale of like quantities of crude oil to create "back-to-back" transactions intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered; or (ii) derivative contracts. All marketing activities are subject to our Comprehensive Risk Management Policy, a Delegation of Authority policy, and their supporting policies and procedures (collectively, the "Risk Governance Policies"), which establish limits in order to attempt to manage risk and mitigate financial exposure.

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

SemGas

SemGas provides natural gas gathering, processing and marketing services. SemGas aggregates gas supplies from the wellhead and provides various services to producers that condition the wellhead gas production for downstream markets.

Assets and Operations

SemGas owns and operates the following assets:

- approximately 1,000 miles of gathering pipelines in Oklahoma and Texas;
- three plant facilities in northern Oklahoma's Mississippi Lime Play with a combined processing capacity of approximately 565 million cubic feet per day;
- approximately 660,000 acres dedicated to SemGas from several area producers in the Mississippi Lime Play; and
- a processing plant located in Sherman, Texas, with a processing capacity of 30 million cubic feet per day.

Revenue and Marketing

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

Market and Competitive Strengths

Because the Mississippi Lime Play is primarily a crude oil play with associated natural gas and natural gas liquids, SemGas' gathering and processing volumes can be impacted by market demand for the products it handles, as well as the price

for crude oil. Gathering and processing activities are also reliant on continued drilling and production activity by producers in our areas of operation.

We face competition in acquiring new natural gas supplies. The natural gas gathering and processing industry is generally characterized by regional competition, based on the proximity of gathering systems and processing plants to natural gas producing wells. SemGas' gathering and processing assets tend to have relatively long-term contracts and, in some instances, are the only assets that can provide the offered services to the customers. Our SemGas northern Oklahoma assets have natural gas take away capacity on Southern Star Central Gas Pipeline, Panhandle Eastern Pipeline and Enable Midstream Partners and natural gas liquids take away capacity to ONEOK Hydrocarbon LP.

SemCAMS

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

Assets and Operations

SemCAMS operates and owns:

- varying working interests in two sour natural gas processing plants known as the Kaybob South No. 3 plant (the "K3 Plant") and the Kaybob Amalgamated plant (the "KA Plant"). The sour gas plants are dually connected to two major long-haul natural gas pipelines that serve Canada and the U.S. The plants also have the ability to load certain products for transportation by truck and railcar;
- varying working interests in two sweet gas plants known as the West Fox Creek plant and the West Whitecourt plant;
- a combined operating capacity for the above four processing plants of 695 million cubic feet per day;
- a network of approximately 620 miles of natural gas gathering and transportation pipelines; and
- a sour gas processing plant to be constructed in the Wapiti area of the Montney play in Alberta ("Wapiti Plant"), with a capacity of 200 million cubic feet per day. Construction is expected to begin in the second quarter of 2017 and is expected to be completed in mid-2019.

Revenue and Marketing

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

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

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

Market and Competitive Strengths

Natural gas is used for a variety of purposes in Canada including heating, electricity production and other industrial processes. All of SemCAMS' assets are located in the Montney and Duvernay Plays as well as the Western Canadian Sedimentary Basin.

SemLogistics

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

Assets and Operations

SemLogistics operates a tank storage business and offers build-bulk (importing small cargo, building volume and exporting larger cargo) and break-bulk (importing larger cargo and exporting smaller cargo) operations to its customers that

transport products between a wide range of locations including the Middle East, Asia, Europe, the U.S., Central America and the west coast of Africa. The terminal is strategically located to access the U.K. market and to service numerous global markets.

SemLogistics' storage facility includes:

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

Over 60% of SemLogistics' storage capacity is multi-product, providing customers with tank storage for clean petroleum products, including gasoline, gasoline blendstocks, jet fuel and gas oil. The remaining tankage is either dedicated to crude oil or dual-purpose tankage for at least two clean petroleum products (gasoline/jet fuel or gasoline/gas oil or jet fuel/gas oil). SemLogistics also provides related services, e.g., tank-to-tank transfers, mixing of gasoline blendstocks and kerosene marking.

Revenue and Marketing

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

Markets and Competitive Strength

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

SemMexico

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

Assets and Operations

SemMexico operates an in-country network that consists of:

- 13 asphalt cement terminals and modification facilities with a combined storage capacity of approximately 428,000 barrels;
- two marine terminals; and
- a national technical center and headquarters located in the city of Puebla.

Revenue and Marketing

SemMexico generates revenues through the sale of asphalt products. SemMexico's focus is to maintain its reputation as a quality supplier of asphalt products by consistently producing high quality products and introducing technologically advanced products and solutions to Mexico's asphalt market, while simultaneously increasing production capacity and product distribution availability.

Market and Competitive Strengths

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

Risk Governance

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

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

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

The Audit Committee of our Board of Directors has oversight responsibilities for the implementation of, and compliance with, our Risk Governance Policies.

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

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

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

Collectively, our Risk Governance Policies provide a set of limits or thresholds for activities related to owned assets, physical commodities, and derivatives and capital transactions involving market and credit risk. Our limits monitor these risks for each individual segment and on a consolidated basis. Our Risk Governance Policies also specify the types of transactions that may be executed by incumbents of named positions without specific approval of our Board of Directors or our Executive Management Committee.

Competition

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

Operational Hazards and Insurance

Pipelines, terminals, storage tanks, processing plants or other facilities may experience damage as a result of an accident, natural disaster or deliberate act. These hazards can also cause personal injury and loss of life, severe damage to, and destruction of, property and equipment, pollution or environmental damage and suspension of operations. Through the services of a major national insurance broker, we have maintained insurance of various types and varying levels of coverage similar to that maintained by other companies in the industry and which we consider adequate, under the circumstances, to cover our operations and properties, including coverage for natural catastrophes, pollution related events and acts of terrorism and sabotage. The limit of operational insurance maintained covering loss of, or damage to, property and products is $300 million per loss and includes business interruption loss. For claims arising under general liability, automobile liability and excess

liability, the limits maintained total $250 million per occurrence/claim. Primary and excess liability insurance limits maintained for pollution liability claims vary by location for claims arising from gradual pollution with limits ranging from $20 million to $40 million in the aggregate. The combined primary and excess liability insurance limits for claims arising from sudden and accidental pollution total $270 million per claim and $290 million in the aggregate. This insurance does not cover every potential risk associated with the operating pipelines, terminals and other facilities. We have a favorable claims history enabling us to self-insure the “working layer” of loss activity using deductibles and self-insured retentions commensurate with our financial abilities and in line with industry standards, in order to create a more efficient and cost effective program and a consistent risk profile. The working layer consists of high frequency/low severity losses that are best retained and managed in-house. Sizable or difficult self-insured claims or losses may be handled by professional adjusting firms hired by us. We will continue to monitor the appropriateness of our deductibles and retentions as they relate to the overall cost and scope of our risk and insurance program.

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

Regulation

General

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

Regulation of U.S. Transportation Operations

Interstate Transportation

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

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

Gathering and Intrastate Pipeline Regulation

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

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

Department of Transportation

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

Trucking Regulation

Through our business segment, Crude Transportation, we operate a fleet of trucks to transport crude oil. We are licensed to perform both intrastate and interstate motor carrier services and are subject to certain safety regulations issued by the DOT. These regulations include both those concerning the transportation of hazardous materials under the PHMSA, as well as those under the Federal Motor Carrier Safety Administration ("the FMCSA"). DOT regulations cover, among other things, driver operations, maintaining log books, truck manifest preparations, the placement of safety placards on the trucks and trailer vehicles, drug and alcohol testing, safety of operation and equipment and many other aspects of truck operations.

Cross-Border Regulation

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

Regulation of Canadian Gathering, Processing, Transportation and Marketing Businesses

National Energy Board (“NEB”)

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

Alberta Energy Regulator (“AER”)

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

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

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

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

Sulphur Recovery Standards

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

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

Other Provincial Regulatory Agencies

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

Regulation of U.K. Operations

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

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

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

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

Natural Resources Wales ("NRW") has required a review of the Terminal Environmental Permit to be carried out, following the publication of the revised Best Available Techniques ("BAT") Reference Document for the Refining of Mineral Oil and Gas. The associated BAT conclusions to this document were published on October 9, 2014, in the Official Journal of the European Union.

The permit review covers operational activities at the terminal that are relevant to the applicable BAT conclusions. In addition, the review will allow NRW to consolidate the original site permit to reflect changes made through earlier variations and bring the permit into line with NRW's modern regulatory template. This review will implement all updated and new European Legislation.

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

SemLogistics is currently in compliance with all environmental requirements.

Regulation of Mexican Operations

SemMexico is primarily engaged in the purchasing, production, modification, storage and distribution of liquid asphalt cement products throughout Mexico. These activities are subject to compliance with environmental laws and regulations under

Mexican technical “Official Standards” and other provisions that establish requirements. Companies are required to obtain, from the federal, state and municipal authorities, the relevant permits and authorizations to construct and operate asphalt modification plants and carry out the activities described above.

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

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

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

Environmental, Health and Safety Regulation

General

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

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

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

Water Discharges

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

The federal Clean Water Act and analogous state and local laws impose restrictions and strict controls regarding the discharge of pollutants into waters of the U.S. and state waters, including groundwater in many jurisdictions. Permits must be obtained to discharge pollutants into these waters. The Clean Water Act and analogous state and local laws provide significant penalties for unauthorized discharges and can impose liability for responding to and cleaning up spills. In addition, the Clean

Water Act and analogous state and local laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. These permits may require us to monitor and sample the storm water runoff from certain of our facilities.

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

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

Air Emissions

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

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

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

Sour Gas

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

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

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

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

Climate Change

In response to concerns that emissions of certain gases, commonly referred to as greenhouse gases (“GHGs”) (including carbon dioxide and methane), are contributing to the warming of the earth’s atmosphere and other climatic changes, the U.S. Congress has been considering legislation to reduce such emissions. In addition, a number of states, either individually or through multi-state regional initiatives, have begun implementing legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or GHG cap and trade programs. As an alternative to cap and trade programs, Congress may consider the implementation of a carbon tax program. Although we would not be impacted to a greater degree than other similarly situated midstream energy service providers, a stringent GHG control program could have an adverse effect on our cost of doing business and could reduce demand for the petroleum products we gather, process, transport, store and market.

In October 2016 Canada ratified the Paris Agreement putting in effect the pan-Canadian carbon-pricing framework. Although not specifically directed to the oil and gas industry, the carbon tax is applicable to all CO2 emissions. The pan-Canadian frame work sets the price of carbon, which increases $10/t CO2e annually until it reaches $50/t in 2022. The objective of the pan-Canadian carbon-pricing framework is to reduce CO2 emissions to meet the reduction targets set under the Paris Agreement. The Canadian Federal government has deferred implementation of the carbon tax to the provinces, however where a provincial program is not in place to apply the carbon tax the Federal government can implement a process.

The province of Alberta is currently reviewing how the existing greenhouse gas emissions levy system can be expanded and adopted to meet the Federal pan-Canadian carbon pricing framework. The proposed system for the oil and gas industry will be intensity based with performance standards to incent additional CO2 reductions above and beyond the federal targets.

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

Hazardous Substances and Wastes

The environmental laws and regulations affecting our operations relate to the release of hazardous substances or solid wastes into soils, groundwater and surface water, and include measures to prevent and control pollution. These laws and regulations generally regulate the generation, storage, treatment, transportation and disposal of solid and hazardous wastes, and may require investigatory and corrective actions at facilities where such waste may have been released or disposed. For instance, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), also known as the “Superfund” law, and comparable state laws, impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that contributed to a release of “hazardous substance” into the environment. Potentially responsible persons can include the current owner or operator of the site where a release previously occurred and companies that disposed, or arranged for the disposal, of the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the Environmental Protection Agency ("EPA") and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the potentially responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other wastes released into the environment. Although “petroleum,” as well as natural gas and NGLs, have been for the most part excluded from CERCLA’s definition of a “hazardous substance”, we may, in the course of ordinary operations, generate wastes that may fall within the definition of a “hazardous substance.” In addition, there are other laws and regulations that can create liability for releases of petroleum, natural gas or NGLs. Moreover, we may be responsible under CERCLA or other laws for all or part of the costs required to clean up sites at which such wastes have been disposed.

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

National, provincial and local laws of Canada, Mexico, the U.K. and the European Union that are applicable to our operations also regulate the release of hazardous substances or solid wastes into soils, groundwater and surface water, and include measures to prevent and control pollution as well as the handling of hazardous waste. Some of the requirements are

similar to those found under CERCLA and RCRA and some are not yet as stringent, but are becoming more so as the focus on these issues increases.

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

Employee Safety

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

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

Hazardous Materials Transportation Requirements

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

Similar requirements are in effect in Canada.

Anti-Terrorism Measures

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

Title to Properties

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

We believe that we have satisfactory title to all of the assets we own. Although title to such properties is subject to encumbrances in certain cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and minor easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition

by us, we believe that none of these burdens will materially detract from the value of such properties or from our interest therein or will materially interfere with their use in the operation of our business.

Office Facilities

In addition to our gathering, storage, terminalling and processing facilities discussed above, we maintain corporate office headquarters in Tulsa, Oklahoma. All of the U.S. business segments use Tulsa as their center of operations. Foreign business segments use their centers of operations, which are Calgary, Alberta for SemCAMS; Puebla, Mexico for SemMexico; and Milford Haven, Wales for SemLogistics. Many of our business segments also have satellite offices located throughout North America. The current lease for our Tulsa headquarters expires in May 2022, and the other office leases have varying expiration dates. While we may require additional office space as our business expands, we believe that our existing facilities are adequate to meet our needs for the immediate future, and that additional facilities will be available on commercially reasonable terms as needed.

Employees

As of December 31, 2016 , we had approximately 1,140 employees, including approximately 550 employees outside the U.S., in Canada, Mexico and the U.K. Approximately 130 of our employees in Canada and Mexico are represented by labor unions and subject to collective bargaining agreements governing their employment with us. Of that number, approximately 70 employees have collective bargaining agreements that renew annually and approximately 60 have collective bargaining agreements that expire in January 2019. We have never had a labor related work stoppage and believe our employee relations are good.

Item 1A. ***Risk Factors***

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

Risks Related to Our Business

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

Our credit agreement and the indentures governing our 7.5% senior notes and 5.625% senior notes contain various restrictive covenants that limit the conduct of our business and our credit agreement requires us to maintain certain financial ratios. These covenants and restrictions limit our ability to respond to changing business and economic conditions and may prevent us from engaging in transactions that might otherwise be considered beneficial to us. In particular, this agreement places certain limits on our ability to, among other things:

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

If we fail to comply with the restrictions in our credit agreement or the indentures governing our 7.5% senior notes and 5.625% senior notes or any other subsequent financing agreements, a default may allow the creditors, if the agreements so provide, to accelerate the related indebtedness as well any other indebtedness to which a cross-acceleration or cross-default provision applies. If that occurs, we may not be able to make all of the required payments or borrow sufficient funds to refinance such debt. Even if new financing were available at that time, it may not be available on terms acceptable to us.

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

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

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

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

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

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

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

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

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

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

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

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

Any sustained reduction in demand for petroleum products in markets served by our midstream assets could result in a significant reduction in the volume of petroleum products that we gather, transport, process and store, thereby adversely

affecting our results of operations, cash flows and financial condition. A reduction in demand can result from a number of factors including:

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

We may not realize the benefits we expect from the merger of Rose Rock.

On September 30 2016, we completed the acquisition of the outstanding common limited partner interests of Rose Rock which we did not already own (the "Rose Rock Merger"). We believe that the Rose Rock Merger will, among other things, be accretive to our stockholders, simplify our corporate capital structure, improve our cost of capital and our capital market access and provide increased financial flexibility for execution of our strategic growth plan. However, our assessments and expectations regarding these anticipated benefits of the Rose Rock Merger may prove to be incorrect. Accordingly, there can be no assurance we will realize the anticipated benefits of the Rose Rock Merger.

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

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

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

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

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

One of the ways we intend to continue to grow our business is through the construction of new assets. If we undertake such projects, they may not be completed on schedule or at the budgeted cost or at all. Moreover, our revenue may not increase immediately, or at all, upon the expenditure of funds on a particular project. For instance, if we expand a pipeline, the

construction may occur over an extended period of time and we may not receive any material increases in revenue until the project is completed. Moreover, we may construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize. Since we are not engaged in the exploration for, and the development of, natural gas and crude oil reserves, we do not possess reserve expertise and we often do not have access to third-party estimates of potential reserves in an area prior to constructing facilities in such area. To the extent we rely on estimates of future production in our decision to construct additions to our system, such estimates may prove to be inaccurate because of numerous uncertainties inherent in estimating quantities of future production. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could adversely affect our results of operations, cash flows and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

One of the ways we intend to continue to grow our business is through the construction of new assets. The construction of additions or modifications to our existing systems and of new assets involves numerous regulatory, environmental, political and legal uncertainties beyond our control. In addition, the construction of additions to our existing gathering and transportation assets may require us to obtain new rights-of-way prior to constructing new pipelines. We may be unable to obtain such rights-of-way to connect new product supplies to our existing gathering lines or capitalize on other attractive expansion opportunities. Additionally, it may become more expensive for us to obtain new rights-of-way or to renew existing rights-of-way. Our ability to obtain permits and rights-of-way or otherwise proceed with construction of additions to our assets or new systems could also encounter opposition from political activists, who may attempt to delay construction through protests and other means. Our results of operations, cash flows and financial condition could be adversely affected if we are unable to complete the construction of new assets or additions to existing assets, the cost of such projects significantly exceed our estimates, such projects are delayed beyond our expectations, the cost of renewing existing rights-of-way increases, or if we lose our existing rights-of-way through our inability to renew right-of-way contracts or otherwise.

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

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

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

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

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

Leaks and other releases of hydrocarbons are possible in operations involving pipelines, tanks and processing units. Other possible operating risks include:

- the breakdown or failure of equipment, information systems or processes;
- the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects);
- failure to maintain adequate inventories of spare parts;
- operator error;
- labor disputes;
- disputes with connected facilities and carriers;
- public opposition activities; and
- catastrophic events such as natural disasters, earthquakes, fires, explosions, fractures, acts of terrorism and other similar events, many of which are beyond our control.

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

from a release of petroleum products, and we may instead be required to indemnify our customers in the event of a release or other incident.

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

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

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

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

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

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

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

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

Pursuant to the Pipeline Safety Improvement Act of 2002, as reauthorized and amended by the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006, the DOT, through the PHMSA, has adopted regulations requiring pipeline operators to develop and implement integrity management programs for pipelines located where a leak or rupture could do the most harm in "high consequence areas," including high population areas, areas that are sources of drinking water, ecological resource areas that are unusually sensitive to environmental damage from a pipeline release and commercially navigable waterways, unless the operator effectively demonstrates, by risk assessment, that the pipeline could not affect the area. The integrity management regulations require operators, including us, to:

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

In addition, states have adopted regulations similar to existing DOT regulations for intrastate gathering and transmission lines. We currently estimate that we will incur an aggregate cost of approximately $20.3 million during 2017 to implement necessary pipeline integrity management program testing along certain segments of our pipelines required by existing DOT and state regulations. This estimate does not include the costs, if any, of any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which costs could be substantial. At this time, we cannot predict the ultimate cost of compliance with these regulations, as the cost will vary significantly depending on the number and extent of any repairs found to be necessary as a result of the pipeline integrity testing. We will continue our pipeline integrity testing programs on an on-going basis to assess and maintain the integrity of our pipelines. The results of these tests could cause us to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operations of our pipelines and, consequently, result in a reduction in our revenue and cash flows from shutting down our pipelines during the pendency of such repairs or upgrades.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Canadian federal regulations creating GHG performance standards for the transportation sector and for coal-fired electricity generation were established by the previous federal government in recent years and the oil and gas sector was targeted for similar regulations in the future. A new federal government was elected on October 19, 2015. It indicated that a key priority is to provide national leadership to reduce emission, combat climate change and price carbon, in partnership with provinces and territories. On December 12, 2015, the federal government reached an international agreement with 195 countries at the Paris Climate Conference and stated that it will support and implement policies that contribute to a low-carbon economy. In October 2016 the Federal Government ratified the Paris Agreement and implemented the pan-Canadian carbon-pricing framework, which set the price of emissions of CO2 at $50/t by 2022. The implementation of the pan-Canadian framework will be left to the individual provincial governments.

The province of Alberta is currently reviewing how to integrate the pan-Canadian framework into the existing legislation for large GHG emitters. Based upon the federal carbon pricing direction, the costs of future emissions will increase from the current $20/t CO2e to $50/t CO2e in 2022. The details of which processes will be taxed is still being evaluated by the Alberta Provincial government.

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

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

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

- price competition;
- the perception that another company can provide better service; and
- the availability of alternative supply points, or supply points located closer to the operations of our customers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Class A Common Stock

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

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

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

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

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

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

- the risk factors described in this report on Form 10-K;
- our operating and financial results differing from that expected by securities analysts and investors;
- the financial and stock price performance of our competitors or companies in our industry generally;
- changes in accounting standards, policies, interpretations or principles;

- changes in laws or regulations which adversely affect our industry or us;
- general conditions in our customers' industries; and
- general economic conditions and conditions in the securities markets.

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

None.

Item 3. ***Legal Proceedings***

For information regarding legal proceedings, see the discussion under the captions "Dimmit County, TX Claims," "Environmental" and "Other matters" in Note 16 of our consolidated financial statements beginning on page F-1 of this Form 10-K, which information is incorporated by reference into this Item 3.

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

Not applicable.

Executive Officers of the Registrant

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

Name	Age	Position
Carlin G. Conner	49	President and Chief Executive Officer and Director
Robert N. Fitzgerald	57	Senior Vice President and Chief Financial Officer
Candice L. Cheeseman	61	Vice President and General Counsel
Timothy R. O'Sullivan	60	Vice President, Corporate Planning and Strategic Initiatives
Thomas F. DeLorbe	57	Vice President, Corporate Services

Carlin G. Conner. Mr. Conner has served as president and chief executive officer and a director of SemGroup since April 2014. Mr. Conner also served as chairman of the Board of Directors, president and chief executive officer of the general partner of Rose Rock, a publicly traded master limited partnership and subsidiary of the Company, which owned and operated a diversified portfolio of midstream energy assets, from 2014 until September 2016, when SemGroup acquired all of Rose Rock. From 2012 to March 2014, Mr. Conner served as managing director of Oiltanking GmbH, an independent worldwide storage provider of crude oil, refined petroleum products, liquid chemicals and gases. He served as a member of the Board of Directors of the general partner of Oiltanking Partners, L.P., a publicly traded master limited partnership engaged in independent terminaling, storage and transportation of crude oil, refined petroleum products and liquefied petroleum gas ("Oiltanking Partners"), from March 2011 to March 2014, and was elected chairman in July 2011 in connection with the completion of Oiltanking Partners' initial public offering. Mr. Conner also served as president and chief executive officer of Oiltanking Partner's general partner from 2011 to 2012 and as president and chief executive officer of Oiltanking Holding Americas, Inc., a wholly owned subsidiary of Oiltanking GmbH, from 2006 to 2012. Previously, from 2003 to 2006, he worked at Oiltanking GmbH's corporate headquarters in Hamburg, Germany, where he was responsible for international business development and sat on the boards of several Oiltanking GmbH ventures. He joined Oiltanking Houston, L.P. in 2000. He began his career at GATX Terminals Corporation and served in various roles, including operations and commercial management. From April 2014 to October 2014, Mr. Conner served on the Board of Directors of the general partner of NGL Energy Partners LP, a publicly traded master limited partnership engaged in crude oil logistics, water solutions, liquids, retail propane, and refined products and renewables. He graduated from McNeese State University with a Bachelor of Science degree in environmental science.

Robert N. Fitzgerald. Mr. Fitzgerald joined SemGroup in 2009 and serves as senior vice president and chief financial officer. Mr. Fitzgerald also served as a director, senior vice president and chief financial officer of the general partner of Rose Rock from 2011 until September 2016, when SemGroup acquired all of Rose Rock. Prior to joining SemGroup, Mr. Fitzgerald served as chief financial officer from 2008 to 2009 of Windsor Energy Group, a private independent oil and gas exploration and development company. He has also served from 2006 to 2008 as executive vice president of LinkAmerica Corp. and from 2003 until 2006 as chief operating officer and chief financial officer of Arrow Trucking Company, both commodity transportation companies. From 2000 to 2003, he served as vice president, finance of Williams Communications Group, a global communication company. Prior to that, Mr. Fitzgerald was with BP Amoco and Amoco Corporation for 20 years, working in various financial and operations positions in Tulsa, Oklahoma; Houston, Texas; Denver, Colorado; and Chicago, Illinois. Mr. Fitzgerald received a master's degree in business administration from the University of Tulsa and a Bachelor of Business Administration degree from Western Illinois University. He is currently a member of the American Institute of Certified Public Accountants, the Institute of Management Accountants and the Institute of Internal Auditors. He is a certified public accountant.

Candice L. Cheeseman. Ms. Cheeseman joined SemGroup in 2010 and serves as general counsel. Ms. Cheeseman also served as general counsel of the general partner of Rose Rock from 2011 until September 2016, when SemGroup acquired all of Rose Rock. Prior to joining our company, Ms. Cheeseman served as general counsel of Global Power Equipment Group Inc., a

comprehensive provider of power generation equipment and maintenance services for energy customers, since 2004. In 2006, Global Power Equipment Group Inc. and its domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. Global Power Equipment Group and its subsidiaries emerged from bankruptcy protection in 2008. Prior to Global Power, she was employed by WilTel Communications Group, an internet, data, voice and video service provider, where she served in a variety of capacities, including general counsel and secretary, commencing in 2002. Ms. Cheeseman has been a practicing attorney for over 30 years serving in various capacities for Williams Communications, Marriott International and law firms in the Washington D.C. area. Ms. Cheeseman received her juris doctorate degree from the University of Tulsa College of Law. She also holds a Bachelor of Arts degree from the University of Delaware.

Timothy O'Sullivan. Mr. O'Sullivan serves as vice president, corporate planning and strategic initiatives of SemGroup, a position he has held since 2010. Mr. O'Sullivan also served as a director and vice president of the general partner of Rose Rock from 2011 until September 2016, when SemGroup acquired all of Rose Rock. From 2005 until 2010, he served as president and chief operating officer of SemGas, L.P. From 2001 until joining our company. Mr. O'Sullivan worked for Williams Power Company where he was director of global gas and power origination. He was previously employed with Koch Industries, Inc. for 19 years where he served in various capacities in its natural gas division, including business development, marketing and trading, and executive management. Mr. O'Sullivan began his career as a staff accountant for Main Hurdman. Mr. O'Sullivan graduated from Wichita State University with a bachelor's degree in accounting. Mr. O'Sullivan was a member of the board of directors of the Gas Processors Association and served on its Executive and Finance Committee.

Thomas F. DeLorbe. Mr. DeLorbe has served as vice president, corporate services since January 2017. Mr. DeLorbe joined SemGroup in 2006, performing a business development role for the Company's asphalt business from 2006 to 2009 and serving as regional sales manager for the Company's crude oil business from 2009 to 2010. From 2010 to 2017, Mr. DeLorbe served as president of the SemMexico liquid asphalt business. Prior to joining SemGroup, Mr. DeLorbe was employed by Koch Industries, Inc. for 20 years where he served in various roles for domestic and international businesses, including operations manager and director of compliance for Koch's international asphalt business. Mr. DeLorbe graduated from the University of Northern Iowa with a Bachelor of Science degree in Industrial Management.

PART II

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

Market Information

Our Class A Common Stock trades on the New York Stock Exchange under the ticker symbol "SEMG." At January 31, 2017, we had 2,845 holders of record of our Class A Common Stock. The following table sets forth the high and low sales prices of our Class A Common Stock (New York Stock Exchange composite transactions) during the periods indicated.

	High	Low
For the year ended December 31, 2016:		
First quarter	$ 28.82	$ 13.98
Second quarter	$ 35.84	$ 20.06
Third quarter	$ 35.45	$ 27.64
Fourth quarter	$ 43.20	$ 29.00
For the year ended December 31, 2015:		
First quarter	$ 81.60	$ 56.83
Second quarter	$ 86.99	$ 75.66
Third quarter	$ 80.92	$ 41.44
Fourth quarter	$ 55.54	$ 22.56

Dividends

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

The following table sets forth the dividend paid in the quarter indicated.

Year Ended December 31, 2016	$/Share
First quarter	$0.45
Second quarter	$0.45
Third quarter	$0.45
Fourth quarter	$0.45

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

Performance Graph

Set forth below is a line graph comparing the cumulative total stockholder return on our Class A Common Stock with the cumulative total return of the S&P 500 Stock Index and the Alerian MLP Infrastructure Index ("AMZIX Index") for the period from January 1, 2012 to December 31, 2016 . The AMZIX Index is a liquid, midstream-focused subset of the Alerian MLP index, comprised of 25 energy infrastructure master limited partnerships. The graph was prepared assuming $100 was invested on December 31, 2011 in our Class A Common Stock, the S&P 500 Stock Index and the AMZIX Index and dividends/distributions have been reinvested subsequent to the initial investment.

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

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

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 December 31, 2016 :

	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
October 1, 2016 - October 31, 2016	591	$ 33.40	—	—
November 1, 2016 - November 30, 2016	—	—	—	—
December 1, 2016 - December 31, 2016	—	—	—	—
Total	591	$ 33.40	—	—

(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 6. ***Selected Financial Data***

Selected Consolidated Financial Data

The following table provides selected consolidated financial data as of and for the periods shown. The balance sheet data as of December 31, 2016 , 2015 , 2014 , 2013 and 2012, and the statement of operations data for the years ended December 31, 2016 , 2015 , 2014 , 2013 and 2012, have been derived from our audited financial statements for those dates and periods. The selected financial data provided below should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included in this Form 10-K.

The following table presents the non-GAAP financial measure Adjusted EBITDA, which we use in our business and view as an important supplemental measure of our performance. Adjusted EBITDA is not calculated or presented in accordance with GAAP. For the definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Evaluate our Operations."

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(amounts in thousands, except per share amounts)				
Statement of operations data:					
Total revenues	$ 1,332,164	$ 1,455,094	$ 2,122,579	$ 1,427,016	$ 1,237,497
Operating income	$ 121,590	$ 129,153	$ 126,993	$ 117,914	$ 57,351
Income from continuing operations	$ 13,263	$ 42,816	$ 52,058	$ 65,753	$ 28,958
Income (loss) from discontinued operations	(1)	(4)	(1)	59	2,939
Net income	$ 13,262	$ 42,812	$ 52,057	$ 65,812	$ 31,897
Net income attributable to noncontrolling interests	11,167	12,492	22,817	17,710	9,797
Net income attributable to SemGroup	$ 2,095	$ 30,320	$ 29,240	$ 48,102	$ 22,100
Income from continuing operations per share of common stock:					
Basic	$ 0.04	$ 0.69	$ 0.69	$ 1.14	$ 0.53
Diluted	$ 0.04	$ 0.69	$ 0.68	$ 1.13	$ 0.52
Other financial data:					
Adjusted EBITDA	$ 282,795	$ 305,282	$ 287,441	$ 189,018	$ 134,965
Cash dividend declared per common share	$ 1.80	$ 1.59	$ 1.03	$ 0.60	$ —

	As of December 31,				
	2016	2015	2014	2013	2012
	(amounts in thousands)				
Balance sheet data:					
Total assets [1]	$ 3,074,972	$ 2,853,909	$ 2,576,388	$ 2,464,437	$ 1,748,179
Long-term debt, including current portion [1]	$ 1,050,944	$ 1,057,847	$ 753,718	$ 608,948	$ 206,086
Owners' equity:					
SemGroup Corporation owners' equity	$ 1,445,965	$ 1,115,527	$ 1,149,508	$ 1,053,902	$ 892,394
Noncontrolling interests in consolidated subsidiaries	—	80,829	69,929	159,961	129,134
Total owners' equity	$ 1,445,965	$ 1,196,356	$ 1,219,437	$ 1,213,863	$ 1,021,528

(1) Prior period balances have been recast to reflect the reclassification of debt issuance costs to long-term debt in accordance with Accounting Standards Update 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which was adopted in the first quarter of 2016.

We have experienced many changes in our business during the periods shown in the table above, which significantly limits the comparability of the financial data. Such changes include, but are not limited to, various impairments of long-lived assets and gains/losses on disposal of long-lived assets.

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

Overview

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

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

General Trends and Outlook

The prices of crude oil and natural gas have historically been volatile. For example, from January 1, 2014 to December 31, 2016, the NYMEX prompt month settle price ranged from a high of $107.26 per barrel to a low of $26.21 per barrel. The range for natural gas during that period was $6.15 to $1.64 per MMBtu. Substantial declines in crude oil and natural gas prices, particularly prolonged declines, can have negative effects on producers including:

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

The substantial declines in crude oil and natural gas prices since mid-2014 and continuing throughout 2016 have had these effects on a number of companies in the oil and gas industry, including our customers. While we do not have significant direct exposure to commodity prices, we are exposed to a reduction in volumes to be transported, stored, processed and marketed as a result of lower prices. We experienced such reductions in 2016 and expect them to continue in 2017.

In response to these industry conditions, we have increased our focus on monitoring our long-lived assets for indications of impairment, controlling expenses, reviewing the economics of capital projects and increasing control over headcount. During the fourth quarter, we completed an impairment analysis of certain assets that included the Kansas and Oklahoma pipeline due to a review of certain commercial opportunities related to that system. No impairment is indicated at this time.

On June 23, 2016, U.K. voters approved a referendum to leave the European Union ("EU"). It is currently unknown what, if any, impact this will have on our SemLogistics segment. Oil trading and storage is not expected to be significantly impacted as a whole. However, SemLogistics receives and delivers products to the EU and tariffs and taxes related to these transactions could change subsequent to the U.K.'s exit from the EU. Additionally, it is uncertain what changes in legislation will occur subsequent to the exit which could impact our business.

How We Evaluate Our Operations

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

Operating Expenses

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

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization and adjusted for selected items that we believe impact the comparability of financial results between reporting periods. In addition to non-cash items, we have selected items for adjustment to EBITDA which management feels decrease the comparability of our results among periods. These items are identified as those which are generally outside of the results of day to day operations of the business. These items are not considered non-recurring, infrequent or unusual, but do erode comparability among periods in which they occur with periods in which they do not occur or occur to a greater or lesser degree. Historically, we have selected items such as gains on the sale of NGL Energy common units, costs related to our predecessor's bankruptcy, significant business development related costs, significant legal settlements, severance and other similar costs.

Management believes these types of items can make comparability of the results of day to day operations among periods difficult and have chosen to remove these items from our Adjusted EBITDA. We expect to adjust for similar types of items in the future. Although we present selected items that we consider in evaluating our performance, you should be aware that the items presented do not represent all items that affect comparability between the periods presented. Variations in our operating results are also caused by changes in volumes, prices, mechanical interruptions and numerous other factors. We do not adjust for these types of variances.

We use Adjusted EBITDA as a supplemental performance measure to assess:

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

Note About Non-GAAP Financial Measures

Adjusted EBITDA is not a financial measure presented in accordance with GAAP. We believe that the presentation of this non-GAAP financial measure will provide useful information to investors in assessing our financial condition and results of operations.

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

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

The following table presents a reconciliation of net income to Adjusted EBITDA, the most directly comparable GAAP financial measure, on a historical basis for each of the periods indicated.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(Unaudited; in thousands)				
Reconciliation of net income to Adjusted EBITDA:					
Net income	$ 13,262	$ 42,812	$ 52,057	$ 65,812	$ 31,897
Add:					
Interest expense	62,650	69,675	49,044	25,142	8,902
Income tax expense (benefit)	11,268	33,530	46,513	(17,254)	(2,078)
Depreciation and amortization	98,804	100,882	98,397	66,409	48,210
Loss (gain) on disposal or impairment, net	16,048	11,472	32,592	(239)	(3,531)
Loss (income) from discontinued operations, net of income taxes	1	4	1	(59)	(2,939)
Foreign currency transaction (gain) loss	4,759	(1,067)	(86)	(1,633)	298
Remove NGL Energy equity (earnings) losses including gain on issuance of common units	(2,147)	(11,416)	(31,363)	(33,996)	403
Loss (gain) on sale or impairment of equity method investment	30,644	(14,517)	(34,211)	—	—
NGL cash distribution	4,873	19,074	23,404	18,321	—
M&A transaction related costs	3,269	10,000	—	—	—
Mid-America Midstream Gas Services acquisition cost	—	—	—	3,600	9,218
Inventory valuation adjustments including equity method investees	—	3,187	7,781	—	—
Employee severance expense	2,128	90	220	38	354
Unrealized loss (gain) on derivatives	989	2,014	(1,734)	(974)	1,196
Change in fair value of warrants	—	—	13,423	46,434	21,310
Depreciation and amortization included within equity in earnings of equity method investees	26,031	25,307	18,992	9,520	10,181
Bankruptcy related expenses	—	224	1,310	567	—
Defense costs related to an unsolicited take over proposal	—	—	—	—	5,899
Charitable contributions	—	—	3,379	—	—
Legal settlement expense	—	3,394	—	—	—
Recovery of receivables written off at emergence	—	—	(664)	—	(858)
Non-cash equity compensation	10,216	10,617	8,386	7,330	6,503
Adjusted EBITDA	$ 282,795	$ 305,282	$ 287,441	$ 189,018	$ 134,965

Business and Performance Drivers

We operate our business through seven primary business segments: Crude Transportation, Crude Facilities, Crude Supply & Logistics, SemGas, SemCAMS, SemLogistics and SemMexico. We generate revenue in these segments by using our assets to provide products and services to third parties and by selectively using our assets to support our marketing activities.

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

Revenue

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

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

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

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

Volumes

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

Commodity Prices

Our business is primarily fee based. As a result, our financial results are typically not directly correlated with increases and decreases in commodity prices. Our financial results, however, are positively correlated with the absolute difference between current (prompt) and future month petroleum product prices. That is, wide contango (when the prices for future deliveries are higher than current prices) spreads generally have a favorable impact on our results relative to a slightly contango, flat or backwardated (when the prices for future deliveries are lower than current prices) market. While we do not have significant direct exposure to commodity prices, we are exposed to reductions in volumes transported, stored, gathered, processed and marketed as a result of lower prices.

Timing of Purchase and Sales

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

Analysis of Business Segments

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

Crude Transportation

We charge capacity or volume based fees to transport crude oil by pipeline and by truck.

Crude Facilities

We charge capacity or volume based fees for crude oil storage, terminal services and truck unloading at our facilities.

Crude Supply and Logistics

We purchase crude oil for our own account from producers, aggregators and traders and sell crude oil, including crude oil blends, to traders and refiners. In addition, we utilize our Crude Transportation assets to capture margins from grade, time and location differentials.

SemGas

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

SemCAMS

SemCAMS' revenue is based on fee-based throughput and processing arrangements, which represent, in part, operating cost recovery from working interest owners in certain processing plants and is recorded when earned in accordance with the terms of the related agreement.

SemLogistics

The main activities of SemLogistics are the receipt, storage and redelivery of clean petroleum and crude oil products via sea-going vessels. SemLogistics' revenue is based on fixed-fee storage tank leases and related services.

SemMexico

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

Results of Operations

Consolidated Results of Operations

(in thousands)	Year Ended December 31, 2016	2015	2014
Revenues	$ 1,332,164	$ 1,455,094	$ 2,122,579
Expenses:			
Costs of products sold	873,431	979,549	1,623,358
Operating	212,099	224,443	246,613
General and administrative	83,908	97,366	87,845
Depreciation and amortization	98,804	100,882	98,397
Loss on disposal or impairment, net	16,048	11,472	32,592
Total expenses	1,284,290	1,413,712	2,088,805
Earnings from equity method investments	73,757	81,386	64,199
Gain (loss) on issuance of common units by equity method investee	(41)	6,385	29,020
Operating income	121,590	129,153	126,993
Other expense (income):			
Interest expense	62,650	69,675	49,044
Foreign currency transaction loss (gain)	4,759	(1,067)	(86)
Other expense (income), net	29,650	(15,801)	(20,536)
Total other expenses	97,059	52,807	28,422
Income from continuing operations before income taxes	24,531	76,346	98,571
Income tax expense (benefit)	11,268	33,530	46,513
Income from continuing operations	13,263	42,816	52,058
Loss from discontinued operations, net of income taxes	(1)	(4)	(1)
Net income	$ 13,262	$ 42,812	$ 52,057

Revenue and expenses

Revenue and expenses are analyzed by operating segment below.

General and administrative expenses

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

Interest expense

Interest expense decreased in 2016 to $63 million from $70 million in 2015 . The decrease is primarily the result of a $16 million increase in capitalized interest, primarily on the Maurepas Pipeline, partially offset by increased interest expense due to higher average outstanding debt balances as compared to the prior year. Capitalized interest recorded for the fourth quarter of 2016 includes an immaterial out of period adjustment of $6.3 million related to under capitalization of interest in the prior year.

Interest increased in 2015 to $70 million from $49 million in 2014 . This increase is primarily the result of incremental interest expense of $11 million related to $400 million of 5.625% senior unsecured notes Rose Rock sold in July 2014 and $12 million related to $350 million of 5.625% senior unsecured notes that Rose Rock sold in May 2015.

Other expense/income

Other expense increased in 2016 to $30 million from $16 million of other income in 2015 , primarily due to a $39.8 million other-than-temporary impairment recorded on our NGL Energy common units, partially offset by a $9.1 million gain on

the sale of remaining NGL Energy common units in 2016, as compared with prior year gains on the sale of NGL Energy common units.

During the fourth quarter of 2015, the market price of NGL Energy common units fell below our carrying value per unit and remained below our carrying value as of March 31, 2016. At December 31, 2015, in accordance with ASC 320-10-S99 “Investments - Debt and Equity Securities,” we assessed whether such decline in value was other-than-temporary. During this initial assessment, the decrease in value was determined not to be other-than-temporary. The evidence management considered in such assessment included the nature and volatility of such decline, as well as the latest public financial guidance, condition, and results of NGL Energy. Subsequently, we continued to monitor events and developments and, based on NGL Energy's April 21, 2016, announcement of a reduction in its quarterly distribution and lowering of financial performance guidance, we concluded that the decline in the value of our investment was other-than-temporary as of March 31, 2016. As such, we recorded an impairment of $39.8 million to our investment in the limited partner units of NGL Energy for the year ended December 31, 2016. The value of our limited partner investment in NGL Energy was written-down to the market price of $11.04 per share on December 31, 2015, the date through which we had recorded our equity in earnings. These units were subsequently sold in the second quarter of 2016.

Our investment in the general partner of NGL Energy is not considered to be impaired. There is no readily available market price for our general partner investment as these units are not publicly traded. Based on the relatively low book value of our general partner investment, the value of incentive distribution rights and comparable general partner transactions, we do not believe our investment in the general partner of NGL Energy is impaired.

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

Results of Operations by Reporting Segment

Crude Transportation

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Revenues:			
Pipeline transportation	$ 28,752	$ 31,650	$ 28,816
Truck transportation	62,979	65,362	66,742
Total revenues	91,731	97,012	95,558
Expenses:			
Operating	69,605	73,554	71,230
General and administrative	6,916	9,164	9,012
Depreciation and amortization	24,483	35,500	33,679
Loss on disposal or impairment, net	2,837	9,621	467
Total expenses	103,841	127,839	114,388
Earnings from equity method investment	71,569	76,355	61,856
Operating income	$ 59,459	$ 45,528	$ 43,026

This segment's prior year revenue included product revenue related to certain commodity purchase and sales activity performed around our pipelines. In the current year, these product revenues are reflected in the Crude Supply and Logistics segment and have been replaced in the Crude Transportation segment with intersegment transportation fees which have been charged to Crude Supply and Logistics and which are reported as service revenue. With the exception of intersegment truck transportation charges, these intersegment charges did not exist in the prior year.

2016 versus 2015

Revenue

Pipeline transportation revenue decreased to $29 million in 2016 from $32 million in 2015 . The change is due to a decrease in fixed margin activity which is now reported with other product revenues in the Crude Supply and Logistics segment

and was replaced in the Crude Transportation segment with intersegment usage fees. Beginning January 2016, Crude Transportation is charging Crude Supply and Logistics to move barrels through the pipeline system. This decrease was partially offset with a $5.1 million increase on the WOT due to additional volume.

Truck transportation revenue decreased slightly to $63 million in 2016 from $65 million in 2015 .

Operating Expense

Operating expense decreased in 2016 to $70 million from $74 million in 2015 . The decrease included reductions to allocated overhead, maintenance and repair and offices expenses. These costs were partially offset by increases in employment costs, outside services and insurance and taxes.

General and Administrative Expense

General and administrative expense decreased to $7 million in 2016 from $9 million in 2015 . The decrease is a result of a reduction in overhead allocation, partially offset with increases in insurance and taxes and outside services.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased in 2016 to $24 million from $36 million in 2015 . The decrease is due to approximately $14.1 million of prior year expense related to the reduction of the useful life of a 163-mile section of the Kansas and Oklahoma pipeline system in 2014.

Earnings from Equity Method Investment

This segment's equity method investments are White Cliffs and Glass Mountain. Earnings from both equity method investments declined in 2016 due to market conditions. Earnings from White Cliffs decreased by approximately $1.2 million in 2016 compared to 2015 and earnings from Glass Mountain decreased by approximately $3.5 million in 2016 compared to 2015 .

2015 versus 2014

Revenue

Pipeline transportation revenue increased to $32 million in 2015 from $29 million in 2014 . The increase was due to higher volumes on the WOT and the Tampa pipeline, partially offset by reductions in fixed-margin and other fee-based activity.

Truck transportation revenue decreased to $65 million in 2015 from $67 million in 2014 . The decrease was due to a higher concentration of shorter haul activity despite higher volumes.

Operating Expense

Operating expense increased in 2015 to $74 million from $71 million in 2014 . The increase was primarily due to additional employment and insurance and taxes resulting from a full year of operations from the crude oil trucking assets acquired in June 2014 as well as additional operating expense from the extension of the WOT in early 2015.

General and Administrative Expense

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

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2015 to $36 million from $34 million in 2014 . The increase in depreciation expense was due to the 2014 revision of the estimated useful life relating to a 163-mile section of the Kansas and Oklahoma pipeline system, together with depreciation expense increases due to project completions.

Loss on Disposal or Impairment, net

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

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

When considering operating performance projections, we included industry economic conditions, current crude oil prices and the forward price curve. Due to the imprecise nature of our projections and assumptions, actual results can and often do differ from our estimates. We continue to monitor our projections and differences from our projections could lead to a future impairment charge.

Earnings From Equity Method Investment

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

Crude Facilities

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Revenues	$ 56,630	$ 45,936	$ 44,007
Expenses:			
Operating	9,591	8,585	7,881
General and administrative	4,522	3,594	3,874
Depreciation and amortization	7,781	5,829	5,365
Gain on disposal or impairment, net	—	—	(34)
Total expenses	21,894	18,008	17,086
Operating income	$ 34,736	$ 27,928	$ 26,921

2016 versus 2015

Revenue

Revenue increased to $57 million in 2016 from $46 million in 2015 . Effective January 2016, Crude Facilities began charging Crude Supply and Logistics for the use of storage and unloading facilities. As a result, the increase was primarily due to intersegment pump-over activity of $5.4 million, the addition of intersegment storage of $4.8 million, third-party unloading revenue of $2.8 million and intersegment unloading activity of $0.5 million. These increases were partially offset by a reduction in third-party storage revenue of $2.9 million, as the average capacity used internally for crude oil operations and marketing activities increased to 1.3 million barrels from 1.1 million barrels.

Operating Expense

Operating expense increased slightly in 2016 to $10 million from $9 million in 2015 . The increase is primarily due to higher employment expense, field expense, outside services, maintenance and repair and other, partially offset with reductions in allocated overhead.

General and Administrative Expense

General and administrative expense increased slightly to $5 million in 2016 from $4 million in 2015 due to increases in allocated overhead.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2016 to $8 million from $6 million in 2015 . The increase was due to capital project completions.

2015 versus 2014

Revenue

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

Operating Expense

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

General and Administrative Expense

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

Depreciation and Amortization Expense

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

Crude Supply and Logistics

	Year Ended December 31,		
(in thousands)	**2016**	**2015**	**2014**
Revenues	$ 716,570	$ 716,784	$ 1,169,372
Expenses:			
Costs of products sold	689,935	686,790	1,142,202
Operating	3,621	995	753
General and administrative	3,356	814	817
Depreciation and amortization	185	159	549
Loss (gain) on disposal or impairment, net	227	(3)	(42)
Total expenses	697,324	688,755	1,144,279
Operating income	$ 19,246	$ 28,029	$ 25,093

2016 versus 2015

Revenue

Revenue remained constant in 2016 and 2015 at $717 million .

	Year Ended December 31,		
(in thousands)	**2016**	**2015**	**2014**
Gross product revenue [1]	$ 3,118,759	$ 2,783,642	$ 3,201,882
Nonmonetary transaction adjustment [1]	(2,401,200)	(2,064,958)	(2,034,131)
Unrealized gain (loss) on derivatives, net	(989)	(1,900)	1,621
Product revenue	$ 716,570	$ 716,784	$ 1,169,372

(1) In prior years, product revenue related to certain commodity purchase and sales activity performed around our pipelines was reported in the Crude Transportation segment. In the current year, these product revenues are reflected in the Crude Supply and Logistics segment and have been replaced in the Crude Transportation segment with intersegment transportation fees which have been charged to Crude Supply and Logistics. Prior year gross product revenue and nonmonetary transaction adjustment amounts in the table above and price and volume analysis below have been recast to be consistent with the current presentation.

Gross product revenue increased in 2016 to $3.1 billion from $2.8 billion in 2015 . The increase was primarily due to an increase in the volume sold to 75 million barrels at an average sales price of $42 per barrel in 2016 from the volume sold of 57 million barrels at an average sales price of $49 per barrel in 2015.

Gross product revenue was reduced by $2.4 billion and $2.1 billion during 2016 and 2015 , respectively, in accordance with Accounting Standards Codification (ASC) 845-10-15, " *Nonmonetary Transactions,"* ("ASC 845-10-15"). 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.

Cost of Products Sold

Costs of products sold increased in 2016 to $690 million (including $37.6 million intersegment transportation expense) from $687 million in 2015 (including $15 million intersegment transportation expense). The cost of products sold reflect reductions of $2.4 billion and $2.1 billion in 2016 and 2015, respectively, in accordance with ASC 845-10-15. There was an increase in the barrels sold, as described above, combined with a decrease in the average per barrel cost of crude oil to $41 in 2016 from $48 in 2015.

Operating Expense

Operating expense increased in 2016 to $4 million from $1 million in 2015 due to increases in employment, outside services and insurance and taxes.

General and Administrative Expense

General and administrative expense increased to $3 million in 2016 from $1 million in 2015 due to increases in allocated overhead.

General

In every other category of expense, the amounts for the year ended 2016 are roughly equivalent to those for the year ended 2015 .

2015 versus 2014

Revenue

Revenue decreased to $0.7 billion in 2015 from $1.2 billion in 2014 .

Gross product revenue decreased in 2015 to $2.8 billion from $3.2 billion in 2014 . The decrease was primarily due to an increase in the volume sold to 57 million barrels in 2015 compared to 35 million barrels sold in 2014, but with a lower average sales price of $49 per barrel in 2015 compared to $91 per barrel in 2014.

Gross product revenue was reduced by $2.1 billion and $2.0 billion during 2015 and 2014 , respectively, in accordance with ASC 845-10-15.

Costs of Products Sold

Costs of products sold decreased in 2015 to $687 million (including $15 million intersegment transportation expense) from $1.1 billion in 2014 , (including $11 million intersegment transportation expense). The cost of products sold reflects reductions of $2.1 billion and $2.0 billion in 2015 and 2014, respectively, in accordance with ASC 845-10-15. The decrease was primarily due to an increase in the barrels sold, as described above, combined with a decrease in the average per barrel cost of crude oil to $48 in 2015 from $91 in 2014.

General

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

SemGas

(in thousands)	Year Ended December 31, 2016	2015	2014
Revenues	$ 218,970	$ 252,174	$ 380,183
Expenses:			
Costs of products sold	120,516	144,554	276,852
Operating	31,924	34,198	32,296
General and administrative	9,337	9,921	9,228
Depreciation and amortization	36,170	31,803	26,353
Loss on disposal or impairment, net	13,051	1,832	20,092
Total expenses	210,998	222,308	364,821
Operating income	$ 7,972	$ 29,866	$ 15,362

2016 versus 2015

Revenue

Revenue decreased in 2016 to $219 million from $252 million in 2015 . The decrease was primarily due to lower volume (116,748 MMcf in 2016 versus 144,381 MMcf in 2015), lower average natural gas NYMEX price of $2.46/MMbtu in 2016 versus $2.67/MMbtu in 2015 and decreased fees of $52 million in 2016 versus $59 million in 2015 due to lower volume. The decrease was offset, in part, by a higher average NGL basket price of $0.65/gallon in 2016 versus $0.62/gallon in 2015 .

Costs of Products Sold

Costs of products sold decreased in 2016 to $121 million from $145 million in 2015 . The decrease was attributable to lower prices and volume processed in northern Oklahoma.

Operating Expense

Operating expense decreased in 2016 to $32 million from $34 million in 2015 . This decrease was due to lower field expense (which includes materials and supplies, lubricants, water disposal, electricity and fuel), outside services, equipment lease, employment and office expense. All decreases are primarily driven by lower volume in northern Oklahoma. These decreases were offset by increases in maintenance/repair and taxes.

General and Administrative Expense

General and administrative expense decreased slightly in 2016 to $9 million from $10 million in 2015 . This decrease was due primarily to lower employment costs and insurance, offset by an increase in corporate allocations. All decreases were primarily driven by the decline in volume in northern Oklahoma.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2016 to $36 million from $32 million in 2015 . The increase was due to on-going asset expansion in northern Oklahoma.

Loss on Disposal or Impairment, Net

Net loss on disposal or impairment increased in 2016 to $13 million from $2 million in 2015 . This increase was primarily due to a $13.1 million goodwill impairment recorded at March 31, 2016. The 2015 loss was due to the sale of certain gas gathering and compression assets in Kansas.

In March 2016, our SemGas segment revised the volume forecast for its northern Oklahoma system based on revised volume forecasts provided by certain producers who have chosen to adjust plans for production following release of the Oklahoma Corporation Commission's Regional Earthquake Response Plan which curtails the amount of volume that can be injected into disposal wells. Based on the reduction to our forecast, we tested our SemGas segment's assets, finite-lived intangible and goodwill for impairment at March 31, 2016. No impairment was indicated for SemGas' long-lived assets and finite-lived intangible based on an undiscounted cash flow analysis. However, we did record an impairment of SemGas' goodwill for the entire balance of $13.1 million.

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

2015 versus 2014

Revenue

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

Costs of Products Sold

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

Operating Expense

Operating expense increased in 2015 to $34 million from $32 million in 2014 . This increase was due to higher insurance expense, outside services, employment and office expense. All increases were primarily driven by the growth in volume and assets in northern Oklahoma.

General and Administrative Expense

General and administrative expense increased in 2015 to $10 million from $9 million in 2014 . This increase was due primarily to employment costs and higher corporate allocations, offset by a decrease in outside services. All increases are primarily driven by the growth in volume and assets in northern Oklahoma.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2015 to $32 million from $26 million in 2014 . The increase was due to a significant asset expansion in northern Oklahoma.

Loss on Disposal or Impairment, Net

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

SemCAMS

(in thousands)	Year Ended December 31, 2016	2015	2014
Revenues	$ 133,216	$ 136,197	$ 176,724
Expenses:			
Costs of products sold	122	276	344
Operating	79,830	85,683	114,587
General and administrative	14,363	15,142	17,417
Depreciation and amortization	16,867	12,940	14,295
Gain on disposal or impairment, net	—	(917)	(950)
Total expenses	111,182	113,124	145,693
Operating income	$ 22,034	$ 23,073	$ 31,031

2016 versus 2015

Revenue

Revenue decreased in 2016 to $133 million from $136 million in 2015 . This decrease was primarily due to changes in foreign exchange rates between periods, a decrease in gathering and processing revenues related to fee concession arrangements with producers, lower operating costs recoveries, lower maintenance capital recovery and lower overhead recoveries of $4.6 million, $4.5 million, $3.4 million, $2.6 million and $0.9 million, respectively. These decreases were offset by a net $9.2 million in higher gathering and processing revenue ($11.7 in revenue, excluding a decrease of $2.5 million in gathering and processing revenues related to a 30-day unplanned outage at the K3 plant during the second quarter of 2016) and an increase in fees of $3.8 million on true-up of take-or-pay minimum volume commitments.

Operating Expense

Operating expense decreased in 2016 to $80 million from $86 million in 2015 . This decrease was primarily due to lower costs for power, materials, accretion and the impact of changes in foreign exchange rates between periods. These decreases were partially offset by increased repair costs and higher greenhouse gas credit purchases.

General and Administrative Expense

General and administrative expense decreased slightly in 2016 to $14 million from $15 million in 2015 . This decrease was primarily the result of lower compensation costs and the impact of changes in foreign exchange rates between periods.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2016 to $17 million from $13 million in 2015 . This increase was related to project completions which resulted in increased depreciation expense, offset by the impact of foreign exchange rate changes between periods.

2015 versus 2014

Revenue

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

Operating Expense

Operating expense decreased in 2015 to $86 million from $115 million in 2014 . This decrease was primarily related to lower costs for contract labor, power and materials and changes in foreign exchange rates between periods.

General and Administrative Expense

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

Depreciation and Amortization Expense

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

SemLogistics

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Revenues	$ 24,725	$ 24,351	$ 12,650
Expenses:			
Costs of products sold	30	—	615
Operating	7,603	9,616	8,361
General and administrative	5,917	7,486	6,139
Depreciation and amortization	7,676	8,543	10,005
Loss (gain) on disposal or impairment, net	—	—	(2,490)
Total expenses	21,226	25,645	22,630
Operating income (loss)	$ 3,499	$ (1,294)	$ (9,980)

2016 versus 2015

Revenue

Revenue increased slightly in 2016 to $25 million from $24 million in 2015 . Approximately $4.6 million of this increase was due to increased volume and $0.6 million is due to higher rates. These increases were offset, in part, by an approximately $3.3 million decrease due to the impact of changes in foreign exchange rates between periods and lower throughput fees of $1.3 million.

Storage revenue increased during 2016 due to the lower crude oil and product prices supporting storage economics. Also future oil prices during 2016 were predominantly in a contango structure where future prices are higher than current prices. Such a price structure encourages commodities to be stored for sale in the future. The higher storage volume was due to the refurbishment of storage capacity which returned to service during 2015 and 2016.

Operating Expense

Operating expense decreased in 2016 to $8 million from $10 million in 2015 . This decrease was primarily the result of lower maintenance and operating expenses and changes in foreign exchange rates between periods.

General and Administrative Expense

General and administrative expense decreased slightly in 2016 to $6 million from $7 million in 2015 . This decrease was primarily the result of a property tax refund.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased in 2016 to $8 million from $9 million in 2015 . This decrease was primarily the result of changes in foreign exchange rates between periods.

2015 versus 2014

Revenue

Revenue increased in 2015 to $24 million from $13 million in 2014 . The increase was due to increased volume, higher rates and higher throughput fees offset, in part, by foreign exchange declines.

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

Operating Expense

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

General and Administrative Expense

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

Depreciation and Amortization Expense

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

Gain on Disposal or Impairment

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

SemMexico

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Revenues	$ 138,802	$ 211,291	$ 290,869
Expenses:			
Costs of products sold	111,308	174,647	252,082
Operating	7,700	10,648	10,576
General and administrative	9,789	10,297	12,125
Depreciation and amortization	3,752	4,076	6,031
Loss (gain) on disposal or impairment, net	(67)	85	(53)
Total expenses	132,482	199,753	280,761
Operating income	$ 6,320	$ 11,538	$ 10,108

2016 versus 2015

Revenue

Revenue decreased in 2016 to $139 million from $211 million in 2015 . This decrease was due to significantly lower sales price ($443/metric ton in 2016 versus $578/metric ton in 2015) and the impact of foreign exchange rate changes between periods of $49 million and $26 million, respectively, partially offset by slightly higher volume (366 thousand metric tons in 2016 versus 361 thousand metric tons in 2015) of $3 million.

Costs of Products Sold

Costs of products sold decreased in 2016 to $111 million from $175 million in 2015 primarily due to lower costs and the impact of foreign exchange rate changes between periods of $44 million and $21 million, respectively, partially offset by higher volume of $2 million.

Operating Expense

Operating expense decreased in 2016 to $8 million from $11 million in 2015 due to bad debt collection and the impact of foreign exchange rate changes between periods.

General

In every other category of expense, the amounts for the year ended 2016 are roughly equivalent to those for the year ended 2015 .

2015 versus 2014

Revenue

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

Costs of Products Sold

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

General and Administrative Expense

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

Depreciation and Amortization Expense

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

Corporate and Other

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Revenues	$ (48,480)	$ (28,651)	$ (46,784)
Expenses:			
Costs of products sold	(48,480)	(26,718)	(48,737)
Operating	2,225	1,164	929
General and administrative	29,708	40,948	29,233
Depreciation and amortization	1,890	2,032	2,120
Loss on disposal or impairment, net	—	854	15,602
Total expenses	(14,657)	18,280	(853)
Earnings from equity method investments	2,147	11,416	31,363
Operating loss	$ (31,676)	$ (35,515)	$ (14,568)

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. The amounts reported for the years ended December 31, 2015 and 2014 above have been recast to include non-operating entities which were previously included in our SemCrude segment and the historical results of our former SemStream segment. SemStream holds our equity method investment in NGL Energy which is no longer material subsequent to the April 2016 sale of our limited partner interest. Earnings from equity method investments in the table above relates to our investment in NGL Energy.

General and Administrative Expense

General and administrative expense decreased in 2016 to $30 million from $41 million in 2015. This decrease is due primarily to business development expenses related to the Maurepas Pipeline incurred in 2015. These business development expenses are also responsible for the increase in 2015 as compared to 2014.

Loss on Disposal or Impairment, Net

Loss on disposal or impairment decreased in 2015 to $1 million from $16 million in 2014. This decrease is due primarily to an impairment charge in 2014 of approximately $12 million related to leaseholds of unproved oil and gas properties, which did not occur in 2015. The remaining $4 million decrease relates to intercompany balances which were written off in 2014.

Liquidity and Capital Resources

Sources and Uses of Cash

Our principal sources of short-term liquidity are cash generated from our operations and borrowings under our revolving credit facility. The consolidated cash balance on December 31, 2016 was $74.2 million . Of this amount, $44.2 million was held in Canada and may be subject to tax if transferred to the U.S. Potential sources of long-term liquidity include issuances of debt securities and equity securities and the sale of assets. Our primary cash requirements currently are operating expenses, capital expenditures 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 credit facility and the issuance of debt securities and equity securities;
- acquisitions through cash on hand, borrowings under our credit facility and the issuance of debt securities and equity securities; and
- debt principal payments through cash from operating activities and refinancings when the credit facility 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 expansion capital expenditures and potential future acquisitions.

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

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

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Statement of cash flow data:			
Cash flows provided by (used in):			
Operating activities	$ 169,974	$ 181,762	$ 181,658
Investing activities	(228,284)	(442,141)	(290,225)
Financing activities	75,909	277,027	73,308
Subtotal	17,599	16,648	(35,259)
Effect of exchange rate on cash and cash equivalents	(1,479)	850	(3,494)
Change in cash and cash equivalents	16,120	17,498	(38,753)
Cash and cash equivalents at beginning of period	58,096	40,598	79,351
Cash and cash equivalents at end of period	$ 74,216	$ 58,096	$ 40,598

Operating Activities

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

(in thousands)	Year Ended December 31, 2016	2015	2014
Net income	$ 13,262	$ 42,812	$ 52,057
Non-cash expenses, net	179,667	154,156	152,966
Changes in operating assets and liabilities	(22,955)	(15,206)	(23,365)
Net cash flows provided by operating activities	$ 169,974	$ 181,762	$ 181,658

2016 Compared to 2015

Adjustments to net income for non-cash expenses increased to $179.7 million in 2016 from $154.2 million in 2015 . Significant changes from prior year include:

- $45.2 million increase due to the current year other-than-temporary impairment recorded on our limited partner investment in NGL Energy, partially offset by current year gain on the sale of our common limited partner units of NGL Energy, and prior year gains on the sale of a portion of our common limited partner units of NGL Energy, net of related costs;
- a $7.6 million increase due to lower current year earnings from equity method investments as compared with the prior year primarily due to Glass Mountain and NGL Energy;
- an increase of $6.4 million due to a small current year loss on the issuance of common units of an equity method investee as compared to prior year gains;
- a $5.8 million increase due to current year currency losses as compared to prior year currency gains;
- an increase of $4.6 million in losses on disposal and impairments primarily due to the impairment of our SemGas segment's goodwill in the current year; and
- an increase of $2.5 million in amortization of debt issuance costs primarily due to the write-off of costs related to the Rose Rock credit facility which was terminated.

These increases to non-cash adjustment to net income were offset by:

- a decrease of $20.8 million in deferred tax expense primarily due to lower pre-tax book income net of amounts attributable to noncontrolling interests;
- a $19.0 million decrease in distributions from equity method investees due to the disposition of our limited partner unit investment in NGL Energy and lower volumes on Glass Mountain;
- a $2.6 million decrease due to prior year inventory valuation adjustments which did not reoccur in the current year; and
- a $2.1 million decrease in depreciation and amortization expense.

Changes in operating assets and liabilities during the year ended December 31, 2016 relative to the prior year-end consisted primarily of:

- $110.4 million increase in accounts receivable, including receivable from affiliates, generally due to higher commodity prices and volumes;
- $30.7 million increase in inventory primarily due to increased inventory of our Crude Supply and Logistics segment due to an additional 0.3 million barrels of crude oil on hand at a higher weighted average cost;
- $116.2 million increase in accounts payable, including payable to affiliates, and accrued liabilities generally due to higher prices and volumes and timing of purchases; and
- $2.6 million increase in other noncurrent liabilities.

2015 Compared to 2014

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

- $21.1 million decrease in net losses on disposals or impairments primarily due to losses recognized in 2014 related to a $20.1 million loss on the sale of certain natural gas gathering assets in eastern Oklahoma and an $11.9 million impairment charge on leaseholds of unproved oil and gas properties located in Kansas;

- $10.2 million increase in distributions from equity method investees and a $17.2 million increase in earnings from equity method investments primarily due to increased earnings of White Cliffs from expansion projects;
- a lower gain on the sale of common units of equity method investee of $19.7 million due to fewer common units of NGL Energy sold and lower sales prices in 2015 as compared to 2014;
- $13.4 million due to prior year losses on the fair value of warrants which expired in November 2014;
- $7.0 million decrease in deferred tax expense primarily due to lower pre-tax book income net of minority interest in Rose Rock and prior year impact of warrant exercise expense; and
- $3.1 million decrease in inventory valuation adjustments due to smaller write-downs of crude oil inventories related to price declines in 2015 as compared to 2014.

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

- $31.0 million increase in inventory primarily due to increased inventory of our Crude Supply and Logistics segment due to an additional 1.1 million barrels of crude oil on hand which partially relates to a strategic build to capture margins due to forward market crude oil prices being higher than spot market prices;
- $20.0 million decrease in accounts receivable, including receivable from affiliates, generally due to lower commodity prices and volumes;
- $5.9 million decrease in accounts payable, including payable to affiliates, and accrued liabilities generally due to lower prices and volumes and timing of purchases; and
- restricted cash and payables to pre-petition creditors decreased due to resolution of bankruptcy related matters.

Investing Activities

For the year ended December 31, 2016 , we had net cash outflows of $228.3 million , primarily as a result of $312.5 million in capital expenditures and $4.2 million in contributions to equity method investments. These cash outflows were offset, in part, by cash inflows of $60.5 million in proceeds from the sale of common units of NGL Energy, an equity method investee, and $27.7 million in distributions from equity method investments in excess of equity in earnings. Capital expenditures included the Crude Transportation segment's projects including the Maurepas Pipeline project, our SemGas segment's northern Oklahoma expansion projects and SemCAMS' Wapiti expansion. Distributions in excess of equity earnings 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.

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

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

Financing Activities

For the year ended December 31, 2016 , we had net cash inflows of $75.9 million , primarily as a result of $382.5 million of borrowings (offset by $396.9 million of principal payments) and $223.0 million in proceeds from the issuance of common shares (net of offering costs), partially offset by $92.9 million of dividends paid, $32.1 million of cash distributions to noncontrolling interests and $7.7 million of payments related to debt issuances. Debt issuance costs primarily relate to the increase in the capacity of the SemGroup credit facility.

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

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

Long-term Debt

SemGroup Senior Unsecured Notes

At December 31, 2016 , we had outstanding $300 million of 7.50% senior unsecured notes due 2021, $400 million of 5.625% senior unsecured notes due 2022 and $350 million of 5.625% senior unsecured notes due 2023 (collectively, the "Notes"). The Notes are governed by indentures, as supplemented, between the Company and its subsidiary Guarantors and Wilmington Trust, N.A., as trustee (the “Indentures”). The Indentures includes customary covenants and events of default.

At December 31, 2016 , we were in compliance with the terms of the Indentures.

SemGroup Revolving Credit Facility

At December 31, 2016 , we had $20.0 million of cash borrowings outstanding under our $1.0 billion revolving credit facility. In addition, we had $41.4 million in outstanding letters of credit on that date. At December 31, 2016 , our available borrowing capacity under the revolving credit facility was $938.6 million. The maximum letter of credit capacity under this facility is $250 million . The credit facility also allows for the use of secured bilateral letters of credit, which are issued external to the credit facility and do not reduce revolver availability. At December 31, 2016 , we had $26.8 million outstanding in secured bilateral letters of credit.

Revolving commitments under the credit agreement can be increased by an aggregate amount of $300 million subject to the satisfaction of certain conditions. The agreement matures on March 15, 2021. Earlier principal payments may be required if we enter into certain transactions to sell assets or obtain new borrowings. We have the right to make additional principal payments without incurring any penalties for early repayment. The credit agreement includes customary affirmative and negative covenants.

The credit agreement contains certain financial performance covenants. For any test period, our leverage ratio cannot be in excess of 5.50:1.00; our senior secured leverage ratio cannot be in excess of 3.50:1.00; and our interest coverage ratio cannot be less than 2.50:1.00.

At December 31, 2016 , we were in compliance with our financial performance covenants and other terms of the credit agreement.

Rose Rock Revolving Credit Facility

On September 30, 2016, we completed the acquisition of the outstanding common limited partner interests of Rose Rock which we did not already own (the "Merger"). Substantially all of Rose Rock's assets were pledged as collateral under its senior secured revolving credit facility agreement which was terminated following the Merger. Substantially all of Rose Rock's assets are now pledged as collateral under SemGroup's senior secured revolving credit facility. Rose Rock's senior unsecured notes were assumed by SemGroup.

SemMexico Revolving Credit Facility

SemMexico has a credit facility that allows the borrowing of up to $70 million Mexican pesos (U.S. $3.4 million equivalent at the December 31, 2016 exchange rate) which matures in May 2018. There were no outstanding borrowings on the facility at December 31, 2016 . At December 31, 2016 , SemMexico had outstanding letters of credit of $292.8 million Mexican pesos (U.S. $14.1 million equivalent at the December 31, 2016 exchange rate).

At December 31, 2016 , we were in compliance with the terms of this facility.

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. On June 22, 2016, we issued and sold 8,625,000 shares of our Class A common stock, valued at $27.00 per share, to the public for proceeds of $228.5 million, net of underwriting fees and other offering costs of $4.3 million. Proceeds were used to repay borrowings on our revolving credit facility and were used for capital expenditures and general corporate purposes.

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.

During the year ended December 31, 2016 , we spent $312.5 million (cash basis), on capital projects. Projected capital expenditures, excluding capitalized interest, for 2017 are estimated at $440 million in expansion projects, including capital contributions to equity method investees to fund growth projects, and $60 million in maintenance projects. These estimates may change as future events unfold. See "Cautionary Note Regarding Forward-Looking Statements."

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

SemGroup Dividends

The table below sets out the dividends declared and/or paid by SemGroup during 2016 and 2015.

Quarter Ended	Record Date	Payment Date	Dividend Per Share
March 31, 2015	March 9, 2015	March 20, 2015	$0.34
June 30, 2015	May 18, 2015	May 29, 2015	$0.38
September 30, 2015	August 17, 2015	August 25, 2015	$0.42
December 31, 2015	November 16, 2015	November 24, 2015	$0.45
March 31, 2016	March 7, 2016	March 17, 2016	$0.45
June 30, 2016	May 16, 2016	May 26, 2016	$0.45
September 30, 2016	August 15, 2016	August 25, 2016	$0.45
December 31, 2016	November 18, 2016	November 28, 2016	$0.45

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 accounted for more than 10% of our consolidated revenues for the year ended December 31, 2016 , at approximately 24%. 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.

Our SemGas segment has a significant concentration of producers which account for a large portion of our SemGas segment's volumes. During the year ended December 31, 2016 , three producers accounted for approximately 92% of our total processed volumes. During the year ended December 31, 2016 , three producers accounted for 95% of our total gathered volumes. Additionally, all of the processing and gathering volumes from these customers are produced in the Northern Oklahoma region.

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

Off-Balance Sheet Arrangements

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

Commitments

Contractual Obligations

In the ordinary course of business we enter into various contractual obligations for varying terms and amounts. The following table includes our contractual obligations as of December 31, 2016 , and our best estimate of the period in which the obligation will be settled (in thousands):

	2017	2018	2019	2020	2021	Thereafter
Long-term debt (1)	$ —	$ —	$ —	$ —	$ 320,000	$ 750,000
Interest (1)	66,949	66,949	66,949	66,956	52,959	49,047
Capital leases	26	25	—	—	—	—
Operating leases	4,516	4,218	3,871	3,517	3,545	10,018
Take-or-pay commitments (2)	28,305	31,335	30,396	28,179	18,704	38,708
Purchase commitments (3)	572,829	883	—	—	—	—
Capital expenditure expansion projects (4)	282,500	159,400	8,200	—	—	—
Total	$ 955,125	$ 262,810	$ 109,416	$ 98,652	$ 395,208	$ 847,773

(1) Assumes interest rates, fee rates and letters of credit and loans outstanding as of December 31, 2016 , and that same remain constant thereafter until maturity except for required principal payments.

(2) Take-or-pay commitments include: (a) a five-year transportation take-or-pay agreement with White Cliffs for approximately 5,000 barrels per day which began in October 2015; (b) a seven-year transportation take-or-pay agreement for 5,000 barrels per day on a third-party pipeline which will begin once construction of the pipeline is complete, with an estimated completion of June 2017; and (c) a commitment related to fractionation of natural gas liquids through 2023.

(3) The bulk of the commitments shown in the table above relate to agreements to purchase product from a counterparty and to sell a similar amount of product (in a different location) to the same counterparty. Many of the commitments shown in the table above are cancellable by either party, as long as notice is given within the time frame specified in the agreement (generally 30 to 120 days).

(4) Capital expenditure expansion projects represent the construction of Maurepas Pipeline and the Canadian Wapiti Plant as well as our 50% interest in a 44-mile extension of the Glass Mountain Pipeline.

In addition to the items in the table above, we have entered into various operational commitments and agreements related to pipeline operations and to the marketing, transportation, terminalling and storage of petroleum products. We have also entered into certain petroleum products derivative instruments, for which the fair value is a net liability of $1.3 million at December 31, 2016 .

Letters of Credit

In connection with our purchasing activities, we provide certain suppliers and transporters with irrevocable standby letters of credit to secure our obligation for the purchase of petroleum products. Our liabilities with respect to these purchase obligations are recorded as accounts payable on our balance sheet in the month the petroleum products are purchased. Generally, these letters of credit are issued for 70-day periods (with a maximum of 364-day periods) and are terminated upon completion of each transaction. At December 31, 2016 and December 31, 2015 , we had outstanding letters of credit of approximately $82.3 million and $99.8 million, respectively.

Critical Accounting Policies and Estimates

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

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

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

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

Income Taxes

At December 31, 2016 , we had a cumulative U.S. federal net operating loss of approximately $146.6 million that can be carried forward to apply against taxable income generated in future years. This carry forward begins to expire in 2031. We had cumulative U.S. state net operating losses of approximately $94.8 million available for carry forward, which begin to expire in 2017. We had foreign net operating losses of $19.5 million available for indefinite carry forward and $7.8 million that will expire in 2036. We had foreign tax credits of approximately $62.1 million available for carry forward, which begin to expire in 2020.

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

Evaluation of Long-Lived Assets and Other Intangible Assets for Impairment

In accordance with ASC 360, " *Property, Plant and Equipment* " and ASC 350, " *Intangibles – Goodwill and Other* ", we evaluate property, plant and equipment and intangible assets for impairment whenever indicators of impairment exist. Examples of such indicators are:

- significant decrease in the market price of a long-lived asset;
- significant adverse change in the manner an asset is used or its physical condition;

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

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

Goodwill

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

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

Derivative Instruments

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

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

Contingencies

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

Recent Accounting Pronouncements

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

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

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

We are exposed to various market risks, including changes in (i) petroleum prices, particularly crude oil, natural gas and natural gas liquids, (ii) interest rates, and (iii) currency exchange rates. We may use from time-to-time various derivative instruments to manage such exposure. Our risk management policies and procedures are designed to monitor physical and financial commodity positions and the resulting outright commodity price risk as well as basis risk resulting from differences in commodity grades, purchase and sale locations and purchase and sale timing. We have a risk management function that has responsibility and authority for our 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 years ended December 31, 2016 , 2015 and 2014 .

	Light Sweet Crude Oil Futures ($ per Barrel)	Mont Belvieu (Non-LDH) Spot Propane ($ per Gallon)	Henry Hub Natural Gas Futures ($ per MMBtu)
Year Ended December 31, 2016			
High	$54.06	$0.71	$3.93
Low	$26.21	$0.29	$1.64
High/Low Differential	*$27.85*	*$0.42*	*$2.29*
Year Ended December 31, 2015			
High	$61.43	$0.64	$3.23
Low	$34.73	$0.31	$1.75
High/Low Differential	*$26.70*	*$0.33*	*$1.48*
Year Ended December 31, 2014			
High	$107.26	$1.70	$6.15
Low	$53.27	$0.46	$2.89
High/Low Differential	*$53.99*	*$1.24*	*$3.26*

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 certain of our segments are generally not directly affected by the absolute level of petroleum product prices, but are affected by overall levels of supply and demand for petroleum products and relative fluctuations in market-related indices at various locations.

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

- A $0.10 change in natural gas price would result in approximately a $2.4 million impact to gross margin.
- A $0.10 change in natural gas liquids prices (Conway and Mont Belvieu) would result in approximately a $0.4 million impact to gross margin.

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

Additionally, based on our open derivative contracts at December 31, 2016 , an increase in the applicable market price or prices for each derivative contract would result in a decrease in our crude oil sales revenues. Likewise, a decrease in the applicable market price or prices for each derivative contract would result in an increase in our crude oil sales revenues. However, the increases or decreases in crude oil sales revenues we recognize from our open derivative contracts are substantially offset by higher or lower crude oil sales revenues when the physical sale of the product occurs. These contracts may be for the purchase or sale of crude oil or in markets different from the physical markets in which we are attempting to hedge our exposure, or may have timing differences relative to the physical markets. As a result of these factors, our hedges may not eliminate all price risks.

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

	Notional Volume (Barrels)	Fair Value	Effect of 10% Price Increase	Effect of 10% Price Decrease	Settlement Date
Crude Oil:					
Futures contracts	761	$ (1,328)	$ (4,088)	$ 4,088	January/February 2017

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

Interest Rate Risk

We use variable rate debt and are exposed to market risk due to the floating interest rates on our credit facilities. Therefore, from time-to-time we may use interest rate derivatives to manage interest obligations on specific debt issuances. Our variable rate debt bears interest at LIBOR or prime, subject to certain floors, plus the applicable margin. At December 31, 2016 , an increase in these base rates of 1%, above the base rate floors, would increase our interest expense by $0.5 million per year.

The average interest rates presented below are based upon rates in effect at December 31, 2016 and December 31, 2015 . The carrying value of the variable rate instruments in our credit facilities approximate fair value primarily because our rates fluctuate with prevailing market rates.

The following table summarizes our debt obligations:

Liabilities	December 31, 2016	December 31, 2015
Short-term debt—variable rate	$ 0.0 million	$ 0.0 million
Average interest rate	—%	—%
Long-term debt—variable rate	$ 20.0 million	$ 30.0 million
Average interest rate	4.75%	4.50%
Long-term debt—fixed rate	$ 300.0 million	$ 300.0 million
Fixed interest rate	7.50%	7.50%
Long-term debt—fixed rate	$ 750.0 million	$ 750.0 million
Fixed interest rate	5.625%	5.625%

Currency Exchange Risk

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

A 10% change in the average exchange rate during the years ended December 31, 2016 and 2015 , would change operating income by $6.0 million and $5.9 million, respectively.

Item 8. ***Financial Statements and Supplementary Data***

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

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

None

Item 9A . ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) are effective as of December 31, 2016. This conclusion is based on an evaluation conducted under the supervision and participation of our Chief Executive Officer and Chief Financial Officer along with our management. Disclosure controls and procedures are those controls and procedures designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

Our internal control over financial reporting as of December 31, 2016, has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report that is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the most recently completed fiscal quarter ended December 31, 2016, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None

PART III

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

The information required by this item concerning our directors and corporate governance matters is incorporated by reference to the information in the sections entitled "PROPOSAL 1 – ELECTION OF DIRECTORS" and "CORPORATE GOVERNANCE," respectively, of our Proxy Statement for the 2017 Annual Meeting of Stockholders (the "Proxy Statement"). The information required by this item with respect to the Section 16 ownership reports is incorporated by reference to the section entitled "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the Proxy Statement. The information required by this item with respect to our executive officers is included in Part I of this Form 10-K under the section entitled "Executive Officers of the Registrant." A copy of our Code of Business Conduct and Ethics is posted on our website at www.semgroupcorp.com .

Item 11. ***Executive Compensation***

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

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

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

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

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

Item 14 . ***Principal Accountant Fees and Services***

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

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

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

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

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

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

Exhibit Number	Description
2.1	Fourth Amended Joint Plan of Affiliated Debtors filed with the United States Bankruptcy Court for the District of Delaware on October 27, 2009 (filed as Exhibit 2.1 to our registration statement on Form 10, File No. 001-34736 (the “Form 10”)).
2.2	Agreement and Plan of Merger dated as of May 30, 2016, by and among SemGroup Corporation, PBMS, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream GP, LLC (filed as Exhibit 2.1 to our current report on Form 8-K dated May 30, 2016, filed May 31, 2016).
3.1	Amended and Restated Certificate of Incorporation, dated as of November 30, 2009, of SemGroup Corporation (filed as Exhibit 3.1 to the Form 10).
3.2	Amended and Restated Bylaws, dated as of May 17, 2016, of SemGroup Corporation (filed as Exhibit 3 to our current report on Form 8-K dated May 17, 2016, filed May 19, 2016).
4.1	Form of stock certificate for our Class A Common Stock, par value $0.01 per share (filed as Exhibit 4.1 to the Form 10).
4.2	Form of stock certificate for our Class B Common Stock, par value $0.01 per share (filed as Exhibit 4.2 to the Form 10).
4.3	Indenture (and form of 7.50% Senior Note due 2021 attached as Exhibit A thereto), dated as of June 14, 2013, by and among SemGroup Corporation, certain of its wholly-owned subsidiaries, as guarantors, and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to our current report on Form 8-K dated June 14, 2013, filed June 20, 2013).
4.4	Indenture (and form of 5.625% Senior Note due 2022 attached as Exhibit A thereto), dated as of July 2, 2014, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated June 27, 2014, filed July 2, 2014).
4.5	Indenture (and form of 5.625% Senior Note due 2023 attached as Exhibit A thereto), dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated May 14, 2015, filed May 18, 2015).
4.6	Second Supplemental Indenture dated as of September 30, 2016, by and among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guarantors," the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries" and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to our quarterly report on Form 10-Q for the quarter ended September 30, 2016, filed November 7, 2016).
4.7	Second Supplemental Indenture dated as of September 30, 2016, by and among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guarantors," the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries" and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.2 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).

Exhibit Number	Description
4.8	First Supplemental Indenture dated as of September 30, 2016, by and among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guarantors," the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries" and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.3 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
10.1	Amended and Restated Credit Agreement, dated as of September 30, 2016, by and among SemGroup Corporation, as borrower, the guarantors named therein, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent (filed as Exhibit 10.1 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
10.2	Equity Distribution Agreement, dated November 8, 2016, by and among SemGroup Corporation, Wells Fargo Securities, LLC, Citigroup Global Markets Inc., and SunTrust Robinson Humphrey, Inc. (filed as Exhibit 1.1 to our current report on Form 8-K dated November 8, 2016, filed November 8, 2016).
10.3*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2015 (filed as Exhibit 10.1 to our current report on Form 10-Q for the quarter ended June 30, 2015, filed August 7, 2015).
10.4*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2016 (filed as Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2016, filed August 5, 2016).
10.5*	SemGroup Corporation Nonexecutive Directors' Compensation Deferral Program (filed as Exhibit 10.7 to the Form 10).
10.6*	SemGroup Corporation Equity Incentive Plan, as amended and restated (filed as Annex A to our definitive proxy statement, filed April 13, 2016).
10.7*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for Directors for awards granted on or after May 22, 2012 (filed as Exhibit 10.31 to our Amendment No. 1 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013).
10.8*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2013 (filed as Exhibit 10.33 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013 (the "2012 Form 10-K")).
10.9*	SemGroup Corporation Equity Incentive Plan Form of 2013-2015 Performance Share Unit Award Agreement for executive officers (filed as Exhibit 10.34 to our 2012 Form 10-K).
10.10*	SemGroup Corporation Equity Incentive Plan Form of 2016 Performance Share Unit Award Agreement for executive officers and employees in the United States (filed as Exhibit 10.16 to our annual report on Form 10-K for the fiscal year ended December 31, 2015, filed February 26, 2016).
10.11*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for executive officers and employees in the United States for awards granted pursuant to that certain Agreement and Plan of Merger, dated May 30, 2016, by and among SemGroup Corporation, PBMS, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream GP, LLC (filed as Exhibit 10.2 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
10.12*	SemGroup Corporation Equity Incentive Plan Form of Performance Share Unit Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2017.
10.13*	Employment Agreement dated as of March 6, 2014, by and among SemManagement, L.L.C., SemGroup Corporation, Rose Rock Midstream GP, LLC and Carlin G. Conner (filed as Exhibit 10.2 to our current report on Form 8-K dated March 6, 2014, filed March 12, 2014).
10.14*	Form of Severance Agreement between SemGroup Corporation and each of its executive officers other than Carlin G. Conner.
10.15*	Consulting Agreement and Release, dated August 5, 2016, by and between SemGroup Corporation and Peter L. Schwiering (filed as Exhibit 10 to our current report on Form 8-K dated August 5, 2016, filed August 5, 2016).
10.16*	SemGroup Corporation Short-Term Incentive Program (filed as Exhibit 10.1 to our current report on Form 8-K dated February 24, 2011, filed March 2, 2011).

Exhibit Number	Description
10.17*	SemGroup Employee Stock Purchase Plan (filed as Appendix A to our definitive proxy statement, filed April 19, 2013).
21	Subsidiaries of SemGroup Corporation.
23.1	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
23.2	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Carlin G. Conner, Chief Executive Officer.
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of Robert N. Fitzgerald, Chief Financial Officer.
32.1	Section 1350 Certification of Carlin G. Conner, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
99.1	White Cliffs Pipeline, L.L.C. financial statements presented pursuant to Rule 3-09 of Regulation S-X.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at December 31, 2016 and 2015, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014, (iii) the Consolidated Statements of Changes in Owners' Equity for the years ended December 31, 2016, 2015 and 2014, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014, and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement

Item 16 . ***Form 10-K Summary***

None

SIGNATURES

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

SEMGROUP CORPORATION

February 24, 2017

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

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

Signature	Title	Date
/s/ Carlin G. Conner Carlin G. Conner	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2017
/s/ Robert N. Fitzgerald Robert N. Fitzgerald	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 24, 2017
/s/ Thomas D. Sell Thomas D. Sell	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 24, 2017
/s/ Thomas R. McDaniel Thomas R. McDaniel	Chairman of the Board and Director	February 24, 2017
/s/ Ronald A. Ballschmiede Ronald A. Ballschmiede	Director	February 24, 2017
/s/ Sarah M. Barpoulis Sarah M. Barpoulis	Director	February 24, 2017
/s/ Karl F. Kurz Karl F. Kurz	Director	February 24, 2017
/s/ James H. Lytal James H. Lytal	Director	February 24, 2017

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
SemGroup Corporation
Tulsa, Oklahoma

We have audited the accompanying consolidated balance sheets of SemGroup Corporation (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), changes in owners' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SemGroup Corporation at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), SemGroup Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas
February 24, 2017

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
SemGroup Corporation
Tulsa, Oklahoma

We have audited the internal control over financial reporting of SemGroup Corporation (the "Company") as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), changes in owners' equity, and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas
February 24, 2017

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

	December 31,	
	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 74,216	$ 58,096
Accounts receivable (net of allowance of $2,322 and $3,019, respectively)	418,339	326,713
Receivable from affiliates	25,455	5,914
Inventories	99,234	70,239
Other current assets	18,630	19,419
Total current assets	635,874	480,381
Property, plant and equipment (net of accumulated depreciation of $393,635 and $319,769, respectively)	1,762,072	1,566,821
Equity method investments	434,289	551,078
Goodwill	34,230	48,032
Other intangible assets (net of accumulated amortization of $39,018 and $29,515, respectively)	150,978	162,223
Other noncurrent assets, net	57,529	45,374
Total assets	$ 3,074,972	$ 2,853,909
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 367,307	$ 273,666
Payable to affiliates	26,508	5,033
Accrued liabilities	81,104	85,047
Deferred revenue	10,571	11,349
Other current liabilities	2,839	1,901
Current portion of long-term debt	26	31
Total current liabilities	488,355	377,027
Long-term debt	1,050,918	1,057,816
Deferred income taxes	64,501	200,953
Other noncurrent liabilities	25,233	21,757
Commitments and contingencies (Note 16)		
SemGroup Corporation owners' equity:		
Common stock, $0.01 par value (authorized - 100,000 shares; issued - 67,079 and 44,863 shares, respectively)	659	439
Additional paid-in capital	1,561,695	1,217,255
Treasury stock, at cost (980 and 931 shares, respectively)	(6,558)	(5,593)
Accumulated deficit	(35,917)	(38,012)
Accumulated other comprehensive loss	(73,914)	(58,562)
Total SemGroup Corporation owners' equity	1,445,965	1,115,527
Noncontrolling interests in consolidated subsidiaries	—	80,829
Total owners' equity	1,445,965	1,196,356
Total liabilities and owners' equity	$ 3,074,972	$ 2,853,909

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

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

	Year Ended December 31,		
	2016	2015	2014
Revenues:			
Product	$ 1,009,409	$ 1,118,886	$ 1,780,314
Service	265,030	259,542	233,239
Other	57,725	76,666	109,026
Total revenues	1,332,164	1,455,094	2,122,579
Expenses:			
Costs of products sold, exclusive of depreciation and amortization shown below	873,431	979,549	1,623,358
Operating	212,099	224,443	246,613
General and administrative	83,908	97,366	87,845
Depreciation and amortization	98,804	100,882	98,397
Loss on disposal or impairment, net	16,048	11,472	32,592
Total expenses	1,284,290	1,413,712	2,088,805
Earnings from equity method investments	73,757	81,386	64,199
Gain (loss) on issuance of common units by equity method investee	(41)	6,385	29,020
Operating income	121,590	129,153	126,993
Other expenses (income):			
Interest expense	62,650	69,675	49,044
Foreign currency transaction loss (gain)	4,759	(1,067)	(86)
Loss (gain) on sale or impairment of equity method investment	30,644	(14,517)	(34,211)
Other expense (income), net	(994)	(1,284)	13,675
Total other expenses, net	97,059	52,807	28,422
Income from continuing operations before income taxes	24,531	76,346	98,571
Income tax expense	11,268	33,530	46,513
Income from continuing operations	13,263	42,816	52,058
Loss from discontinued operations, net of income taxes	(1)	(4)	(1)
Net income	13,262	42,812	52,057
Less: net income attributable to noncontrolling interests	11,167	12,492	22,817
Net income attributable to SemGroup	$ 2,095	$ 30,320	$ 29,240
Net income	$ 13,262	$ 42,812	$ 52,057
Other comprehensive income (loss), net of income taxes			
Currency translation adjustments, net of income taxes	(14,224)	(32,142)	(20,551)
Other, net of income taxes	(1,128)	721	(3,736)
Total other comprehensive loss	(15,352)	(31,421)	(24,287)
Comprehensive income (loss)	(2,090)	11,391	27,770
Less: comprehensive income attributable to noncontrolling interests	11,167	12,492	22,817
Comprehensive income (loss) attributable to SemGroup	$ (13,257)	$ (1,101)	$ 4,953
Net income attributable to SemGroup per common share (Note 18):			
Basic	$ 0.04	$ 0.69	$ 0.69
Diluted	$ 0.04	$ 0.69	$ 0.68

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

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

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Owners' Equity
Balance at December 31, 2013	**$ 425**	**$ 1,154,516**	**$ (613)**	**$ (97,572)**	**$ (2,854)**	**$ 159,961**	**$ 1,213,863**
Net income	—	—	—	29,240	—	22,817	52,057
Other comprehensive loss, net of income taxes	—	—	—	—	(24,287)	—	(24,287)
Distributions to noncontrolling interests	—	—	—	—	—	(28,494)	(28,494)
Transfer of SemCrude Pipeline interest to Rose Rock	—	53,243	—	—	—	(85,173)	(31,930)
Warrants exercised	9	73,008	—	—	—	—	73,017
Dividends paid	—	(44,206)	—	—	—	—	(44,206)
Unvested dividend equivalent rights	—	(173)	—	—	—	(125)	(298)
Non-cash equity compensation	—	7,319	—	—	—	943	8,262
Issuance of common stock under compensation plans	2	2,170	—	—	—	—	2,172
Repurchase of common stock	—	—	(719)	—	—	—	(719)
Balance at December 31, 2014	**436**	**1,245,877**	**(1,332)**	**(68,332)**	**(27,141)**	**69,929**	**1,219,437**
Net income	—	—	—	30,320	—	12,492	42,812
Other comprehensive loss, net of income taxes	—	—	—	—	(31,421)	—	(31,421)
Distributions to noncontrolling interests	—	—	—	—	—	(40,410)	(40,410)
Dividends paid	—	(69,514)	—	—	—	—	(69,514)
Unvested dividend equivalent rights	—	(351)	—	—	—	(203)	(554)
Non-cash equity compensation	—	9,051	—	—	—	1,354	10,405
Issuance of common stock under compensation plans	3	1,512	—	—	—	—	1,515
Repurchase of common stock	—	—	(4,261)	—	—	—	(4,261)
Rose Rock equity issuance	—	—	—	—	—	89,119	89,119
Transfer of WOT and Glass Mountain to Rose Rock	—	30,680	—	—	—	(51,452)	(20,772)
Balance at December 31, 2015	**439**	**1,217,255**	**(5,593)**	**(38,012)**	**(58,562)**	**80,829**	**1,196,356**
Net income	—	—	—	2,095	—	11,167	13,262
Other comprehensive loss, net of income taxes	—	—	—	—	(15,352)	—	(15,352)
Issuance of common shares	86	228,460	—	—	—	—	228,546
Acquisition of Rose Rock's noncontrolling interest	133	198,381	—	—	—	(61,122)	137,392
Distributions to noncontrolling interests	—	—	—	—	—	(32,133)	(32,133)
Dividends paid	—	(92,910)	—	—	—	—	(92,910)
Unvested dividend equivalent rights	—	521	—	—	—	66	587
Non-cash equity compensation	—	8,752	—	—	—	1,193	9,945
Issuance of common stock under compensation plans	1	1,236	—	—	—	—	1,237
Repurchase of common stock	—	—	(965)	—	—	—	(965)
Balance at December 31, 2016	**$ 659**	**$ 1,561,695**	**$ (6,558)**	**$ (35,917)**	**$ (73,914)**	**$ —**	**$ 1,445,965**

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

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

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	$ 13,262	$ 42,812	$ 52,057
Adjustments to reconcile net income to net cash provided by operating activities:			
Net unrealized (gain) loss related to derivative instruments	989	2,014	(1,734)
Depreciation and amortization	98,804	100,882	98,397
Loss on disposal or impairment, net	16,048	11,472	32,592
Earnings from equity method investments	(73,757)	(81,386)	(64,199)
Loss (gain) on issuance of common units by equity method investee	41	(6,385)	(29,020)
Loss (gain) on sale or impairment of common units of equity method investee	30,644	(14,517)	(34,211)
Distributions from equity method investments	76,442	95,429	85,261
Amortization of debt issuance costs	7,561	5,102	3,632
Deferred tax expense	8,447	29,197	36,148
Non-cash equity compensation	10,216	10,617	8,386
Excess tax benefit from equity-based awards	—	—	(1,650)
Loss on fair value of warrants	—	—	13,423
Provision for uncollectible accounts receivable, net of recoveries	(527)	208	360
Inventory valuation adjustment	—	2,590	5,667
Currency (gain) loss	4,759	(1,067)	(86)
Changes in operating assets and liabilities (Note 22)	(22,955)	(15,206)	(23,365)
Net cash provided by operating activities	169,974	181,762	181,658
Cash flows from investing activities:			
Capital expenditures	(312,456)	(479,530)	(270,506)
Proceeds from sale of long-lived assets	151	3,688	4,445
Contributions to equity method investments	(4,188)	(46,730)	(71,131)
Payments to acquire businesses	—	—	(44,508)
Proceeds from sale of common units of equity method investee	60,483	56,318	79,741
Distributions from equity method investments in excess of equity in earnings	27,726	24,113	11,734
Net cash used in investing activities	(228,284)	(442,141)	(290,225)
Cash flows from financing activities:			
Debt issuance costs	(7,728)	(6,289)	(8,686)
Borrowings on credit facilities and issuance of senior unsecured notes	382,500	867,208	1,254,244
Principal payments on credit facilities and other obligations	(396,890)	(560,049)	(1,102,272)
Distributions to noncontrolling interests	(32,133)	(40,410)	(28,494)
Proceeds from warrant exercises	—	—	1,451
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(965)	(4,261)	(719)
Dividends paid	(92,910)	(69,514)	(44,206)
Proceeds from issuance of common stock under employee stock purchase plan	1,010	1,223	340
Excess tax benefit from equity-based awards	—	—	1,650
Proceeds from issuance of common shares, net of offering costs	223,025	—	—
Rose Rock equity issuance	—	89,119	—
Net cash provided by financing activities	75,909	277,027	73,308
Effect of exchange rate changes on cash and cash equivalents	(1,479)	850	(3,494)
Change in cash and cash equivalents	16,120	17,498	(38,753)
Cash and cash equivalents at beginning of period	58,096	40,598	79,351
Cash and cash equivalents at end of period	$ 74,216	$ 58,096	$ 40,598

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

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

1. OVERVIEW

SemGroup Corporation is a Delaware corporation headquartered in Tulsa, Oklahoma that provides diversified services for end-users and consumers of crude oil, natural gas, natural gas liquids, refined products and asphalt.

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

At December 31, 2016, our reportable segments include the following:

- Crude Transportation, which operates crude oil pipelines and truck transportation businesses in the United States. Crude Transportation’s assets include:
  - a crude oil gathering and transportation pipeline system in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries;
  - the Wattenberg Oil Trunkline ("WOT"), a 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");
  - a crude oil trucking fleet of over 225 transport trucks and 235 trailers;
  - Maurepas Pipeline, a project underway to build three pipelines to service refineries in the Gulf Coast region, which is expected to be completed in late second quarter 2017;
  - a 51% ownership interest in White Cliffs, which owns crude oil pipelines that transport crude oil from Platteville, Colorado to Cushing, Oklahoma (the "White Cliffs Pipeline"); and
  - a 50% ownership interest in Glass Mountain Pipeline, LLC ("Glass Mountain"), which owns a crude oil pipeline in western and north central Oklahoma (the "Glass Mountain Pipeline").
- Crude Facilities, which operates crude oil storage and terminal businesses in Cushing, Oklahoma and a crude oil truck unloading facility in Platteville, Colorado that connects to the origination point of the White Cliffs Pipeline.
- Crude Supply and Logistics, which operates a crude oil marketing business utilizing our Crude Transportation and Crude Facilities assets for marketing purposes.
- SemGas, which provides natural gas gathering and processing services in the United States. SemGas operates gathering pipelines in Oklahoma and Texas and processing plants in northern Oklahoma and Texas.
- SemCAMS, which provides natural gas gathering and processing services in Alberta, Canada. SemCAMS owns working interests in, and operates, a network of natural gas gathering and transportation pipelines and natural gas processing plants.
- SemLogistics, which provides refined product and crude oil storage services in the United Kingdom.
- SemMexico, which purchases, produces, stores, and distributes liquid asphalt cement products in Mexico.

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

2. CONSOLIDATION AND BASIS OF PRESENTATION

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

Consolidated subsidiaries

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

As of September 30, 2016, Rose Rock became a wholly-owned subsidiary and we no longer reflect a noncontrolling interest (Note 4).

2. CONSOLIDATION AND BASIS OF PRESENTATION, Continued

Proportionally consolidated assets

Our SemCAMS segment owns undivided interests in certain natural gas gathering and processing assets, for which we record only our proportionate share of the assets on the consolidated balance sheets. The net book value of the property, plant and equipment recorded by us associated with these undivided interests is approximately $299.3 million at December 31, 2016 . We serve as operator of these facilities and incur the costs of operating the facilities (recorded as operating expenses in the consolidated statements of operations) and charge the other owners for their proportionate share of the costs (recorded as other revenue in the consolidated statements of operations).

Equity method investments

We own a 51% interest in White Cliffs. The other owners have substantive rights to participate in the management of White Cliffs. Because of this, we account for it under the equity method.

We own a 50% interest in Glass Mountain which we account for under the equity method.

We own an 11.78% interest in the general partner of NGL Energy which we account for under the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES —The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Our significant estimates include, but are not limited to: (1) allowances for doubtful accounts receivable; (2) estimated useful lives of assets, which impact depreciation; (3) estimated fair values used in impairment tests; (4) fair values of derivative instruments; (5) valuation allowances for deferred tax assets; and (6) accrual and disclosure of contingent losses. Although management believes these estimates are reasonable, actual results could differ materially from these estimates.

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

ACCOUNTS RECEIVABLE —Accounts receivable are reported net of the allowance for doubtful accounts. Our assessment of the allowance for doubtful accounts is based on several factors, including the overall creditworthiness of our customers, existing economic conditions, and the amount and age of past due accounts. We enter into netting arrangements with certain counterparties to help mitigate credit risk. Receivables subject to netting are presented as gross receivables (with the related accounts payable also presented gross) until such time as the balances are settled. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

Pipelines and related facilities	10 – 31 years
Storage and terminal facilities	10 – 25 years
Natural gas gathering and processing facilities	10 – 31 years
Trucking equipment and other	3 – 7 years
Office property and equipment	3 – 31 years

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

DEBT ISSUANCE COSTS— Costs incurred in connection with the issuance of long-term debt are reported as a reduction to the carrying value of the associated debt instrument and are amortized to interest expense using the straight-line method over the term of the related debt. Use of the straight-line method of amortization does not differ materially from the "effective interest" method.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs", which is designed to simplify presentation of debt issuance costs. The standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, "Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting", which amended the SEC paragraphs of ASC Subtopic 835-30 to include the language from the SEC Staff Announcement indicating that the SEC would not object to presenting deferred debt issuance costs related to line-of-credit agreements as assets and subsequently amortizing the deferred debt issuance costs ratably over the term of the agreement. The standards are effective for U.S. public companies for annual reporting periods beginning after December 15, 2015. The new guidance has been applied on a retrospective basis for all periods presented. We adopted this guidance in the first quarter of 2016. The impact was not material. For presentation purposes, $16.8 million of debt issuance costs which had previously been reported as other noncurrent assets were reclassified as a reduction of long-term debt on the December 31, 2015 balance sheet. Capitalized loan fees related to our revolving credit facility continue to be presented as other noncurrent assets.

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

As shown in Note 13, the fair value of commodity derivatives at December 31, 2016 and 2015 are recorded to other current assets or other current liabilities on the consolidated balance sheets. Related margin deposits are recorded to other current assets or other current liabilities on the consolidated balance sheets. Margin deposits are not generally netted against derivative assets or liabilities.

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

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

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

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

REVENUE RECOGNITION —Sales of product, as well as gathering and marketing revenues, are recognized at the time title to the product transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser. Terminal and storage revenues are recognized at the time the service is performed. Revenue for the transportation of product is recognized upon delivery of the product to its destination. Certain revenue transactions are reported on a net

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

basis, including certain buy/sell transactions (see “Purchases and Sales of Inventory with the Same Counterparty”). Other revenue primarily represents operating cost recovery from working interest owners in certain processing plants and is recorded when earned in accordance with the terms of related agreements. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis (excluded from revenue).

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", 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 are required under existing U.S. GAAP. The standard permits using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements. We have completed the first phase of our implementation process which included a review of contracts and transaction types from each significant revenue stream across all of our business segments. In addition, we are currently evaluating the methods of adoption and analyzing the impact of the standard on our internal controls, accounting policies and financial statements and disclosures.

Based on the initial phase of our implementation process, we have identified certain potential areas of impact, such as non-cash consideration and "take-or-pay" arrangements.

- We have certain contractual arrangements where we retain commodities as consideration for processing of customer product. These arrangements could be impacted by the non-cash consideration guidance under ASU 2014-09. Currently revenue related to non-cash consideration is recognized when we sell the commodity. Under ASU 2014-09, we could recognize revenue when the commodity is received, rather than when it is sold.
- In addition, certain contractual arrangements include "take-or-pay" provisions. The fixed fees to which we have an unconditional right under these contracts could be subject to certain recognition changes and additional disclosure under ASU 2014-09.

As we are in the process of evaluating the impact of the standard, we have not yet quantified the impact of adoption or determined the method of adoption. During 2017, we will perform the remainder of our implementation process, which will include quantification of impact, selection of adoption method and development of policies. We will adopt this guidance in the first quarter of 2018.

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

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

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

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

Certain segments also enter into transactions in currencies other than their functional currencies. At the end of each reporting period, each segment re-measures the related receivables, payables, and cash to its functional currency using the exchange rate at the end of the period. Changes in exchange rates between the time the transactions were entered into and the end of the reporting period result in currency transaction gains or losses, which are recorded in the consolidated statements of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

In November 2015, the FASB issues ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes", which requires all deferred tax assets and liabilities to be classified as noncurrent in the statement of financial position. For public entities, this ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those years. The new guidance may be applied prospectively or retrospectively and early adoption is permitted. The Company has not determined which method we will apply when we adopt the standard. The Company intends to adopt this guidance in the first quarter of 2017. The impact is not expected to be material.

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

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

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

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting", which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. For public entities, this ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those years and early adoption is permitted. We will adopt this guidance in the first quarter of 2017. The impact is not expected to be material.

NONCONTROLLING INTERESTS IN CONSOLIDATED SUBSIDIARIES —Noncontrolling interests represents third-party limited partner unitholders' interests in our consolidated subsidiary, Rose Rock, prior to our purchase of the noncontrolling interests on September 30, 2016. Rose Rock allocated net income to its limited partners based on the distributions pertaining to the period's available cash as defined by Rose Rock's partnership agreement. After adjusting for the appropriate period's distributions, the remaining undistributed earnings or excess distributions over earnings, if any, were allocated to Rose Rock's general partner, limited partners and participating securities in accordance with the contractual terms of Rose Rock's partnership agreement and as further prescribed under the two-class method. Incentive distribution rights did not participate in undistributed earnings.

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

OTHER RECENT ACCOUNTING PRONOUNCEMENTS —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. For public entities, this ASU is effective for annual periods beginning after December 15, 2017, 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 2018. The impact is not expected to be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. For public entities, this ASU is effective for annual periods beginning after December 15, 2017, 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 2018. 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 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.

In February 2015, the FASB issued ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis”, which adds requirements that limited partnerships must meet to qualify as voting interest entities and modifies the evaluation of whether limited partnerships are variable interest entities or voting interest entities. It also eliminates the presumption that a general partner should consolidate a limited partnership. This guidance is effective for public companies for fiscal years beginning after December 15, 2015. We adopted this guidance in the first quarter of 2016. The impact was not material.

4. ROSE ROCK MIDSTREAM, L.P.

On September 30, 2016, we completed the acquisition of the outstanding common limited partner interests of Rose Rock which we did not already own (the "Merger"). We issued 13.1 million common shares as consideration and recorded a reduction to equity for $5.3 million of fees associated with the issuance. In addition, we recorded a reduction to our deferred tax liabilities and offsetting increase to additional paid-in capital of $143.3 million associated with the transaction. This non-cash adjustment represents the deferred tax impact of the difference between the book value of the noncontrolling interests acquired and the tax basis which is stepped-up to the fair market value of the consideration which includes the common shares issued and the assumption of liabilities associated with the noncontrolling interests.

We accounted for the Merger in accordance with FASB Accounting Standards Codification 810, *Consolidation — Overall — Changes in a Parent’s Ownership Interest in a Subsidiary* . As SemGroup controlled Rose Rock both before and after the Merger, the changes in SemGroup’s ownership interest in Rose Rock were accounted for as an equity transaction and no gain or loss was recognized in SemGroup’s consolidated statements of operations and comprehensive income (loss) as a result of the Merger. Subsequent to the Merger, Rose Rock was a wholly owned subsidiary of SemGroup.

Substantially all of Rose Rock's assets were pledged as collateral under its senior secured revolving credit facility agreement which was terminated following the Merger. Substantially all of Rose Rock's assets are now pledged as collateral under SemGroup's senior secured revolving credit facility. Rose Rock's senior unsecured notes were assumed by SemGroup. See Note 15 for additional information related to changes in long-term debt and Note 25 for changes related to the Guarantor financial information.

The following table shows the distributions paid related to the earnings for each of the following periods (in thousands, except for per unit amounts):

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

		Distributions Paid					
		SemGroup					
Quarter Ended	Distribution Per Unit	General Partner	Incentive Distributions	Common Units	Subordinated Units	Noncontrolling Interest Common Units	Total Distributions
December 31, 2013	$ 0.4650	$ 257	$ 244	$ 2,041	$ 3,901	$ 6,398	$ 12,841
March 31, 2014	$ 0.4950	$ 278	$ 488	$ 2,173	$ 4,153	$ 6,811	$ 13,903
June 30, 2014	$ 0.5350	$ 334	$ 888	$ 3,646	$ 4,488	$ 7,362	$ 16,718
September 30, 2014	$ 0.5750	$ 377	$ 1,835	$ 3,918	$ 4,824	$ 7,912	$ 18,866
December 31, 2014	$ 0.6200	$ 485	$ 3,487	$ 6,551	$ 5,202	$ 8,544	$ 24,269
March 31, 2015	$ 0.6350	$ 568	$ 4,450	$ 13,148	$ —	$ 10,213	$ 28,379
June 30, 2015	$ 0.6500	$ 590	$ 4,979	$ 13,458	$ —	$ 10,456	$ 29,483
September 30, 2015	$ 0.6600	$ 604	$ 5,333	$ 13,665	$ —	$ 10,619	$ 30,221
December 31, 2015	$ 0.6600	$ 604	$ 5,333	$ 13,665	$ —	$ 10,622	$ 30,224
March 31, 2016	$ 0.6600	$ 605	$ 5,338	$ 13,665	$ —	$ 10,643	$ 30,251
June 30, 2016	$ 0.6600	$ 605	$ 5,339	$ 13,665	$ —	$ 10,648	$ 30,257

Drop-down Transactions with Rose Rock

2015 drop-down transaction

On February 13, 2015, we contributed WOT and Glass Mountain Holding, LLC, which holds our 50% interest in Glass Mountain, to Rose Rock in exchange for (i) cash of approximately $251.2 million , (ii) the issuance of 1.75 million common units and (iii) an increase of the capital account of the general partner of Rose Rock and a related issuance of general partner interest, to allow the general partner of Rose Rock to maintain its 2% general partner interest. The cash consideration was funded through a borrowing under Rose Rock's credit facility and the issuance and sale of 2.3 million common units in an underwritten public offering for net proceeds of $89.1 million . SemGroup used the proceeds from these transactions to pay amounts owed under its revolving credit facility.

As the acquisition was between parties under common control, Rose Rock recorded its interest in acquired assets and liabilities at SemGroup's historical value and SemGroup did not recognize a gain on the transaction. Proceeds in excess of the historical value were accounted for as a dividend from Rose Rock to SemGroup and resulted in a $51.5 million reduction to noncontrolling interests in consolidated subsidiaries and an offsetting increase to additional paid-in capital of $30.7 million (net of tax impact of $20.8 million). This non-cash entry represents the portion of the proceeds in excess of historical cost which were attributed to Rose Rock's third-party unitholders.

2014 drop-down transaction

On June 23, 2014, we contributed the remaining 33% interest in SemCrude Pipeline, L.L.C. ("SCPL") to Rose Rock in exchange for (i) cash of approximately $114.4 million , (ii) the issuance of 2.425 million common units, (iii) the issuance of 1.25 million Class A units, and (iv) an increase of the capital account of the general partner and a related issuance of general partner interest, to allow the general partner to maintain its 2% general partner interest. Subsequent to this transaction, Rose Rock owned 100% of SCPL, which owns a 51% membership interest in White Cliffs. SemGroup used the proceeds from these transactions to pay amounts owed under its revolving credit facility.

As this transaction was between parties under common control, Rose Rock recorded its interest in SCPL at SemGroup's historical value and as such no gain on the sale was recognized by SemGroup. Proceeds in excess of the historical value were accounted for as a dividend from Rose Rock to SemGroup and resulted in an $85.2 million reduction to noncontrolling interests in consolidated subsidiaries and an offsetting increase to additional paid-in capital of $53.2 million (net of tax impact of $31.9 million). This non-cash entry represents the portion of the proceeds in excess of historical cost which were attributed to Rose Rock's third-party unitholders.

SemGroup incurred approximately $0.9 million of expense associated with this transaction, including $0.4 million of costs incurred by Rose Rock.

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5. EQUITY METHOD INVESTMENTS

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

	December 31,	
	2016	2015
White Cliffs	$ 281,734	$ 297,109
NGL Energy	18,933	112,787
Glass Mountain	133,622	141,182
Total equity method investments	$ 434,289	$ 551,078

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

	Year Ended December 31,		
	2016	2015	2014
White Cliffs	$ 69,007	$ 70,238	$ 57,378
NGL Energy [1]	2,188	5,031	2,343
Glass Mountain	2,562	6,117	4,478
Total earnings from equity method investments	$ 73,757	$ 81,386	$ 64,199

(1) Excluding loss on issuance of common units of $41.0 thousand for the year ended December 31, 2016, and gains on the issuance of common units of $6.4 million and $29.0 million for the years ended December 31, 2015 and 2014, respectively.

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

	Year Ended December 31,		
	2016	2015	2014
White Cliffs	$ 88,839	$ 86,845	$ 66,768
NGL Energy	4,873	19,074	23,404
Glass Mountain	10,456	13,623	6,823
Total cash distributions received from equity method investments	$ 104,168	$ 119,542	$ 96,995

White Cliffs

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

	December 31,	
	2016	2015
Current assets	$ 34,721	$ 54,091
Property, plant and equipment, net	508,043	509,068
Goodwill	17,000	17,000
Other intangible assets, net	8,509	11,974
Total assets	$ 568,273	$ 592,133
Current liabilities	$ 15,812	$ 9,491
Members' equity	552,461	582,642
Total liabilities and members' equity	$ 568,273	$ 592,133

5. EQUITY METHOD INVESTMENTS, Continued

Certain summarized income statement information of White Cliffs for the years ended December 31, 2016 , 2015 and 2014 is shown below (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Revenue	$ 212,359	$ 206,395	$ 160,369
Cost of products sold	$ 3,223	$ 2,914	$ 3,635
Operating, general and administrative expenses	$ 35,672	$ 30,370	$ 19,431
Depreciation and amortization expense	$ 35,439	$ 34,105	$ 23,257
Net income	$ 138,032	$ 139,000	$ 114,045

The equity in earnings of White Cliffs for the years ended December 31, 2016 , 2015 and 2014 reported in our consolidated statements of operations and comprehensive income (loss) is less than 51% of the net income of White Cliffs for the same period. This is primarily due to certain general and administrative expenses we incur in managing the operations of White Cliffs that the other members are not obligated to share. Such expenses are recorded by White Cliffs, and are allocated to our membership interests. White Cliffs recorded $1.6 million , $1.3 million and $1.6 million of such general and administrative expense for the years ended December 31, 2016 , 2015 and 2014 , respectively. In addition, our equity in earnings is also impacted by the elimination of revenue on the sale of inventory to White Cliffs. Revenue related to inventory transactions with White Cliffs is deferred until a sale of the inventory has been made with a third party.

The members of White Cliffs are required to contribute capital to White Cliffs to fund various projects. For the years ended December 31, 2016 , 2015 and 2014 , we contributed $2.2 million , $42.8 million and $53.3 million to White Cliffs capital projects.

Our membership interest in White Cliffs is significant as defined by Securities and Exchange Commission’s Regulation S-X Rule 1-02(w). Accordingly, as required by Regulation S-X Rule 3-09, we have included the audited financial statements of White Cliffs as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 as an exhibit to this Form 10-K.

NGL Energy

At December 31, 2016, we no longer own common units representing limited partner interests in NGL Energy. We continue to hold an 11.78% interest in the general partner of 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. The information below pertains to our general partner interest, and previously held limited partner interest, in NGL Energy.

Our policy is to record our equity in earnings of NGL Energy on a one-quarter lag, as we do not expect information on the earnings of NGL Energy to always be available in time to consistently record the earnings in the quarter in which they are generated. Accordingly, the equity in earnings from NGL Energy, which is reflected in our consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2016 , 2015 and 2014 relates to the earnings of NGL Energy for the twelve months ended September 30, 2016 , 2015 and 2014 , respectively. NGL Energy's 10-K for its fiscal year ended March 31, 2016, restated prior periods to correct an error in those prior periods. The impact of NGL Energy's restatement was not material to SemGroup. The summarized financial statement information of NGL Energy below has been updated to reflect the impact of the restatement on their prior period financial information.

5. EQUITY METHOD INVESTMENTS, Continued

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

	(Unaudited) September 30,	
	2016	2015
Current assets	$ 1,250,299	$ 1,276,919
Property plant and equipment, net	1,755,416	1,845,112
Goodwill	1,467,955	1,658,237
Intangible and other assets, net	1,600,248	1,820,788
Total assets	$ 6,073,918	$ 6,601,056
Current liabilities	$ 798,853	$ 857,639
Long-term debt	3,063,008	3,077,604
Other noncurrent liabilities	256,743	127,639
Equity	1,955,314	2,538,174
Total liabilities and equity	$ 6,073,918	$ 6,601,056

Certain unaudited summarized income statement information of NGL Energy for the twelve months ended September 30, 2016, 2015 and 2014 is shown below (in thousands):

	(Unaudited) Twelve Months Ended September 30,		
	2016	2015	2014
Revenue	$ 10,777,954	$ 14,504,581	$ 15,748,520
Costs of products sold	$ 10,005,830	$ 13,573,066	$ 15,054,291
Operating, general and administrative expenses	$ 523,902	$ 576,805	$ 436,959
Depreciation and amortization expense	$ 211,841	$ 221,067	$ 162,443
Net income (loss)	$ (39,895)	$ 71,225	$ 15,059

Other-than-temporary impairment of equity method investment in NGL Energy

During the fourth quarter of 2015, the market price of NGL Energy common units fell below our carrying value per unit and remained below our carrying value as of March 31, 2016. At December 31, 2015, in accordance with ASC 320-10-S99 “Investments - Debt and Equity Securities”, we assessed whether such decline in value was other-than-temporary. During this initial assessment, the decrease in value was determined not to be other-than-temporary. The evidence management considered in such assessment included the nature and volatility of such decline, as well as the latest public financial guidance, condition, and results of NGL Energy. Subsequently, we continued to monitor events and developments and, based on NGL Energy's April 21, 2016, announcement of a reduction in its quarterly distribution and lowering of financial performance guidance, we concluded that the decline in the value of our investment was other-than-temporary as of March 31, 2016. As such, we recorded an impairment of $39.8 million to our investment in the limited partner units of NGL Energy for the year ended December 31, 2016. The value of our limited partner investment in NGL Energy was written-down to the market price of $11.04 per share on December 31, 2015, the date through which we had recorded our equity in earnings. These units were subsequently sold in the second quarter of 2016, as detailed below.

Our investment in the general partner of NGL Energy is not considered to be impaired. There is no readily available market price for our general partner investment as these units are not publicly traded. Based on the relatively low book value of our general partner investment, the value of incentive distribution rights and comparable general partner transactions, we do not believe our investment in the general partner of NGL Energy is impaired.

5. EQUITY METHOD INVESTMENTS, Continued

NGL Energy unit issuances and sales of NGL Energy units

During the years ended December 31, 2015, 2014 and 2013, our limited partnership interest was diluted in connection with NGL Energy common unit issuances. Accordingly, we recorded a non-cash loss of $41.0 thousand for the year ended December 31, 2016 , and non-cash gains of $6.4 million and $29.0 million for the years ended December 31, 2015 and 2014 , respectively, related to these transactions, which are included in "gain (loss) on issuance of common units by equity method investee" in our consolidated statements of operations and comprehensive income (loss).

During the year ended December 31, 2016, we sold our remaining 4,652,568 NGL Energy limited partner units for $13.00 per unit, or $60.5 million , and recorded a $9.1 million gain on disposal. During the year ended December 31, 2015, we sold 1,999,533 of our NGL Energy common units for $56.3 million , net of related costs of $0.5 million . We recorded a net gain of $14.5 million . During the year ended December 31, 2014, we sold 2,481,308 of our NGL Energy common units for $88.8 million , net of related costs of $3.1 million . We recorded a net gain of $34.2 million . Gains on disposal of NGL Energy limited partner units are included in "loss (gain) on sale or impairment of equity method investment" in our consolidated statement of operations and comprehensive income (loss).

Subsequent to the sale of our limited partner interest, our ownership interest in NGL Energy is not significant as defined by Securities and Exchange Commission's Regulation S-X Rule 1-02(w). Accordingly, no audited financial statements of NGL Energy pursuant to Regulation S-X 3-09 will be included as an exhibit to this Form 10-K.

Glass Mountain

We hold a 50% interest in Glass Mountain which we account for under the equity method.

The excess of the recorded amount of our investment over the book value of our share of the underlying net assets represents equity method goodwill and capitalized interest of $31.0 million and $3.6 million , respectively, at December 31, 2016 . Capitalized interest is amortized as a reduction of earnings from equity method investments.

The equity in earnings of Glass Mountain for the years ended December 31, 2016 , 2015 and 2014 reported in our consolidated statement of operations and comprehensive income (loss) is less than 50% of the net income of Glass Mountain for the same period due to amortization of capitalized interest for the period.

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

	December 31,	
	2016	2015
Current assets	$ 6,136	$ 7,856
Property, plant and equipment, net	193,179	205,920
Total assets	$ 199,315	$ 213,776
Current liabilities	$ 1,286	$ 1,036
Other liabilities	13	28
Members' equity	198,016	212,712
Total liabilities and members' equity	$ 199,315	$ 213,776

Certain summarized income statement information of Glass Mountain for the year ended December 31, 2016, 2015 and 2014 is shown below (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Revenue	$ 29,502	$ 38,526	$ 30,398
Cost of Sales	$ 463	$ 3,392	$ 757
Operating, general and administrative expenses	$ 7,570	$ 6,643	$ 6,419
Depreciation and amortization expense	$ 15,914	$ 15,828	$ 13,872
Net income	$ 5,548	$ 12,657	$ 9,344

5. EQUITY METHOD INVESTMENTS, Continued

We invested $0.3 million , $2.7 million and $16.2 million in Glass Mountain for the years ended December 31, 2016 , 2015 and 2014 , respectively.

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

6. ACQUISITIONS

During the year ended December 31, 2014, we completed the following acquisition:

Crude oil trucking assets

On June 24, 2014, our Crude Transportation segment acquired crude oil trucking assets from a subsidiary of Chesapeake Energy Corporation ("Chesapeake") (NYSE: CHK) for $44.0 million in cash. Highlights of the transaction include:

- 124 trucks, 122 trailers and miscellaneous equipment; and
- a long-term transportation agreement with Chesapeake Energy Marketing, Inc.

7. DISPOSALS OR IMPAIRMENTS OF LONG-LIVED ASSETS

Year ended December 31, 2016

There were no significant disposals or impairments of long-lived assets during the year ended December 31, 2016. See Note 12 for discussion of SemGas' goodwill impairment.

Year ended December 31, 2015

During the year ended December 31, 2015, our SemGas segment sold certain non-core Kansas based gas gathering and compression assets for approximately $1.0 million , resulting in a pre-tax loss of approximately $1.7 million which is reported in "loss on disposal or impairment, net" in the consolidated statement of operations and comprehensive income (loss). See Note 12 for discussion of the goodwill impairment recorded by our Crude Transportation segment.

Year ended December 31, 2014

On June 1, 2014, our SemGas segment sold certain natural gas gathering assets in Eastern Oklahoma resulting in a $20.1 million pre-tax loss on a cash sales price of $2.4 million . The assets sold were made up of property, plant and equipment with a net book value of $22.5 million . The loss on the sale was reported in "loss on disposal or impairment, net" in the consolidated statement of operations and comprehensive income (loss). The operations of the gas gathering assets were not material to SemGroup.

During the year ended December 31, 2014, we recorded an impairment charge of $11.9 million related to leaseholds of unproved oil and gas properties located in Kansas. These assets were written off when, due to the downturn in crude oil prices and the remaining life of the leaseholds, it became apparent that these properties would not be developed. These assets were held by a subsidiary included in Corporate and Other in our segment disclosures (Note 8).

8. SEGMENTS

As described in Note 1, our businesses are organized based on the nature and location of the services they provide. Certain summarized information related to our reportable segments is shown in the tables below. None of the operating segments have been aggregated. Although Corporate and Other does not represent an operating segment, it is included in the tables below to reconcile segment information to that of the consolidated Company. Eliminations of transactions between segments are also included within Corporate and Other in the tables below.

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

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8. SEGMENTS, Continued

Our equity investment in NGL Energy was previously included within the SemStream segment. However, in the second quarter of 2016, we disposed of our limited partner interest in NGL Energy. Subsequent to this disposal, amounts related to our remaining general partner investment in NGL Energy are not material and are not expected to be material for the foreseeable future. As our investment in NGL Energy is the only asset of SemStream, we have ceased to report SemStream as a segment. Prior period amounts have been recast to include the former SemStream balances as part of Corporate and Other.

During the year ended December 31, 2015, management made the decision to disaggregate certain activities and functions within the domestic crude oil business to provide additional granularity, both internally and externally, to our operating results. As such, the prior period results of the former Crude segment have been recast to reflect the resulting reportable segments: Crude Transportation, Crude Facilities and Crude Supply and Logistics. Certain amounts formerly included in the Crude segment have been included in Corporate and Other in the current presentation. No other segments were impacted. Additionally, current year activity includes intersegment revenues generated by our Crude Transportation and Crude Facilities segments for services provided to our Crude Supply and Logistics segment. With the exception of intersegment trucking revenues of our Crude Transportation segment, these intersegment charges did not exist in the prior year.

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

	Year Ended December 31,		
	2016	2015	2014
Revenues:			
Crude Transportation			
External	$ 64,853	$ 81,991	$ 84,718
Intersegment	26,878	15,021	10,840
Crude Facilities			
External	45,956	45,936	44,007
Intersegment	10,674	—	—
Crude Supply and Logistics			
External	716,570	716,784	1,169,372
SemGas			
External	208,042	231,569	342,286
Intersegment	10,928	20,605	37,897
SemCAMS			
External	133,216	136,197	176,724
SemLogistics			
External	24,725	24,351	12,650
SemMexico			
External	138,802	211,291	290,869
Corporate and Other			
External	—	6,975	1,953
Intersegment	(48,480)	(35,626)	(48,737)
Total Revenues	$ 1,332,164	$ 1,455,094	$ 2,122,579

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8. SEGMENTS, Continued

	Year Ended December 31,		
	2016	2015	2014
Earnings from equity method investments:			
Crude Transportation	$ 71,569	$ 76,355	$ 61,856
Corporate and Other [1]	2,147	11,416	31,363
Total earnings from equity method investments	$ 73,716	$ 87,771	$ 93,219

(1) Including gain (loss) on issuance of common units by equity method investee.

	Year Ended December 31,		
	2016	2015	2014
Depreciation and amortization:			
Crude Transportation	$ 24,483	$ 35,500	$ 33,679
Crude Facilities	7,781	5,829	5,365
Crude Supply and Logistics	185	159	549
SemGas	36,170	31,803	26,353
SemCAMS	16,867	12,940	14,295
SemLogistics	7,676	8,543	10,005
SemMexico	3,752	4,076	6,031
Corporate and Other	1,890	2,032	2,120
Total depreciation and amortization	$ 98,804	$ 100,882	$ 98,397

	Year Ended December 31,		
	2016	2015	2014
Income tax expense (benefit):			
SemCAMS	$ 3,667	$ 4,847	$ 3,135
SemLogistics	(724)	(2,195)	(2,231)
SemMexico	1,684	2,611	4,053
Corporate and other	6,641	28,267	41,556
Total income tax expense	$ 11,268	$ 33,530	$ 46,513

	Year Ended December 31,		
	2016	2015	2014
Segment profit [1] :			
Crude Transportation	$ 83,942	$ 81,028	$ 76,705
Crude Facilities	42,517	33,757	32,286
Crude Supply and Logistics	20,420	30,088	24,021
SemGas	44,142	61,669	41,715
SemCAMS	38,901	36,013	45,326
SemLogistics	11,175	7,249	25
SemMexico	10,072	15,614	16,139
Corporate and Other	(29,786)	(33,369)	(12,561)
Total segment profit	$ 221,383	$ 232,049	$ 223,656

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

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8. SEGMENTS, Continued

	Year Ended December 31,		
	2016	2015	2014
Reconciliation of segment profit to net income:			
Total segment profit	$ 221,383	$ 232,049	$ 223,656
Less:			
Net unrealized loss (gain) related to derivative instruments	989	2,014	(1,734)
Depreciation and amortization	98,804	100,882	98,397
Interest expense	62,650	69,675	49,044
Foreign currency transaction loss (gain)	4,759	(1,067)	(86)
Loss (gain) on sale or impairment of equity method investment	30,644	(14,517)	(34,212)
Other expense (income), net	(994)	(1,284)	13,676
Income tax expense	11,268	33,530	46,513
Loss from discontinued operations	1	4	1
Net income	$ 13,262	$ 42,812	$ 52,057

	Year Ended December 31,		
	2016	2015	2014
Additions to long-lived assets, including acquisitions and contributions to equity method investments:			
Crude Transportation	$ 230,139	$ 219,227	$ 160,471
Crude Facilities	6,439	30,118	8,207
Crude Supply and Logistics	3,664	2,564	11,662
SemGas	21,913	110,908	153,088
SemCAMS	34,506	142,368	35,286
SemLogistics	16,402	12,289	2,974
SemMexico	8,690	7,051	9,690
Corporate and Other	2,928	1,919	1,906
Total additions to long-lived assets	$ 324,681	$ 526,444	$ 383,284

	December 31,	
	2016	2015
Total assets (excluding intersegment receivables):		
Crude Transportation	$ 1,042,327	$ 877,017
Crude Facilities	156,907	155,186
Crude Supply and Logistics	484,475	328,419
SemGas	683,952	719,789
SemCAMS	379,785	331,749
SemLogistics	135,387	155,794
SemMexico	75,440	89,608
Corporate and Other	116,699	196,347
Total	$ 3,074,972	$ 2,853,909

8. SEGMENTS, Continued

	December 31,	
	2016	2015
Equity investments:		
Crude Transportation	$ 415,356	$ 438,291
Corporate and Other	18,933	112,787
Total equity investments	$ 434,289	$ 551,078

9. INVENTORIES

Inventories consist of the following (in thousands):

	December 31,	
	2016	2015
Crude oil	$ 89,683	$ 59,121
Asphalt and other	9,551	11,118
Total inventories	$ 99,234	$ 70,239

During the year ended December 31, 2015, our Crude Supply and Logistics segment recorded non-cash charges of $2.6 million to write-down crude oil inventory to the lower of cost or market. There were no inventory write-downs during the year ended December 31, 2016.

10. OTHER ASSETS

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

	December 31,	
	2016	2015
Prepaid expenses	$ 6,801	$ 6,252
Deferred tax asset	2,244	2,321
Other	9,585	10,846
Total other current assets	$ 18,630	$ 19,419

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

	December 31,	
	2016	2015
Capitalized loan fees	$ 10,242	$ 6,947
Deferred tax asset	43,431	34,848
Other	3,856	3,579
Total other noncurrent assets, net	$ 57,529	$ 45,374

11. PROPERTY, PLANT AND EQUIPMENT

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

11. PROPERTY, PLANT AND EQUIPMENT, Continued

	December 31,	
	2016	2015
Land	$ 90,337	$ 89,815
Pipelines and related facilities	398,053	338,789
Storage and terminal facilities	279,506	283,608
Natural gas gathering and processing facilities	874,704	810,358
Linefill	25,804	26,900
Trucking equipment and other	45,417	43,157
Office property and equipment	61,146	45,818
Construction-in-progress	380,740	248,145
Property, plant and equipment, gross	2,155,707	1,886,590
Accumulated depreciation	(393,635)	(319,769)
Property, plant and equipment, net	$ 1,762,072	$ 1,566,821

We recorded depreciation expense of $87.9 million , $90.5 million and $82.5 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

We include within the cost of property, plant and equipment interest costs incurred while an asset is being constructed. We capitalized $17.0 million , $1.0 million and $1.5 million of interest costs during the years ended December 31, 2016 , 2015 and 2014 , respectively.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill relates to the following segments (in thousands):

	December 31,	
	2016	2015
Crude Transportation	$ 26,628	$ 26,628
SemGas	—	13,052
SemMexico	7,602	8,352
Total Goodwill	$ 34,230	$ 48,032

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

Changes in goodwill balances during the period from December 31, 2013 to December 31, 2016 are shown below (in thousands):

12. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

Balance, December 31, 2013	$	62,021
Crude oil trucking asset acquisition (Note 6)		7,892
Mid-America Midstream Gas Services ("MMGS") purchase price allocation adjustment		(10,787)
Barcas purchase price allocation adjustment		(98)
Currency translation adjustments		(702)
Balance, December 31, 2014		58,326
Crude oil trucking impairment loss		(9,488)
Currency translation adjustments		(806)
Balance, December 31, 2015		48,032
SemGas impairment loss		(13,052)
Currency translation adjustments		(750)
Balance, December 31, 2016	$	34,230

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

We assess our goodwill for impairment at least annually as of October 1. No impairments were indicated as of October 1, 2016.

SemGas goodwill impairment - 2016

In March 2016, our SemGas segment revised the volume forecast for its northern Oklahoma system based on revised volume forecasts provided by certain producers who have chosen to adjust plans for production following release of the Oklahoma Corporation Commission’s Regional Earthquake Response Plan that curtails the amount of volume that can be injected into disposal wells.

Based on the reduction to our forecast, we tested our SemGas segment's long-lived assets, finite-lived intangible assets and goodwill for impairment at March 31, 2016. No impairment was indicated for SemGas' long-lived assets and finite-lived intangible assets based on an undiscounted cash flow analysis. However, we did record an impairment of SemGas' goodwill for the entire balance of $13.1 million .

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

Crude oil trucking goodwill impairment - 2015

As a result of the continued decline in oil prices and lower forecast volumes from declining drilling activity, along with lower than expected results during the fourth quarter of 2015, we performed an interim goodwill impairment analysis as of December 31, 2015 which resulted in an impairment charge of $9.5 million related to our crude oil trucking operation which was identified as the reporting unit for purposes of the impairment test.

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

12. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

impairments in the future. We considered the market approach by comparing the revenue and earnings multiples implied by our income approach to those of comparable companies for reasonableness.

Other intangible assets

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

	December 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer Relationships	$ 187,114	$ (36,601)	$ 150,513	$ 188,304	$ (26,975)	$ 161,329
Trade Names	421	(366)	55	493	(378)	115
Unpatented Technology	2,461	(2,051)	410	2,941	(2,162)	779
Total other intangible assets	$ 189,996	$ (39,018)	$ 150,978	$ 191,738	$ (29,515)	$ 162,223

Changes in other intangible asset balances during the period from December 31, 2013 to December 31, 2016 are shown below (in thousands):

Balance, December 31, 2013	$ 174,838
Amortization	(15,875)
Crude oil trucking asset acquisition (Note 6)	17,010
MMGS purchase price allocation adjustment	(2,313)
Barcas purchase price allocation adjustment	(50)
Currency translation adjustments	(545)
Balance, December 31, 2014	173,065
Amortization	(10,334)
Currency translation adjustments	(508)
Balance, December 31, 2015	162,223
Amortization	(10,928)
Currency translation adjustments	(317)
Balance, December 31, 2016	$ 150,978

Our other intangible assets consist primarily of customer relationships at our Crude Transportation, SemGas and SemMexico segments. These assets may be subject to impairments in the future if we are unable to maintain the relationships with the customers to which the assets relate.

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

For the year ending:	
December 31, 2017	$ 11,011
December 31, 2018	10,918
December 31, 2019	10,316
December 31, 2020	9,649
December 31, 2021	9,483
Thereafter	99,601
Total estimated amortization expense	$ 150,978

13. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK

Fair value of financial instruments

We record certain financial assets and liabilities at fair value at each balance sheet date. The table below summarizes the balances of commodity derivative assets and liabilities at December 31, 2016 and 2015 (in thousands):

13. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	December 31, 2016			December 31, 2015		
Derivatives subject to netting arrangements:	**Level 1**	**Netting [1]**	**Total**	**Level 1**	**Netting [1]**	**Total**
Commodity derivatives:						
Assets	$ 68	$ (68)	$ —	$ 131	$ (131)	$ —
Liabilities	$ 1,396	$ (68)	$ 1,328	$ 470	$ (131)	$ 339

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

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

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

“Level 3” measurements are obtained using information from a pricing service and internal valuation models incorporating observable and unobservable market data. These include commodity derivatives, such as forwards and swaps for which there is not a highly liquid market, and therefore are not included in Level 2 above.

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

There were no financial assets or liabilities classified as Level 2 or Level 3 during the years ended December 31, 2016 , 2015 and 2014 , as such no rollforward of Level 3 activity has been presented.

See Note 15 for fair value of debt instruments and Note 20 for fair value of benefit plan assets. 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 location and time basis risk. All marketing activities are subject to our Comprehensive Risk Management Policy, a Delegation of Authority policy and their supporting policies and procedures (collectively, the "Risk Governance Policies"), 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 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.

13. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

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

	Year Ended December 31,		
	2016	2015	2014
Sales	33,694	23,228	6,773
Purchases	33,819	22,946	6,477

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

December 31, 2016		December 31, 2015	
Other Current Assets	Other Current Liabilities	Other Current Assets	Other Current Liabilities
$ —	$ 1,328	$ —	$ 339

We have posted margin deposits as collateral with brokers who have the right of set off associated with these funds. Our margin deposit balances were $3.6 million and $2.9 million at December 31, 2016 and 2015 , respectively. These margin account balances have not been offset against our net commodity derivative instrument (contract) positions. Had these margin account balances been netted against our net commodity derivative instrument (contract) positions as of December 31, 2016 and 2015 , we would have had net asset positions of $2.3 million and $2.6 million , respectively.

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

	Year Ended December 31,		
	2016	2015	2014
Realized and unrealized gain (loss)	$ (4,485)	$ 8,146	$ 19,305

Warrants

For the year ended December 31, 2014, we recorded expense related to the change in fair value of warrants of $13.4 million to "other expense (income), net" in our consolidated statements operations and comprehensive income (loss). The warrants expired on November 30, 2014. See Note 17 for additional information.

Concentrations of risk

During the year ended December 31, 2016 , one customer primarily of our Crude Supply and Logistics segment accounted for more than 10% of our consolidated revenue with revenues of $313.8 million . No suppliers accounted for more than 10% of our costs of products sold. At December 31, 2016 , one customer, primarily of our Crude Supply and Logistics segment, accounted for approximately 20% of our consolidated accounts receivable.

Our SemGas segment has a significant concentration of producers which account for a large portion of our SemGas segment's volumes. During the year ended December 31, 2016 , three producers accounted for approximately 92% of our total processed volumes. During the year ended December 31, 2016 , three producers accounted for 95% of our total gathered volumes. Additionally, all of the processing and gathering volumes from these customers are produced in the Northern Oklahoma region.

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

13. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

Assets and liabilities of subsidiaries outside the United States

The following table summarizes the assets and liabilities (excluding affiliate balances) at December 31, 2016 of our subsidiaries outside the United States (in thousands):

	Canada	United Kingdom	Mexico	Total
Cash and cash equivalents	$ 44,180	$ 5,234	$ 9,858	$ 59,272
Other current assets	42,390	2,055	26,214	70,659
Noncurrent assets	300,399	128,098	39,368	467,865
Total assets	$ 386,969	$ 135,387	$ 75,440	$ 597,796
Current liabilities	$ 33,228	$ 4,630	$ 16,088	$ 53,946
Noncurrent liabilities	57,907	12,368	1,034	71,309
Total liabilities	91,135	16,998	17,122	125,255
Net assets	$ 295,834	$ 118,389	$ 58,318	$ 472,541

Employees

At December 31, 2016 , we had approximately 1,140 employees, including approximately 550 employees outside the U.S. Approximately 130 of the employees in Canada and Mexico are represented by labor unions and are subject to collective bargaining agreements governing their employment with us. Of that number, approximately 70 employees have collective bargaining agreements that renew annually and 60 have collective bargaining agreements that expire in January 2019. We have never had a labor related work stoppage and believe our employee relations are good.

14. INCOME TAXES

Income tax expense (benefit)

Our consolidated income from continuing operations before income taxes was generated in the following jurisdictions (in thousands):

	Year Ended December 31,		
	2016	2015	2014
U.S.	$ (766)	$ 46,728	$ 39,231
Foreign	25,297	29,618	59,340
Consolidated	$ 24,531	$ 76,346	$ 98,571

14. INCOME TAXES, Continued

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

	Year Ended December 31,		
	2016	2015	2014
Current income tax provision:			
Foreign	$ 2,821	$ 4,301	$ 10,430
U.S. federal	—	—	(195)
U.S. state	—	32	132
	2,821	4,333	10,367
Deferred income tax provision (benefit):			
Foreign	4,071	4,747	2,024
U.S. federal	5,142	21,865	30,074
U.S. state	(766)	2,585	4,048
	8,447	29,197	36,146
Provision (benefit) for income taxes	$ 11,268	$ 33,530	$ 46,513

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

	Year Ended December 31,		
	2016	2015	2014
Income from continuing operations before income taxes	$ 24,531	$ 76,346	$ 98,571
U.S. federal statutory rate	35%	35%	35%
Provision at statutory rate	8,586	26,721	34,500
State income taxes—net of federal benefit	(498)	1,701	3,197
Effect of rates other than statutory	(1,966)	(2,306)	(1,925)
Effect of U.S. taxation on foreign branches	8,854	10,366	20,769
Foreign tax adjustment, prior years	—	7	(3,669)
Warrants	—	—	4,698
Noncontrolling interest	(3,908)	(4,373)	(7,986)
Foreign tax credit and offset to branch deferreds	(6,026)	(1,740)	6,851
Impact of valuation allowance on deferred tax assets	6,026	1,740	(7,331)
Foreign net gain on subsidiary dissolution and debt waivers	—	—	(13,620)
Foreign withholding taxes	18	6	5,054
Other, net	182	1,408	5,975
Provision (benefit) for income taxes	$ 11,268	$ 33,530	$ 46,513

For the years ended December 31, 2016 , 2015 and 2014 , the foreign subsidiaries are disregarded entities for U.S. federal income tax purposes. The foreign earnings are taxed in foreign jurisdictions as well as in the U.S. Foreign tax credits, subject to limitations, are available to reduce U.S. taxes.

Deferred tax positions

Deferred income taxes reflect the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. Significant components of deferred tax assets and liabilities are as follows at December 31, 2016 and 2015 (in thousands):

14. INCOME TAXES, Continued

	December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss and other credit carryforwards	$ 58,129	$ 55,100
Compensation and benefits	9,411	8,178
Inventories	231	213
Intangible assets	34,573	35,152
Pension plan	4,811	4,643
Allowance for doubtful accounts	971	1,552
Deferred revenue	4,451	4,619
Equity investment in partnerships	54,686	—
Foreign tax credit and offset to branch deferreds	110,052	104,026
Other	46,601	41,318
less: valuation allowance	(110,243)	(104,509)
Net deferred tax assets	213,673	150,292
Deferred tax liabilities:		
Intangible assets	(4,709)	(4,638)
Prepaid expenses	(136)	(142)
Property, plant and equipment	(223,325)	(219,247)
Equity investment in partnerships	—	(85,385)
Other	(4,411)	(4,107)
Total deferred tax liabilities	(232,581)	(313,519)
Net deferred tax liabilities	$ (18,908)	$ (163,227)

At December 31, 2016 , we had a cumulative U.S. federal net operating loss of approximately $146.6 million that can be carried forward to apply against taxable income generated in future years. This carry forward begins to expire in 2031. We had cumulative U.S. state net operating losses of approximately $94.8 million available for carryforward, which begin to expire in 2017. We had foreign net operating losses of $19.5 million available for indefinite carryforward and $7.8 million that will expire in 2036. We had foreign tax credits of approximately $62.1 million available for carry forward, which begin to expire in 2020.

The valuation allowance increased by $5.7 million during 2016. The change related to a net increase of $6.0 million for foreign tax credits and offset to branch deferreds and a decrease of $0.3 million related to state net operating losses.

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

14. INCOME TAXES, Continued

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 initiated an income tax audit of SemCAMS ULC for the tax years 2013 and 2014. No other foreign jurisdictions are currently under audit.

15. LONG-TERM DEBT

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

	December 31, 2016	December 31, 2015
7.50% senior unsecured notes due 2021	$ 300,000	$ 300,000
Unamortized debt issuance costs on 2021 notes	(3,708)	(4,540)
7.50% senior unsecured notes due 2021, net	296,292	295,460
5.625% senior unsecured notes due 2022	400,000	400,000
Unamortized debt issuance costs on 2022 notes	(5,909)	(6,975)
5.625% senior unsecured notes due 2022, net	394,091	393,025
5.625% senior unsecured notes due 2023	350,000	350,000
Unamortized discount on 2023 notes	(4,894)	(5,455)
Unamortized debt issuance costs on 2023 notes	(4,596)	(5,266)
5.625% senior unsecured notes due 2023, net	340,510	339,279
SemGroup corporate revolving credit facility	20,000	30,000
SemMexico revolving credit facility	—	—
Capital leases	51	83
Total long-term debt, net	1,050,944	1,057,847
Less: current portion of long-term debt	26	31
Noncurrent portion of long-term debt, net	$ 1,050,918	$ 1,057,816

Senior unsecured notes

At December 31, 2016 , we had outstanding $300 million of 7.50% senior unsecured notes due 2021 (the “2021 Notes”), $400 million of 5.625% senior unsecured notes due 2022 (the “2022 Notes”) and $350 million of 5.625% senior unsecured notes due 2023 (the "2023 Notes") (collectively, the "Notes"). The Notes are guaranteed by certain of our subsidiaries: 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., Wattenberg Holding, LLC and Glass Mountain Holding, LLC (collectively, the "Guarantors"). The guarantees of the Notes are full and unconditional and constitute the joint and several obligations of the Guarantors.

The Notes are governed by indentures, as supplemented, between the Company and its subsidiary Guarantors and Wilmington Trust, N.A., as trustee (the “Indentures”). The Indentures include customary covenants, including limitations on our ability to incur additional indebtedness or issue certain preferred shares; pay dividends and make certain distributions, investments and other restricted payments; create certain liens; sell assets; enter into transactions with affiliates; enter into sale and lease-back transactions; merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and designate our subsidiaries as unrestricted under the Indentures.

The Indentures include customary events of default, including events of default relating to non-payment of principal and other amounts owing from time to time, failure to provide required reports, failure to comply with agreements in the

15. LONG-TERM DEBT, Continued

Indentures, cross payment-defaults to any material indebtedness, bankruptcy and insolvency events, certain unsatisfied judgments, and invalidation or cessation of the subsidiary guarantee of a significant subsidiary. A default would permit holders to declare the Notes and accrued interest due and payable.

The Notes are effectively subordinated in right of payment to any of our, and the Guarantors', existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness and are structurally subordinated to the obligations of any subsidiary that is not a guarantor of the Notes.

The Company may issue additional Notes under the Indentures from time to time, subject to the terms of the Indentures.

Except as described below, the Company may redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if redeemed during the twelve-month period beginning with each period as indicated below:

2021 Notes	
From and after June 15, 2016	105.625%
From and after June 15, 2017	103.750%
From and after June 15, 2018	101.875%
From and after June 15, 2019	100.000%

2022 Notes	
Not redeemable before July 15, 2017	
From and after July 15, 2017	104.219%
From and after July 15, 2018	102.813%
From and after July 15, 2019	101.406%
From and after July 15, 2020	100.000%

2023 Notes	
Not redeemable before May 15, 2019	
From and after May 15, 2019	102.813%
From and after May 15, 2020	101.406%
From and after May 15, 2021	100.000%

Prior to the redemption dates set forth above, the Company may, at its option, on one or more occasions, redeem up to 35% of the sum of the original aggregate principal amount of the Notes at a redemption price equal to aggregate principal amount thereof plus a premium equal to stated interest rate of the Notes, plus accrued and unpaid interest, with the net cash proceeds of one or more equity offerings of the Company, subject to certain conditions.

Prior to the redemption dates set forth above, the Company may also redeem all or part of the Notes at a price equal to the principal plus a premium equal to the greater of 1% of the principal or the excess of the present value of the first redemption price from the table above plus all required interest payments due through the first redemption date in the table above, computed using a discount rate based on a published United States Treasury Rate plus 50 basis points, over the principal value of such Note.

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

Interest on the 2021 Notes is payable in arrears on June 15th and December 15th to holders of record on June 1st and December 1st each year until maturity. Interest on the 2022 Notes is payable in arrears on January 15th and July 15th to holders of record on January 1st and July 1st each year until maturity. Interest on the 2023 Notes is payable in arrears on May 15th and November 15th to holders of record on May 1st and November 1st each year until maturity. For the years ended December 31, 2016 , 2015 and 2014 , we incurred $67.6 million , $60.0 million and $35.0 million , respectively, of

15. LONG-TERM DEBT, Continued

interest expense related to the Notes including the amortization of debt issuance costs and amortization of discount on the 2023 Notes.

At December 31, 2016 , we were in compliance with the terms of the Notes.

SemGroup corporate credit agreement

Our revolving credit facility has a capacity of $1.0 billion at December 31, 2016 . This capacity may be used either for cash borrowings or letters of credit, although the maximum letter of credit capacity is $250 million . The credit agreement allows for the increase of the revolving commitments under the credit agreement by an aggregate amount of $300 million subject to the satisfaction of certain conditions. The agreement matures on March 15, 2021. Earlier principal payments may be required if we enter into certain transactions to sell assets or obtain new borrowings. We have the right to make additional principal payments without incurring any penalties for early repayment.

Interest on revolving credit cash borrowings is charged at either a Eurodollar rate or an alternate base rate ("ABR"), at our election, plus, in each case an applicable margin. The applicable margin will range from 2.0% to 3.0% in the case of a Eurodollar loan, and from 1.0% to 2.0% in the case of an ABR loan, in each case, based on a leverage ratio specified in the agreement.

At December 31, 2016 , there were $20.0 million of outstanding borrowings which incurred interest at the ABR. The interest rate in effect at December 31, 2016 on ABR borrowings was 4.75% .

Fees are charged on any outstanding letters of credit at a rate that ranges from 2.0% to 3.0% , depending on a leverage ratio specified in the credit agreement. At December 31, 2016 , we had $41.4 million of outstanding letters of credit for which the rate in effect was 2.0% . In addition, a fronting fee of 0.25% is charged on outstanding letters of credit. The credit facility also allows for the use of secured bilateral letters of credit, which are issued external to the credit facility and do not reduce revolver availability. At December 31, 2016 , we had $26.8 million of secured bilateral letters of credit outstanding and the interest rate in effect was 1.75% .

A commitment fee that ranges from 0.375% to 0.5% , depending on a leverage ratio defined in the credit agreement, is charged on any unused capacity on the revolving credit facility.

We recorded interest expense related to the revolving credit facility of $4.6 million , $3.8 million and $6.3 million for the years ended December 31, 2016 , 2015 and 2014 , respectively, including amortization of capitalized loan fees.

The credit agreement includes customary affirmative and negative covenants, including limitations on the creation of new indebtedness, liens, sale and lease-back transactions, new investments, making fundamental changes including mergers and consolidations, making of dividends and other distributions, making material changes in our business, modifying certain documents and maintenance of a consolidated leverage ratio and an interest coverage ratio. In addition, the credit agreement prohibits any commodity transactions that are not permitted by our Risk Governance Policies.

The terms of our credit facility restrict, to some extent, the payment of cash dividends on our common stock. The credit agreement is guaranteed by all of our material domestic subsidiaries and secured by a lien on substantially all of our property and assets, subject to customary exceptions.

At December 31, 2016 , we were in compliance with the terms of the credit agreement.

Rose Rock credit facility

Subsequent to the Merger, Rose Rock's revolving credit facility was terminated and $2.0 million of associated unamortized capitalized loan fees were written off to interest expense.

We recorded interest expense related to this facility of $7.1 million , $6.9 million and $9.0 million for the years ended December 31, 2016 , 2015 and 2014 , respectively, including amortization of debt issuance costs and interest on bilateral letters of credit.

SemMexico facilities

At December 31, 2016 , SemMexico had a $70 million Mexican pesos (U.S. $3.4 million at the December 31, 2016 exchange rate) revolving credit facility, which matures in May 2018. There were no outstanding borrowings on the facility at December 31, 2016 . Borrowings are unsecured and bear interest at the bank prime rate in Mexico plus 1.50% .

15. LONG-TERM DEBT, Continued

At December 31, 2016 , SemMexico had outstanding letters of credit of $292.8 million Mexican pesos (U.S. $14.1 million). Fees charged on outstanding letters of credit were 0.28% .

At December 31, 2016 , we were in compliance with the terms of this facility.

Scheduled principal payments

The following table summarizes the scheduled principal payments as of December 31, 2016 (in thousands). As described above, our debt agreements require accelerated principal payments under certain circumstances. As a result, principal payments may occur earlier than shown in the table below.

	Notes	SemGroup Facility	SemMexico Facility	Capital Leases	Total
For the year ended:					
December 31, 2017	$ —	$ —	$ —	$ 26	$ 26
December 31, 2018	—	—	—	25	25
December 31, 2019	—	—	—	—	—
December 31, 2020	—	—	—	—	—
December 31, 2021	300,000	20,000	—	—	320,000
Thereafter	750,000	—	—	—	750,000
Total	$ 1,050,000	$ 20,000	$ —	$ 51	$ 1,070,051

Fair value

We estimate the fair value of the 2021 Notes, the 2022 Notes and the 2023 Notes to be $304 million , $394 million and $344 million , respectively, at December 31, 2016 , based on unadjusted, transacted market prices near the measurement date, which is categorized as a Level 2 measurement. We estimate that the fair value of our other long-term debt was not materially different than the recorded values at December 31, 2016 . It is our belief that neither the market interest rates nor our credit profile have changed significantly enough to have had a material impact on the fair value of our other debt outstanding at December 31, 2016 . This estimate is categorized as a Level 2 measurement.

16. COMMITMENTS AND CONTINGENCIES

Dimmit County, TX claims

An employee of Rose Rock Midstream Field Services, LLC was involved in a tractor trailer accident on January 15, 2015, in Dimmit County, Texas. A second accident followed resulting in six fatalities and multiple injuries. Multiple lawsuits involving claims of wrongful death and personal injury were filed in Zavala County and Dimmit County, Texas. These lawsuits have been consolidated in the District Court, 293rd Judicial District, Zavala County, Texas, as cause number 15-01-13356-ZCV, Maribel Rodriguez and the Estate of David Rodriguez, et al., vs. Rose Rock Midstream Field Services, LLC, SemGroup Corporation, Rose Rock Midstream, L.P. and SemManagement, L.L.C., et al. The judgments previously entered on the confidential settlement agreements have become final, the matter settled within the limits covered by our insurance and the matter is now concluded.

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

16. COMMITMENTS AND CONTINGENCIES, Continued

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.

We received a Notice of Probable Violation and Civil Penalty dated March 29, 2016, from the U.S. Department of Transportation (the "Notice") for alleged violations of pipeline operation and maintenance regulations related to a 2014 crude oil release that occurred on our Blackwell to See pipeline segment located in Oklahoma. This pipeline segment was displaced with nitrogen and abandoned in March 2016 when we initiated service on our new pipeline segment that transports Kansas crude volumes to our Cushing, Oklahoma terminal. The Notice proposes a penalty of $600,200 . We responded to the Notice in April 2016 with information that we believe warrants reduction of the amount of the proposed penalty.

Other matters

We are party to various other claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of our management, the ultimate resolution of these claims, legal actions, and complaints, after consideration of amounts accrued, insurance coverage, and other arrangements, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, the outcome of such matters is inherently uncertain, and estimates of our consolidated liabilities may change materially as circumstances develop.

Asset retirement obligations

We will be required to incur significant removal and restoration costs when we retire our natural gas gathering and processing facilities in Canada. We have recorded a liability associated with these obligations, which is reported within other noncurrent liabilities on the consolidated balance sheets. The following table summarizes the changes in this liability from December 31, 2013 through December 31, 2016 (in thousands):

Balance, December 31, 2013	$	41,185
Accretion		4,807
Payments made		(514)
Currency translation adjustments		(3,524)
Balance, December 31, 2014		41,954
Accretion		4,748
Payments made		(511)
Revaluation		(26,000)
Currency translation adjustments		(4,245)
Balance, December 31, 2015		15,946
Accretion		2,292
Payments made		(159)
Currency translation adjustments		469
Balance, December 31, 2016	$	18,548

The December 31, 2016 liability was calculated using the $122.0 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. An additional $20.0 million of estimated costs are attributable to third-party owners' proportionate share of the obligations.

16. COMMITMENTS AND CONTINGENCIES, Continued

If an owner fails to perform on its obligations, the other owners (including SemGroup) could be obligated to bear that party's share of the remediation costs.

The calculation of the liability for an asset retirement obligation requires the use of significant estimates, including those related to the length of time before the assets will be retired, cost inflation over the assumed life of the assets, actual remediation activities to be required and the rate at which such obligations should be discounted. Future changes in these estimates could result in material changes in the value of the recorded liability. In addition, future changes in laws or regulations could require us to record additional asset retirement obligations. During the year ended December 31, 2015 , we completed a reevaluation of our asset retirement obligations and recorded reductions to the liability and offsetting asset of $26.0 million . The reduction was largely due to a change in the estimated timing of the retirement of these facilities.

Our other segments may also be subject to removal and restoration costs upon retirement of their facilities. However, we are unable to predict when, or if, our pipelines, storage tanks and other facilities would become completely obsolete and require decommissioning. Accordingly, we have not recorded a liability or corresponding asset, as both the amount and timing of such potential future costs are indeterminable.

Operating leases

We have entered into operating lease agreements for office space, office equipment, land and vehicles. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2016 , are as follows (in thousands):

For year ending:		
December 31, 2017	$	4,516
December 31, 2018		4,218
December 31, 2019		3,871
December 31, 2020		3,517
December 31, 2021		3,545
Thereafter		10,018
Total future minimum lease payments	$	29,685

We recorded lease and rental expenses of $15.0 million , $15.5 million and $16.2 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

Purchase and sale commitments

We routinely enter into agreements to purchase and sell petroleum products at specified future dates. We account for these commitments as normal purchases and sales, therefore, we do not record assets or liabilities related to these agreements until the product is purchased or sold. At December 31, 2016 , such commitments included the following (in thousands):

	Volume (barrels)		Value
Fixed price purchases	2,359	$	120,064
Fixed price sales	8,670	$	453,647
Floating price purchases	3,577	$	179,237
Floating price sales	13,573	$	738,245

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):

16. COMMITMENTS AND CONTINGENCIES, Continued

For year ending:		
December 31, 2017	$	11,938
December 31, 2018		10,060
December 31, 2019		9,121
December 31, 2020		8,451
December 31, 2021		6,841
Thereafter		9,099
Total expected future payments	$	55,510

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.

We have a throughput commitment with our equity method investee, White Cliffs, for approximately 5,000 barrels per day of space on White Cliffs' pipeline which became effective in October 2015 and has a term of five years. Annual payments to White Cliffs under the agreement are expected to be $9.4 million . In addition, we have a throughput commitment for 5,000 barrels per day on a third-party pipeline currently under construction. The agreement will become effective when the pipeline is completed and the agreement will have a seven year term from that date. Annual payments are expected to be $11.9 million .

Capital expenditures

We expect to spend approximately $180 million to complete construction of the Maurepas Pipeline in 2017. We expect to spend approximately $80 million and $155 million in 2017 and 2018, respectively, related to construction of the Wapiti Sour Gas Plant.

17. EQUITY

Common stock

The par value of common stock reflected on the consolidated balance sheet at December 31, 2016 is summarized below:

	Class A	Class B
Shares accounted for at December 31, 2013	42,504,656	28,235
Conversion of Class B shares	28,235	(28,235)
Issuance of shares under employee and director compensation programs (1)	169,933	—
Shares issued under employee stock purchase plan	6,999	—
Shares issued upon exercise of warrants	904,231	—
Shares accounted for at December 31, 2014	43,614,054	—
Issuance of shares under employee and director compensation programs (1)	184,803	—
Shares issued under employee stock purchase plan	24,882	—
Shares accounted for at December 31, 2015	43,823,739	—
Issuance of common shares in public offering	8,625,000	—
Shares issued for Merger	13,140,020	—
Issuance of shares under employee and director compensation programs (1)	170,772	—
Shares issued under employee stock purchase plan	46,836	—
Shares accounted for at December 31, 2016 (2)	65,806,367	—

(1) Of these vested shares, recipients sold back to the Company 46,941 , 62,291 and 11,120 shares during the years ended December 31, 2016 , 2015 and 2014, respectively, to satisfy tax withholding obligations. These repurchased shares are being recognized at cost as treasury stock on the consolidated balance sheet.

17. EQUITY, Continued

(2) In addition to the shares in the table above, there are shares of unvested restricted stock outstanding which are considered legally issued and outstanding and have been included in the number of shares presented on the consolidated balance sheets. The par value of unvested restricted stock has not yet been reflected in common stock on the consolidated balance sheet, as these shares have not yet vested and could be forfeited. There are also shares of restricted stock that were returned to treasury upon forfeiture. The par value of these shares is not reflected in the consolidated balance sheet, as no accounting recognition is given to forfeited shares.

The common stock includes Class A and Class B stock. Class A stock is eligible to be listed on an exchange, whereas Class B stock is not. Any share of Class B stock may be converted to Class A at the election of the holder. Both classes of stock have full voting rights. Both classes of stock have a par value of $0.01 per share. All Class B stock has been converted to Class A stock. The total number of shares authorized for issuance is 90,000,000 shares of Class A stock and 10,000,000 shares of Class B stock.

Equity issuances

On June 22, 2016, we issued and sold 8,625,000 shares of our Class A common stock, valued at $27.00 per share, to the public for proceeds of $228.6 million , net of underwriting fees and other offering costs of $4.3 million . Proceeds were used to repay borrowings on our revolving credit facility and will be used for future capital expenditures and general corporate purposes.

On September 30, 2016, we completed the Merger with Rose Rock. We issued 13.1 million common shares in exchange for the outstanding common limited partner units of Rose Rock which we did not already own. Issuance costs of $5.3 million were recorded as a reduction to additional paid in capital. In addition, we recorded a reduction to our deferred tax liabilities and offsetting increase to additional paid-in capital of $143.3 million associated with the transaction. This non-cash adjustment represents the deferred tax impact of the difference between the book value of the noncontrolling interests acquired and the tax basis which is stepped-up to the fair market value of the consideration which includes the common shares issued and the assumption of liabilities associated with the noncontrolling interests. See Note 4 for further information on the Merger.

Warrants

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

Dividends

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

17. EQUITY, Continued

Quarter Ending	Dividend Per Share	Date of Record	Date Paid
March 31, 2014	$ 0.22	March 10, 2014	March 20, 2014
June 30, 2014	$ 0.24	May 19, 2014	May 29, 2014
September 30, 2014	$ 0.27	August 18, 2014	August 28, 2014
December 31, 2014	$ 0.30	November 17, 2014	November 28, 2014
March 31, 2015	$ 0.34	March 9, 2015	March 20, 2015
June 30, 2015	$ 0.38	May 18, 2015	May 29, 2015
September 30, 2015	$ 0.42	August 17, 2015	August 25, 2015
December 31, 2015	$ 0.45	November 16, 2015	November 24, 2015
March 31, 2016	$ 0.45	March 7, 2016	March 17, 2016
June 30, 2016	$ 0.45	May 16, 2016	May 26, 2016
September 30, 2016	$ 0.45	August 15, 2016	August 25, 2016
December 31, 2016	$ 0.45	November 18, 2016	November 28, 2016
March 31, 2017	$ 0.45	March 7, 2017	March 17, 2017

18. EARNINGS PER SHARE

Earnings per share is calculated based on income from continuing and discontinued operations less any income attributable to noncontrolling interests. Income attributable to noncontrolling interests represented third-party limited partner unitholders' interests in the earnings of our consolidated subsidiary, Rose Rock, prior to completion of the Merger. Rose Rock allocated net income to its limited partners based on the distributions pertaining to the current period's available cash as defined by Rose Rock's partnership agreement. After adjusting for the appropriate period's distributions, the remaining undistributed earnings or excess distributions over earnings, if any, were allocated to Rose Rock's general partner, limited partners and participating securities in accordance with the contractual terms of Rose Rock's partnership agreement and as further prescribed under the two-class method. Incentive distribution rights did not participate in undistributed earnings. Subsequent to the Merger, there is no longer a noncontrolling interest.

Basic earnings (loss) per share is calculated based on the weighted average shares outstanding during the period. Diluted earnings (loss) per share includes the dilutive effect of warrants and unvested equity compensation awards.
The following summarizes the calculation of basic earnings per share for the years ended December 31, 2016 , 2015 and 2014 (in thousands, except per share amounts):

	Year Ended December 31, 2016		
	Continuing Operations	Discontinued Operations	Net
Income	$ 13,263	$ (1)	$ 13,262
less: Income attributable to noncontrolling interest	11,167	—	11,167
Income attributable to SemGroup	$ 2,096	$ (1)	$ 2,095
Weighted average common stock outstanding	51,889	51,889	51,889
Basic earnings per share	$ 0.04	$ 0.00	$ 0.04

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18. EARNINGS PER SHARE, Continued

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

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

The following summarizes the calculation of diluted earnings per share for the years ended December 31, 2016 , 2015 and 2014 (in thousands, except per share amounts):

	Year Ended December 31, 2016		
	Continuing Operations	Discontinued Operations	Net
Income	$ 13,263	$ (1)	$ 13,262
less: Income attributable to noncontrolling interest	11,167	—	11,167
Income attributable to SemGroup	$ 2,096	$ (1)	$ 2,095
Weighted average common stock outstanding	51,889	51,889	51,889
Effect of dilutive securities	392	392	392
Diluted weighted average common stock outstanding	52,281	52,281	52,281
Diluted earnings per share	$ 0.04	$ 0.00	$ 0.04

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

18. EARNINGS PER SHARE, Continued

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

19. EQUITY-BASED COMPENSATION

SemGroup Corporation equity awards

We have reserved a total of 3,710,220 shares of common stock for issuance pursuant to employee and director compensation programs. Awards under these programs give the recipients the right to receive shares of common stock, once specified service, performance or market related vesting conditions are met. The awards typically have a one year vesting period for non-management directors and three years for employees. The awards may be subject to accelerated vesting in the event of involuntary terminations. We record expense for these awards (and corresponding increases to additional paid-in capital) based on the grant date fair value of the awards over the vesting period. We use authorized but unissued shares to satisfy our equity-based payment obligations. Although these awards are to be settled in shares, we may elect to give participants the option of surrendering a portion of the awards, to meet statutory minimum tax withholding requirements. The activity related to these awards during the period from December 31, 2013 to December 31, 2016 is summarized below:

	Unvested Shares	Average Grant Date Fair Value	Aggregate Fair Value of Shares (in thousands)
Outstanding at December 31, 2013	530,603	$ 36.80	
Awards granted - 2014	207,786	$ 77.14	
Awards vested - 2014	(169,340)	$ 33.07	$ 5,600
Awards forfeited - 2014	(119,130)	$ 42.16	
Outstanding at December 31, 2014	449,919	$ 70.69	
Awards granted - 2015	151,789	$ 77.93	
Awards vested - 2015	(181,906)	$ 35.18	$ 6,399
Awards forfeited - 2015	(8,494)	$ 42.05	
Outstanding at December 31, 2015	411,308	$ 75.25	
Awards granted - 2016	702,309	$ 19.18	
Awards vested - 2016	(168,096)	$ 20.38	$ 3,426
Awards forfeited - 2016	(34,255)	$ 42.42	
Outstanding at December 31, 2016	911,266	$ 31.09	

Of the awards vested during the years ended December 31, 2016 , 2015 and 2014 , 46,941 , 62,291 and 11,120 shares were withheld to satisfy minimum tax requirements, respectively.

Included in the awards granted for the year ended December 31, 2016 , is 128,585 restricted stock awards granted in exchange for Rose Rock equity based awards which were canceled as part of the Merger transaction described in Note 4. Incremental compensation expense was not significant. Accrued unvested unit distribution rights associated with unvested Rose Rock restricted unit awards carried over to the restricted stock awards issued in the exchange.

For certain of the awards granted in 2016, 2015, and 2014, the number of shares that will vest is contingent upon our achievement of certain specified targets. Awards with performance conditions are valued based on the grant date closing

19. EQUITY-BASED COMPENSATION, Continued

price on the New York Stock Exchange based on the number of awards expected to vest. Awards with market conditions are valued using Monte Carlo simulations. The following table sets forth the assumptions used in the valuations of these awards granted in 2016, 2015 and 2014:

	2016	2015	2014
Volatility	51.9%	26.8%	29.3%
Risk-free interest rate	0.98%	1.06%	0.66%

Volatility assumptions were based on historical volatility using a simple average calculation of volatility over a period equal to the vesting period of the awards. We do not expect future volatility over the term of the awards to be significantly different from historical volatility.

If we meet the specified maximum targets, approximately 404 thousand additional shares could vest.

The holders of certain restricted stock awards are entitled to equivalent dividends (“UDs”) to be received upon vesting of the restricted stock awards. The UDs are subject to the same forfeiture and acceleration conditions as the associated restricted stock awards. For awards granted prior to 2013, the dividends were settled in common shares based on the market price of our Class A shares as of the close of business on the vesting date. For the years ended December 31, 2015 and December 31, 2014 , 1,793 and 593 shares were issued upon the vesting of these restricted stock awards, respectively. As of December 31, 2015, all awards granted prior to 2013 had vested. UDs related to restricted stock awards granted after 2013 will be settled in cash upon vesting. At December 31, 2016 , the value of UDs to be settled in cash related to unvested restricted stock awards was approximately $914 thousand .

Compensation costs expensed for the years ended December 31, 2016 , 2015 and 2014 were $8.8 million , $9.1 million and $7.3 million , respectively. As of December 31, 2016 , there was $11.5 million of total unrecognized compensation cost related to our non-vested awards, which is expected to be recognized over a weighted-average period of 21 months.

Director retainer

During the years ended December 31, 2016 and 2015 , we issued 2,676 and 1,104 shares of common stock, respectively, to a director in lieu of an annual cash retainer.

Employee stock purchase plan

Our employee stock purchase plan ("ESPP") allows eligible employees to contribute up to 10% of their base earnings toward the semi-annual purchase of our common stock, subject to an annual maximum dollar amount. The purchase price is 85% of the closing price on the last business day of the offering period. We have reserved a total of 1,000,000 shares of common stock for issuance under the ESPP. During the years ended December 31, 2016 , 2015 and 2014 , we issued 46,836 , 24,882 and 6,999 shares, respectively, under our ESPP.

Rose Rock equity-based compensation

Prior to the Merger, certain of our employees who support Rose Rock participated in Rose Rock's equity-based compensation program. Awards under this program generally represented awards of restricted common units representing limited partner interests of Rose Rock. Generally, the awards vested three years after the date of grant for employees and one year after the date of grant for non-management directors, contingent upon the continued service of the recipients and may have been subject to accelerated vesting in the event of involuntary terminations. Awards were valued based on the grant date closing price listed on the New York Stock Exchange. Compensation expense was recognized over the vesting period and was discounted for estimated forfeitures. Vesting of these awards diluted our ownership interest. The activity related to these awards is summarized below:

19. EQUITY-BASED COMPENSATION, Continued

	Unvested Units	Average Grant Date Fair Value	Aggregate Fair Value of Units (in thousands)
Outstanding at December 31, 2013	82,948	$ 28.59	
Awards granted - 2014	46,536	$ 41.35	
Awards vested - 2014	(5,712)	$ 35.87	$ 205
Awards forfeited - 2014	(21,432)	$ 29.82	
Outstanding at December 31, 2014	102,340	$ 33.79	
Awards granted - 2015	36,527	$ 39.03	
Awards vested - 2015	(38,366)	$ 27.54	$ 1,057
Awards forfeited - 2015	(310)	$ 42.80	
Outstanding at December 31, 2015	100,191	$ 38.70	
Awards granted - 2016	117,204	$ 9.62	
Awards vested - 2016	(57,458)	$ 11.58	$ 665
Awards forfeited - 2016	(1,846)	$ 26.55	
Awards converted to SemGroup awards	(158,091)	$ 19.57	
Outstanding at December 31, 2016	—	$ —	

Of the awards vested during the years ended December 31, 2016 and 2015, 254 and 12,892 units, respectively, were withheld to satisfy minimum tax requirements. No units were withheld to satisfy minimum tax requirements for the year ended December 31, 2014.

Compensation cost expensed for the years ended December 31, 2016 , 2015 and 2014 was $1.2 million , $1.4 million and $0.9 million , respectively, and represents an increase in noncontrolling interests in consolidated subsidiaries.

The holders of certain of these restricted unit awards were entitled to equivalent distributions (“UUDs”) to be received upon vesting of the restricted unit awards. For awards granted prior to 2013, the UUDs were settled in common units based on the market price of our limited partner common units as of the close of business on the vesting date. For the year ended December 31, 2015 , 3,335 UUDs were issued upon the vesting of these restricted units. No UUD units were issued upon vesting of restricted units for the year ended December 31, 2014. As of December 31, 2015, all awards granted prior to 2013 had vested. UUDs related to the restricted unit awards granted subsequent to 2013 will be settled in cash upon vesting. As part of the Merger transaction, the value of these cash settled UUDs related to unvested restricted units was transferred to SemGroup and is now included in the balance for SemGroup UD's noted above.

20. EMPLOYEE BENEFIT PLANS

Defined contribution plans

We sponsor defined contribution retirement plans in which the majority of employees are eligible to participate. Our contributions to the defined contribution plans were $2.7 million , $2.4 million , and $1.9 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

Pension plans

We sponsor a defined benefit pension plan and a supplemental defined benefit pension plan (collectively, the “Pension Plans”) for certain employees of the SemCAMS segment hired before June 30, 2001. These plans are closed to new participants and do not accrue any additional benefits.

We recognize the funded status of the Pension Plans, measured as the difference between the fair value of the plan assets and the projected benefit obligation, in the consolidated balance sheets. The table below summarizes the balances of the projected benefit obligation and fair value of the plan assets at December 31, 2016 and 2015 (in thousands):

20. EMPLOYEE BENEFIT PLANS, Continued

	December 31,	
	2016	2015
Projected benefit obligation	$ 25,675	$ 23,865
Fair value of plan assets	22,961	22,204
Funded status:	$ (2,714)	$ (1,661)

All of the plan's assets are invested in pooled funds that hold highly-liquid securities and are classified as Level 2 within the fair value hierarchy. We recorded other noncurrent liabilities of $2.7 million and $1.7 million at December 31, 2016 and 2015 , respectively, to reflect the funded status of the Pension Plans.

We record changes in the funded status of the Pension Plans to other comprehensive income (loss), net of income taxes. These amounts were a loss of $1.1 million , a gain of $0.7 million and a loss of $3.7 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

Retiree medical plan

We sponsor an unfunded, post-employment health benefit plan (the “Health Plan”) for certain employees of the SemCAMS segment. The projected benefit obligation related to the Health Plan was $1.5 million at December 31, 2016 and $1.4 million at December 31, 2015 , and is reported within other noncurrent liabilities on the consolidated balance sheets.

21. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents changes in the components of accumulated other comprehensive loss (in thousands):

	Currency Translation	Employee Benefit Plans	Total
Balance, December 31, 2013	$ (4,508)	$ 1,654	$ (2,854)
Currency translation adjustment, net of income tax benefit of $11,102	(20,551)	—	(20,551)
Changes related to benefit plans, net of income tax benefit of $1,245	—	(3,736)	(3,736)
Balance, December 31, 2014	(25,059)	(2,082)	(27,141)
Currency translation adjustment, net of income tax benefit of $19,593	(32,142)	—	(32,142)
Changes related to benefit plans, net of income tax expense of $240	—	721	721
Balance, December 31, 2015	(57,201)	(1,361)	(58,562)
Currency translation adjustment, net of income tax benefit of $8,672	(14,224)	—	(14,224)
Changes related to benefit plans, net of income tax benefit of $417	—	(1,128)	(1,128)
Balance, December 31, 2016	$ (71,425)	$ (2,489)	$ (73,914)

22. SUPPLEMENTAL CASH FLOW INFORMATION

Operating assets and liabilities

The following table summarizes the changes in the components of operating assets and liabilities, net of the effects of acquisitions (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Decrease (increase) in restricted cash	$ (1)	$ 6,764	$ (2,045)
Decrease (increase) in accounts receivable	(90,810)	9,051	(32,602)
Decrease (increase) in receivable from affiliates	(19,541)	10,905	50,454
Decrease (increase) in inventories	(30,686)	(31,043)	(6,243)
Decrease (increase) in margin deposits	(711)	(2,109)	28
Decrease (increase) in other current assets	356	(413)	(614)
Decrease (increase) in other assets	(297)	4,015	2
Increase (decrease) in accounts payable and accrued liabilities	94,687	2,513	11,461
Increase (decrease) in payable to affiliates	21,475	(8,427)	(48,819)
Increase (decrease) in payables to pre-petition creditors	—	(3,837)	(54)
Increase (decrease) in other noncurrent liabilities	2,573	(2,625)	5,067
	$ (22,955)	$ (15,206)	$ (23,365)

Non-cash transactions

During the years ended December 31, 2015 and 2014, we recorded reductions of $51.5 million and $85.2 million , respectively, to noncontrolling interests in consolidated subsidiaries and offsetting increases to additional paid-in capital of $30.7 million and $53.2 million , respectively, (net of tax impacts of $20.8 million and $31.9 million , respectively). These non-cash entries represent the portion of proceeds in excess of historical cost which were attributed to Rose Rock's third-party unitholders related to Rose Rock's common control acquisitions from SemGroup (Note 4).

During the year ended December 31, 2014, we issued 904,231 shares of Class A common stock related to the exercise of warrants. These issuances resulted in the non-cash reclassification of $73.0 million from other noncurrent liabilities to common stock and additional paid-in capital for the year ended December 31, 2014. Cash proceeds of $1.5 million were received in connection with the warrant exercises for the year ended December 31, 2014. Outstanding warrants expired in 2014.

See Note 16 for discussion of non-cash change to our asset retirement obligation liability for the years ended December 31, 2016 , 2015 and 2014 .

In connection with our acquisition of the noncontrolling interest in Rose Rock, as discussed in Note 4, we recorded a reduction to our deferred tax liabilities and offsetting increase to additional paid-in capital of $143.3 million associated with the transaction. This non-cash adjustment represents the deferred tax impact of the difference between the book value of the noncontrolling interest acquired and the tax basis which is stepped-up to the fair market value of the consideration which included the common shares issued and the assumption of liabilities associated with the noncontrolling interest.

Other supplemental disclosures

We paid cash for interest totaling $71.3 million , $64.9 million and $36.7 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

We paid cash for income taxes (net of refunds received) in the amount of $0.7 million , $7.3 million and $23.5 million during the years ended December 31, 2016 , 2015 and 2014 , respectively.

We accrued $1.4 million , $11.8 million and $7.0 million at December 31, 2016 , 2015 and 2014 , respectively, for purchases of property, plant and equipment.

22. SUPPLEMENTAL CASH FLOW INFORMATION, Continued

We financed prepayments of insurance premiums of $4.7 million , $4.6 million and $4.4 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

We sold common units of NGL Energy for proceeds of $88.8 million during the year ended December 31, 2014 (Note 5), of which only $79.7 million of proceeds from the sales had been received at December 31, 2014. We recorded an accrual for the proceeds that had not been received at December 31, 2014.

23. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized information on our consolidated results of operations for the quarters during the year ended December 31, 2016 is shown below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$ 314,851	$ 287,377	$ 327,764	$ 402,172	$ 1,332,164
Loss on disposal or impairment, net	13,307	1,685	1,018	38	16,048
Other operating costs and expenses	292,250	277,379	316,644	381,969	1,268,242
Total expenses	305,557	279,064	317,662	382,007	1,284,290
Earnings from equity method investments	23,071	17,078	15,845	17,763	73,757
Loss on issuance of common units by equity method investee	(41)	—	—	—	(41)
Operating income	32,324	25,391	25,947	37,928	121,590
Other expenses, net	58,622	9,944	18,684	9,809	97,059
Income (loss) from continuing operations before income taxes	(26,298)	15,447	7,263	28,119	24,531
Income tax expense (benefit)	(21,407)	4,658	11,898	16,119	11,268
Income (loss) from continuing operations	(4,891)	10,789	(4,635)	12,000	13,263
Income (loss) from discontinued operations, net of income taxes	(2)	(2)	3	—	(1)
Net income (loss)	(4,893)	10,787	(4,632)	12,000	13,262
Less: net income attributable to noncontrolling interests	9,020	1,922	225	—	11,167
Net income (loss) attributable to SemGroup	$ (13,913)	$ 8,865	$ (4,857)	$ 12,000	$ 2,095
Earnings (loss) per share—basic	$ (0.32)	$ 0.20	$ (0.09)	$ 0.18	$ 0.04
Earnings (loss) per share—diluted	$ (0.32)	$ 0.19	$ (0.09)	$ 0.18	$ 0.04

Prior quarter amounts above have been restated from the amounts originally reported to correct for an immaterial error identified by management in the fourth quarter related to an under capitalization of interest on certain capital projects. Previously reported interest expense, included in "other expense, net" above, has been decreased by $1.4 million , $0.9 million and $2.5 million for the quarters ended March 31, June 30 and September 30, 2016, respectively, with a corresponding increase to net income. Earnings per basic share was increased by $0.03 , $0.02 and $0.05 per share for the quarters ended March 31, June 30 and September 30, 2016, respectively.

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

23. QUARTERLY FINANCIAL DATA (UNAUDITED), Continued

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

24. RELATED PARTY TRANSACTIONS

As described in Note 5, we own interests in the general partner of NGL Energy, a 51% ownership interest in White Cliffs and a 50% interest in Glass Mountain, which we account for under the equity method.

Transactions with NGL Energy and its subsidiaries primarily relate to marketing, leased storage and transportation services of crude oil, 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. Transactions with Glass Mountain primarily relate to transportation fees for shipments on the Glass Mountain Pipeline, fees for support and administrative services associated with pipeline operations and purchases of crude oil.

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 consolidated statements of operations and comprehensive income (loss) because the purchases of inventory and subsequent sales of the inventory were with the same counterparty.

During the years ended December 31, 2016 , 2015 and 2014 , we generated the following transactions with related parties (in thousands):

24. RELATED PARTY TRANSACTIONS, Continued

	Year Ended December 31,		
	2016	2015	2014
NGL Energy			
Revenues	$ 61,639	$ 157,732	$ 456,987
Purchases	$ 57,739	$ 138,095	$ 437,015
Reimbursements from NGL Energy for services	$ —	$ 56	$ 168
White Cliffs			
Crude oil revenues	$ 4,973	$ —	$ —
Storage revenues	$ 4,350	$ 4,300	$ 2,888
Transportation fees	$ 10,797	$ 5,253	$ 3,972
Management fees	$ 494	$ 471	$ 449
Crude oil purchases	$ 4,758	$ —	$ —
Glass Mountain			
Transportation fees	$ 7,479	$ 2,997	$ 845
Management fees	$ 793	$ 770	$ 727
Crude oil purchases	$ 385	$ 2,087	$ —

Legal services

The law firm of Conner & Winters, LLP, of which Mark D. Berman is a partner, performs legal services for us. Mr. Berman is the spouse of Candice L. Cheeseman, General Counsel. Mr. Berman does not perform any legal services for us. SemGroup paid $1.0 million , $1.3 million and $1.3 million in legal fees and related expenses to this law firm during the years ended December 31, 2016 , 2015 and 2014 , respectively (of which $1.6 thousand , $3.4 thousand and $0.1 million was paid by White Cliffs, respectively).

25. 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., Wattenberg Holding, LLC and Glass Mountain Holding, LLC (collectively, the "Guarantors").

Each of the Guarantors is 100% owned by SemGroup Corporation (the "Parent"). Such guarantees of the 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. 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.

Subsequent to the Merger as described in Note 4, SemGroup assumed the obligations of Rose Rock under Rose Rock's senior unsecured notes. Supplemental indentures were entered into with respect to the previously existing SemGroup senior unsecured notes and the senior unsecured notes assumed from Rose Rock to include the Guarantors as listed above to the extent the entity was not already a Guarantor. Prior period comparative information has been recast to reflect the addition of Rose Rock subsidiaries as Guarantors.

Condensed consolidating financial statements for the Parent, the Guarantors and non-guarantors as of December 31, 2016 and 2015 and for the years ended December 31, 2016 , 2015 and 2014 are presented on an equity method basis in the tables below (in thousands).

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Intercompany receivable and payable balances, including notes receivable and payable, are capital transactions primarily to facilitate the capital needs of our subsidiaries. As such, subsidiary intercompany balances have been reported as a reduction to equity on the condensed consolidating Guarantor balance sheets. The Parent's net intercompany balance, including note receivable, and investments in subsidiaries have been reported in equity method investments on the condensed consolidating Guarantor balance sheets. Intercompany transactions, such as daily cash management activities, have been reported as financing activities within the condensed consolidating Guarantor statements of cash flows. The Parent's investing activities with subsidiaries, such as the drop down of Wattenberg Holding, LLC and Glass Mountain to Rose Rock in the first quarter of 2015, have been reflected as cash flows from investing activities. Quarterly cash distributions from Rose Rock representing a return on capital have been included in the Parent's cash flows from operations. These balances are eliminated through consolidating adjustments below.

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Balance Sheets

	December 31, 2016				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 19,002	$ —	$ 59,796	$ (4,582)	$ 74,216
Accounts receivable	—	361,160	57,179	—	418,339
Receivable from affiliates	27	25,244	184	—	25,455
Inventories	—	89,638	9,596	—	99,234
Other current assets	8,986	5,760	3,887	(3)	18,630
Total current assets	28,015	481,802	130,642	(4,585)	635,874
Property, plant and equipment	5,621	970,079	786,372	—	1,762,072
Equity method investments	2,454,118	940,696	—	(2,960,525)	434,289
Goodwill	—	26,628	7,602	—	34,230
Other intangible assets	15	149,669	1,294	—	150,978
Other noncurrent assets, net	54,155	2,080	1,294	—	57,529
Total assets	$ 2,541,924	$ 2,570,954	$ 927,204	$ (2,965,110)	$ 3,074,972
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 674	$ 348,297	$ 18,336	$ —	$ 367,307
Payable to affiliates	—	26,508	—	—	26,508
Accrued liabilities	25,078	23,423	32,603	—	81,104
Other current liabilities	889	5,108	7,439	—	13,436
Total current liabilities	26,641	403,336	58,378	—	488,355
Long-term debt	1,050,893	6,142	16,500	(22,617)	1,050,918
Deferred income taxes	16,119	—	48,382	—	64,501
Other noncurrent liabilities	2,306	—	22,927	—	25,233
Commitments and contingencies					
Owners' equity excluding noncontrolling interests in consolidated subsidiaries	1,445,965	2,161,476	781,017	(2,942,493)	1,445,965
Total owners' equity	1,445,965	2,161,476	781,017	(2,942,493)	1,445,965
Total liabilities and owners' equity	$ 2,541,924	$ 2,570,954	$ 927,204	$ (2,965,110)	$ 3,074,972

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	December 31, 2015				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 4,559	$ 9,058	$ 46,043	$ (1,564)	$ 58,096
Accounts receivable	640	260,621	65,452	—	326,713
Receivable from affiliates	1,616	7,063	5,430	(8,195)	5,914
Inventories	—	59,073	11,166	—	70,239
Other current assets	8,477	5,243	5,699	—	19,419
Total current assets	15,292	341,058	133,790	(9,759)	480,381
Property, plant and equipment	4,335	978,224	584,262	—	1,566,821
Equity method investments	1,546,853	770,742	—	(1,766,517)	551,078
Goodwill	—	39,680	8,352	—	48,032
Other intangible assets	20	159,750	2,453	—	162,223
Other noncurrent assets, net	39,358	4,775	1,241	—	45,374
Total assets	$ 1,605,858	$ 2,294,229	$ 730,098	$ (1,776,276)	$ 2,853,909
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 734	$ 254,785	$ 18,147	$ —	$ 273,666
Payable to affiliates	78	13,151	—	(8,196)	5,033
Accrued liabilities	5,551	33,199	46,293	4	85,047
Other current liabilities	569	4,246	8,466	—	13,281
Total current liabilities	6,932	305,381	72,906	(8,192)	377,027
Long-term debt	325,460	739,696	16,500	(23,840)	1,057,816
Deferred income taxes	155,411	—	45,542	—	200,953
Other noncurrent liabilities	2,528	—	19,229	—	21,757
Commitments and contingencies					
Owners' equity excluding noncontrolling interests in consolidated subsidiaries	1,115,527	1,168,323	575,921	(1,744,244)	1,115,527
Noncontrolling interests in consolidated subsidiaries	—	80,829	—	—	80,829
Total owners' equity	1,115,527	1,249,152	575,921	(1,744,244)	1,196,356
Total liabilities and owners' equity	$ 1,605,858	$ 2,294,229	$ 730,098	$ (1,776,276)	$ 2,853,909

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Operations

	Year Ended December 31, 2016				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 872,961	$ 136,448	$ —	$ 1,009,409
Service	—	162,460	102,570	—	265,030
Other	—	—	57,725	—	57,725
Total revenues	—	1,035,421	296,743	—	1,332,164
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	761,971	111,460	—	873,431
Operating	—	115,431	96,668	—	212,099
General and administrative	22,349	31,196	30,363	—	83,908
Depreciation and amortization	1,647	68,669	28,488	—	98,804
Loss (gain) on disposal or impairment, net	—	16,115	(67)	—	16,048
Total expenses	23,996	993,382	266,912	—	1,284,290
Earnings from equity method investments	56,815	81,366	—	(64,424)	73,757
Loss on issuance of common units by equity method investee	(41)	—	—	—	(41)
Operating income	32,778	123,405	29,831	(64,424)	121,590
Other expenses (income):					
Interest expense (income)	(4,002)	72,277	(4,819)	(806)	62,650
Foreign currency transaction loss	—	—	4,759	—	4,759
Loss on sale or impairment of equity method investment, net	30,644	—	—	—	30,644
Other expense (income), net	(339)	63	(1,524)	806	(994)
Total other expenses (income), net	26,303	72,340	(1,584)	—	97,059
Income from continuing operations before income taxes	6,475	51,065	31,415	(64,424)	24,531
Income tax expense	4,380	—	6,888	—	11,268
Income from continuing operations	2,095	51,065	24,527	(64,424)	13,263
Loss from discontinued operations, net of income taxes	—	—	(1)	—	(1)
Net income	2,095	51,065	24,526	(64,424)	13,262
Less: net income attributable to noncontrolling interests	—	11,167	—	—	11,167
Net income attributable to SemGroup	$ 2,095	$ 39,898	$ 24,526	$ (64,424)	$ 2,095
Net income	$ 2,095	$ 51,065	$ 24,526	$ (64,424)	$ 13,262
Other comprehensive income (loss), net of income taxes	7,360	1,223	(23,935)	—	(15,352)
Comprehensive income (loss)	9,455	52,288	591	(64,424)	(2,090)
Less: comprehensive income attributable to noncontrolling interests	—	11,167	—	—	11,167
Comprehensive income (loss) attributable to SemGroup	$ 9,455	$ 41,121	$ 591	$ (64,424)	$ (13,257)

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 900,303	$ 218,583	$ —	$ 1,118,886
Service	—	188,429	71,113	—	259,542
Other	—	—	76,666	—	76,666
Total revenues	—	1,088,732	366,362	—	1,455,094
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	808,776	170,773	—	979,549
Operating	—	117,541	106,902	—	224,443
General and administrative	29,914	31,021	36,431	—	97,366
Depreciation and amortization	1,522	73,393	25,967	—	100,882
Loss on disposal or impairment, net	—	10,399	1,073	—	11,472
Total expenses	31,436	1,041,130	341,146	—	1,413,712
Earnings from equity method investments	65,512	86,518	—	(70,644)	81,386
Gain on issuance of common units by equity method investee	6,385	—	—	—	6,385
Operating income	40,461	134,120	25,216	(70,644)	129,153
Other expenses (income):					
Interest expense (income)	2,230	69,664	(262)	(1,957)	69,675
Foreign currency transaction gain	(5)	—	(1,062)	—	(1,067)
Gain on sale of equity method investment	(14,517)	—	—	—	(14,517)
Other income, net	(2,048)	(38)	(1,155)	1,957	(1,284)
Total other expenses (income), net	(14,340)	69,626	(2,479)	—	52,807
Income from continuing operations before income taxes	54,801	64,494	27,695	(70,644)	76,346
Income tax expense	24,482	—	9,048	—	33,530
Income from continuing operations	30,319	64,494	18,647	(70,644)	42,816
Loss from discontinued operations, net of income taxes	—	(3)	(1)	—	(4)
Net income	30,319	64,491	18,646	(70,644)	42,812
Less: net income attributable to noncontrolling interests	—	12,492	—	—	12,492
Net income attributable to SemGroup	$ 30,319	$ 51,999	$ 18,646	$ (70,644)	$ 30,320
Net income	$ 30,319	$ 64,491	$ 18,646	$ (70,644)	$ 42,812
Other comprehensive income (loss), net of income taxes	17,420	430	(49,271)	—	(31,421)
Comprehensive income (loss)	47,739	64,921	(30,625)	(70,644)	11,391
Less: comprehensive income attributable to noncontrolling interests	—	12,492	—	—	12,492
Comprehensive income (loss) attributable to SemGroup	$ 47,739	$ 52,429	$ (30,625)	$ (70,644)	$ (1,101)

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2014				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 1,486,227	$ 294,087	$ —	$ 1,780,314
Service	—	160,620	72,619	—	233,239
Other	—	—	109,026	—	109,026
Total revenues	—	1,646,847	475,732	—	2,122,579
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	1,377,661	245,697	—	1,623,358
Operating	—	112,063	134,550	—	246,613
General and administrative	22,394	29,579	35,872	—	87,845
Depreciation and amortization	1,678	65,749	30,970	—	98,397
Loss (gain) on disposal or impairment, net	5,945	55,017	(28,370)	—	32,592
Total expenses	30,017	1,640,069	418,719	—	2,088,805
Earnings from equity method investments	48,760	98,760	—	(83,321)	64,199
Gain on issuance of common units by equity method investee	29,020	—	—	—	29,020
Operating income	47,763	105,538	57,013	(83,321)	126,993
Other expenses (income):					
Interest expense	8,423	39,642	4,284	(3,305)	49,044
Foreign currency transaction gain	—	—	(86)	—	(86)
Gain on sale of equity method investment	(34,211)	—	—	—	(34,211)
Other expense (income), net	10,119	479	(228)	3,305	13,675
Total other expenses (income), net	(15,669)	40,121	3,970	—	28,422
Income from continuing operations before income taxes	63,432	65,417	53,043	(83,321)	98,571
Income tax expense	34,192	—	12,321	—	46,513
Income from continuing operations	29,240	65,417	40,722	(83,321)	52,058
Loss from discontinued operations, net of income taxes	—	—	(1)	—	(1)
Net income	29,240	65,417	40,721	(83,321)	52,057
Less: net income attributable to noncontrolling interests	—	22,817	—	—	22,817
Net income attributable to SemGroup	$ 29,240	$ 42,600	$ 40,721	$ (83,321)	$ 29,240
Net income	$ 29,240	$ 65,417	$ 40,721	$ (83,321)	$ 52,057
Other comprehensive income (loss), net of income taxes	5,159	—	(29,446)	—	(24,287)
Comprehensive income	34,399	65,417	11,275	(83,321)	27,770
Less: comprehensive income attributable to noncontrolling interests	—	22,817	—	—	22,817
Comprehensive income attributable to SemGroup	$ 34,399	$ 42,600	$ 11,275	$ (83,321)	$ 4,953

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Cash Flows

	Year Ended December 31, 2016				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$ 84,460	$ 79,054	$ 65,282	$ (58,822)	$ 169,974
Cash flows from investing activities:					
Capital expenditures	(2,928)	(56,102)	(253,426)	—	(312,456)
Proceeds from sale of long-lived assets	—	53	98	—	151
Contributions to equity method investments	—	(4,188)	—	—	(4,188)
Proceeds from sale of common units of equity method investee	60,483	—	—	—	60,483
Distributions from equity method investees in excess of equity in earnings	—	27,726	—	—	27,726
Net cash provided by (used in) investing activities	57,555	(32,511)	(253,328)	—	(228,284)
Cash flows from financing activities:					
Debt issuance costs	(7,728)	—	—	—	(7,728)
Borrowings on credit facilities	382,500	—	—	—	382,500
Principal payments on credit facilities and other obligations	(396,859)	(31)	—	—	(396,890)
Distributions to noncontrolling interests	—	(32,133)	—	—	(32,133)
Proceeds from issuance of common shares, net of offering costs	223,025	—	—	—	223,025
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(965)	—	—	—	(965)
Dividends paid	(92,910)	—	—	—	(92,910)
Proceeds from issuance of common stock under employee stock purchase plan	1,010	—	—	—	1,010
Intercompany borrowings (advances), net	(235,645)	(23,437)	203,278	55,804	—
Net cash provided by (used in) financing activities	(127,572)	(55,601)	203,278	55,804	75,909
Effect of exchange rate changes on cash and cash equivalents	—	—	(1,479)	—	(1,479)
Change in cash and cash equivalents	14,443	(9,058)	13,753	(3,018)	16,120
Cash and cash equivalents at beginning of period	4,559	9,058	46,043	(1,564)	58,096
Cash and cash equivalents at end of period	$ 19,002	$ —	$ 59,796	$ (4,582)	$ 74,216

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$ 37,259	$ 122,838	$ 58,845	$ (37,180)	$ 181,762
Cash flows from investing activities:					
Capital expenditures	(1,740)	(197,074)	(280,716)	—	(479,530)
Proceeds from sale of long-lived assets	—	257	3,431	—	3,688
Contributions to equity method investments	—	(46,730)	—	—	(46,730)
Proceeds from sale of common units of equity method investee	56,318	—	—	—	56,318
Proceeds from the sale of interest in SemCrude Pipeline, L.L.C. to Rose Rock Midstream, L.P.	251,181	—	—	(251,181)	—
Distributions from equity method investments in excess of equity in earnings	35,340	24,113	—	(35,340)	24,113
Net cash provided by (used in) investing activities	341,099	(219,434)	(277,285)	(286,521)	(442,141)
Cash flows from financing activities:					
Debt issuance costs	(601)	(5,688)	—	—	(6,289)
Borrowings on credit facilities and issuance of senior unsecured notes	181,000	686,208	—	—	867,208
Principal payments on debt and other obligations	(186,000)	(374,049)	—	—	(560,049)
Proceeds from issuance of Rose Rock Midstream, L.P. common units, net of offering costs	—	89,119	—	—	89,119
Distributions to noncontrolling interests	—	(40,410)	—	—	(40,410)
Repurchase of common stock	(4,261)	—	—	—	(4,261)
Dividends paid	(69,514)	—	—	—	(69,514)
Proceeds from issuance of common stock under employee stock purchase plan	1,223	—	—	—	1,223
Intercompany borrowings (advances), net	(304,900)	(253,150)	231,812	326,238	—
Net cash provided by (used in) financing activities	(383,053)	102,030	231,812	326,238	277,027
Effect of exchange rate changes on cash and cash equivalents	—	—	850	—	850
Change in cash and cash equivalents	(4,695)	5,434	14,222	2,537	17,498
Cash and cash equivalents at beginning of period	9,254	3,624	31,821	(4,101)	40,598
Cash and cash equivalents at end of period	$ 4,559	$ 9,058	$ 46,043	$ (1,564)	$ 58,096

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

25. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2014				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$ 27,393	$ 151,834	$ 23,281	$ (20,850)	$ 181,658
Cash flows from investing activities:					
Capital expenditures	(1,672)	(216,711)	(52,123)	—	(270,506)
Proceeds from sale of long-lived assets	—	3,442	1,003	—	4,445
Contributions to equity method investments	—	(71,131)	—	—	(71,131)
Proceeds from the sale of interest in SemCrude Pipeline, L.L.C. to Rose Rock Midstream, L.P.	114,412	—	—	(114,412)	—
Payments to acquire businesses	—	(44,508)	—	—	(44,508)
Proceeds from sale of common units of equity method investee	79,741	—	—	—	79,741
Distributions from equity method investments in excess of equity in earnings	1,843	11,734	—	(1,843)	11,734
Net cash provided by (used in) investing activities	194,324	(317,174)	(51,120)	(116,255)	(290,225)
Cash flows from financing activities:					
Debt issuance costs	(93)	(8,593)	—	—	(8,686)
Borrowings on credit facilities and issuance of senior unsecured notes	405,500	844,415	4,329	—	1,254,244
Principal payments on credit facilities and other obligations	(440,500)	(657,454)	(4,318)	—	(1,102,272)
Distributions to noncontrolling interests	—	(28,494)	—	—	(28,494)
Proceeds from warrant exercises	1,451	—	—	—	1,451
Repurchase of common stock	(719)	—	—	—	(719)
Dividends paid	(44,206)	—	—	—	(44,206)
Proceeds from issuance of common stock under employee stock purchase plan	340	—	—	—	340
Excess tax benefit from equity-based awards	1,650	—	—	—	1,650
Intercompany borrowings (advances), net	(138,431)	3,654	237	134,540	—
Net cash provided by (used in) financing activities	(215,008)	153,528	248	134,540	73,308
Effect of exchange rate changes on cash and cash equivalents	—	—	(3,494)	—	(3,494)
Change in cash and cash equivalents	6,709	(11,812)	(31,085)	(2,565)	(38,753)
Cash and cash equivalents at beginning of period	2,545	15,436	62,906	(1,536)	79,351
Cash and cash equivalents at end of period	$ 9,254	$ 3,624	$ 31,821	$ (4,101)	$ 40,598

Index to Exhibits

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

Exhibit Number	Description
2.1	Fourth Amended Joint Plan of Affiliated Debtors filed with the United States Bankruptcy Court for the District of Delaware on October 27, 2009 (filed as Exhibit 2.1 to our registration statement on Form 10, File No. 001-34736 (the “Form 10”)).
2.2	Agreement and Plan of Merger dated as of May 30, 2016, by and among SemGroup Corporation, PBMS, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream GP, LLC (filed as Exhibit 2.1 to our current report on Form 8-K dated May 30, 2016, filed May 31, 2016).
3.1	Amended and Restated Certificate of Incorporation, dated as of November 30, 2009, of SemGroup Corporation (filed as Exhibit 3.1 to the Form 10).
3.2	Amended and Restated Bylaws, dated as of May 17, 2016, of SemGroup Corporation (filed as Exhibit 3 to our current report on Form 8-K dated May 17, 2016, filed May 19, 2016).
4.1	Form of stock certificate for our Class A Common Stock, par value $0.01 per share (filed as Exhibit 4.1 to the Form 10).
4.2	Form of stock certificate for our Class B Common Stock, par value $0.01 per share (filed as Exhibit 4.2 to the Form 10).
4.3	Indenture (and form of 7.50% Senior Note due 2021 attached as Exhibit A thereto), dated as of June 14, 2013, by and among SemGroup Corporation, certain of its wholly-owned subsidiaries, as guarantors, and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to our current report on Form 8-K dated June 14, 2013, filed June 20, 2013).
4.4	Indenture (and form of 5.625% Senior Note due 2022 attached as Exhibit A thereto), dated as of July 2, 2014, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated June 27, 2014, filed July 2, 2014).
4.5	Indenture (and form of 5.625% Senior Note due 2023 attached as Exhibit A thereto), dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated May 14, 2015, filed May 18, 2015).
4.6	Second Supplemental Indenture dated as of September 30, 2016, by and among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guarantors," the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries" and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to our quarterly report on Form 10-Q for the quarter ended September 30, 2016, filed November 7, 2016).
4.7	Second Supplemental Indenture dated as of September 30, 2016, by and among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guarantors," the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries" and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.2 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
4.8	First Supplemental Indenture dated as of September 30, 2016, by and among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guarantors," the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries" and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.3 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
10.1	Amended and Restated Credit Agreement, dated as of September 30, 2016, by and among SemGroup Corporation, as borrower, the guarantors named therein, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent (filed as Exhibit 10.1 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).

Exhibit Number	Description
10.2	Equity Distribution Agreement, dated November 8, 2016, by and among SemGroup Corporation, Wells Fargo Securities, LLC, Citigroup Global Markets Inc., and SunTrust Robinson Humphrey, Inc. (filed as Exhibit 1.1 to our current report on Form 8-K dated November 8, 2016, filed November 8, 2016).
10.3*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2015 (filed as Exhibit 10.1 to our current report on Form 10-Q for the quarter ended June 30, 2015, filed August 7, 2015).
10.4*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2016 (filed as Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2016, filed August 5, 2016).
10.5*	SemGroup Corporation Nonexecutive Directors' Compensation Deferral Program (filed as Exhibit 10.7 to the Form 10).
10.6*	SemGroup Corporation Equity Incentive Plan, as amended and restated (filed as Annex A to our definitive proxy statement, filed April 13, 2016).
10.7*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for Directors for awards granted on or after May 22, 2012 (filed as Exhibit 10.31 to our Amendment No. 1 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013).
10.8*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2013 (filed as Exhibit 10.33 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013 (the "2012 Form 10-K")).
10.9*	SemGroup Corporation Equity Incentive Plan Form of 2013-2015 Performance Share Unit Award Agreement for executive officers (filed as Exhibit 10.34 to our 2012 Form 10-K).
10.10*	SemGroup Corporation Equity Incentive Plan Form of 2016 Performance Share Unit Award Agreement for executive officers and employees in the United States (filed as Exhibit 10.16 to our annual report on Form 10-K for the fiscal year ended December 31, 2015, filed February 26, 2016).
10.11*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for executive officers and employees in the United States for awards granted pursuant to that certain Agreement and Plan of Merger, dated May 30, 2016, by and among SemGroup Corporation, PBMS, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream GP, LLC (filed as Exhibit 10.2 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
10.12*	SemGroup Corporation Equity Incentive Plan Form of Performance Share Unit Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2017.
10.13*	Employment Agreement dated as of March 6, 2014, by and among SemManagement, L.L.C., SemGroup Corporation, Rose Rock Midstream GP, LLC and Carlin G. Conner (filed as Exhibit 10.2 to our current report on Form 8-K dated March 6, 2014, filed March 12, 2014).
10.14*	Form of Severance Agreement between SemGroup Corporation and each of its executive officers other than Carlin G. Conner.
10.15*	Consulting Agreement and Release, dated August 5, 2016, by and between SemGroup Corporation and Peter L. Schwiering (filed as Exhibit 10 to our current report on Form 8-K dated August 5, 2016, filed August 5, 2016).
10.16*	SemGroup Corporation Short-Term Incentive Program (filed as Exhibit 10.1 to our current report on Form 8-K dated February 24, 2011, filed March 2, 2011).
10.17*	SemGroup Employee Stock Purchase Plan (filed as Appendix A to our definitive proxy statement, filed April 19, 2013).
21	Subsidiaries of SemGroup Corporation.
23.1	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
23.2	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.

Exhibit Number	Description
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Carlin G. Conner, Chief Executive Officer.
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of Robert N. Fitzgerald, Chief Financial Officer.
32.1	Section 1350 Certification of Carlin G. Conner, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
99.1	White Cliffs Pipeline, L.L.C. financial statements presented pursuant to Rule 3-09 of Regulation S-X.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at December 31, 2016 and 2015, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014, (iii) the Consolidated Statements of Changes in Owners' Equity for the years ended December 31, 2016, 2015 and 2014, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014, and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement

Exhibit 10.12

Employees (US)

SemGroup Corporation
Equity Incentive Plan

PERFORMANCE SHARE UNIT AWARD AGREEMENT

Pursuant to your Performance Share Unit Award Notice (the " **Award Notice** ") and this Performance Share Unit Award Agreement (this " **Agreemen** t"), SemGroup Corporation (the " **Company** ") has granted to you performance share units indicated in your Award Notice in accordance with the following:

R E C I T A L S:

WHEREAS, the Company has adopted the SemGroup Corporation Equity Incentive Plan (the " **Plan** "), and, pursuant to and in accordance with the Plan, has approved performance-based awards granted under the Plan which are reflected in relevant part in this Agreement, which Plan, as may be amended from time to time, is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as ascribed to them in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant the performance share units (" **Performance Share Units** " or " **PSUs** ") provided for herein to the Participant pursuant to the Plan and the terms set forth herein, each PSU representing the right to receive one Share (" **Performance Share** ") upon achievement of the goals and satisfaction of the other terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. Target Award Grant . Subject to the terms and conditions of the Plan, this Agreement and the Award Notice, the Company hereby grants to the Participant PSUs (the " **Target Award** "). Thirty percent (30%) of the Target Award will vest and become payable as an equal number of Performance Shares based on the Company's achievement of the Target Goal with respect to the Total Shareholder Return (" **TSR** ") component of the Target Award (the " **TSR Target Award** ") as of the end of the applicable Performance Period, all as more fully described below. The remaining seventy percent (70%) of the Target Award will vest and become payable as an equal number of Performance Shares based on the Company's achievement of the Target Goal with respect to the Cash Available for Distributions Per Share (" **CAFD** ") component of the Target Award (the " **CAFD Target Award** ") as of the end of the applicable Performance Period, all as more fully described below. The Participant may earn up to two hundred percent (200%) of the Target Award if the Company achieves the Maximum Goal established by the Committee for both the TSR and the CAFD components of the Target Award. Notwithstanding anything to the contrary, except as provided in Section 4(b) hereof, all PSUs shall be forfeited (whether vested or unvested) and no Performance Shares shall be issued under this Agreement, if the Committee does not certify in writing that the Company has achieved a Performance Goal pursuant to Section 3 hereof. PSUs shall be subject to vesting and become nonforfeitable in accordance with Section 4 and Section 5 hereof.

2. Payment of Awards; Certificates/Book Entry .

(a) Payment . Except for PSUs that vest upon an involuntary termination without Cause as provided in Section 4(b)(i) hereof or upon a Change of Control as provided in Section 4(b)(ii) , Section 4(c) or Section 4(d) hereof, on or before _____, the Company shall deliver one or more certificates representing Performance Shares or confirmation of the issuance of such Performance Shares through book

entry procedures for PSUs that have vested pursuant to Section 4 and Section 5 hereof to the Participant. The Company shall deliver certificates for Performance Shares or confirmation of the issuance of such Performance Shares through book entry procedures representing PSUs that vest due to an involuntary termination without Cause pursuant to Section 4(b)(i) hereof within sixty (60) days of such involuntary termination without Cause. The Company shall deliver certificates for Performance Shares or confirmation of the issuance of such Performance Shares through book entry procedures representing PSUs that vest due to a Change of Control pursuant to Section 4(b)(ii) , Section 4(c) or Section 4(d) hereof to the Participant on the sixtieth (60 th) day following the Change of Control.

(b) Certificates/Book Entry . A certificate or certificates representing Performance Shares or confirmation of the issuance of such Performance Shares through book entry procedures shall be issued by the Company and registered in the name of the Participant on the stock transfer books of the Company as payment to the Participant of Performance Shares issuable hereunder. Each certificate or book entry representing Performance Shares issued under this Agreement shall bear such legends or be subject to such stop transfer orders or other restrictions, if any, that the Company determines in accordance with Section 8 hereof.

3. Certification of Achievement of Performance Goal . The Committee shall (a) determine whether the Company has achieved one of the Performance Goals for the period beginning _____, and ending _____ (the "Three-Year Performance Period"), or the date of a Change of Control (the "COC Performance Period") (collectively the "Performance Period") which determination shall be made on an objective and nondiscretionary basis by the Committee based on the Company's audited financial statements and (b) certify in writing that a Performance Goal has been attained within the period prescribed by the Committee (the "Certification Date"). For purposes of clarification, no certification is required with respect to an involuntary termination without Cause under Section 4(b)(i) hereof.

4. Vesting of PSUs .

(a) Achievement of Three-Year Performance Goals . Subject to Section 5(d) hereof, if (i) the Participant remains employed by the Company on the Certification Date and (ii) the Committee determines and certifies in writing in accordance with Section 3 hereof that the Company has achieved a Three-Year Performance Goal for the Three-Year Performance Period as described in Section 5 hereof, that number of PSUs determined under Section 5 hereof will vest and become nonforfeitable as of the final date of the Three-Year Performance Period and be paid in accordance with Section 2 hereof.

(b) Involuntary Termination; Change of Control .

(i) Involuntary Termination without Cause . If the Participant's Service continues for not less than twelve (12) consecutive months during the Three-Year Performance Period and the Participant's Service is involuntarily terminated by the Company without Cause prior to the end of the Three-Year Performance Period, then the number of PSUs that vest and become nonforfeitable is the number of PSUs determined under Section 5 hereof as if the Company had achieved the Target Goal.

(ii) Change of Control . If the Company experiences a Change of Control during the Three-Year Performance Period while the Participant's Service is continuing, then the number of PSUs that vest and become nonforfeitable is the number of PSUs determined under Section 5 hereof with respect to the Company's actual achievement of a Performance Goal, determined as of the end of the COC Performance Period, and such achievement has been certified in writing by the Committee in accordance with Section 3 hereof.

(c) Death or Disability . If the Participant dies or becomes Disabled prior to the end of the Three-Year Performance Period and the Committee determines and certifies in accordance with Section 3 hereof that the Company has met a Performance Goal as described under Section 5 hereof, a pro rata number of PSUs will vest and be paid to the Participant or, in the case of death, to the Participant's beneficiary, at the time and in the manner set forth in Section 2 and Section 3 hereof, such pro rata number to be determined by multiplying the total number of PSUs that vest in accordance with Section 4(a) and Section 5 hereof times a fraction the numerator of which is equal to the number of the full and partial days of consecutive Service by the Participant during the Three-Year Performance Period prior to such death or Disability and the denominator of which is 1,095. Notwithstanding the foregoing, if following the Participant's death or Disability, a Change of Control occurs during the Three-Year Performance Period, the number of PSUs that will vest and be paid to the Participant, or in the case of death, to the Participant's beneficiary, shall equal the number of PSUs that vest and become nonforfeitable under Section 4(b) hereof.

(d) Retirement . If (i) the Participant's Service continues for not less than twelve (12) consecutive months during the Three-Year Performance Period, (ii) the Participant's Service terminates prior to the end of the Performance Period due to the Participant's Retirement (as defined below) and (iii) and the Committee determines and certifies in accordance with Section 3 hereof that the Company has met a Performance Goal for the Three-Year Performance Period as described under Section 5 hereof, a pro rata number of PSUs will vest and be paid to the Participant in the manner set forth in Section 2 and Section 3 hereof, such pro rata number to be determined by multiplying the total number of PSUs that vest in accordance with Section 4(a) and Section 5 hereof times a fraction the numerator of which is equal to the number of full and partial days of consecutive Service by the Participant during the Three-Year Performance Period prior to such Retirement and the denominator of which is 1,095. Notwithstanding the foregoing, if (x) prior to the Participant's Retirement, the Participant had not less than twelve (12) consecutive months of Service and (y) following the Participant's Retirement, a Change of Control occurs during the Three-Year Performance Period, then the number of PSUs that will vest and become nonforfeitable shall equal the number of PSUs that vest and become nonforfeitable under Section 4(b) hereof.

(e) Termination of Service . If the Participant's Service is terminated prior to the end of the Three-Year Performance Period for any reason, other than as described in Section 4(b) , Section 4(c) or Section 4(d) hereof, all PSUs granted hereunder shall be forfeited by the Participant without any consideration.

(f) Forfeiture and Cancellation of PSUs . Any PSUs that remain unvested after the earlier of (i) the Certification Date or (ii) a Change of Control, shall be forfeited and cancelled.

5. Performance Metrics and Goals .

(a) TSR . Vesting and payment of the TSR Target Award shall be subject to achievement by the Company as of the last trading day prior to the end of the applicable Performance Period of the TSR Target Goal, as defined and calculated in accordance with Section 11 hereof, according to the following table:

TSR Performance Goal	Rank of Company TSR Achievement Level Relative to Peer Group	Percentage of TSR Target Award Vesting
Threshold Goal	Not less than the 25th percentile	50%
Target Goal	Not less than the 50th percentile	100%
Maximum Goal	Not less than the 75th percentile	200%

The number of PSUs that will vest if the Committee determines and certifies the Company's achievement of a TSR performance level between TSR Performance Goals will be determined by linear interpolation.

(b) Determination of Percentile Ranking . The Company's percentile ranking relative to members of the Peer Group is determined by listing the Company and members of the Peer Group from highest to lowest TSR achieved by the respective company and counting down from the company with the highest TSR to the Company's position within such list.

(c) CAFD. Vesting and payment of the CAFD Target Award shall be subject to achievement by the Company as of the last trading day prior to the end of the applicable Performance Period of a Performance Goal with respect to CAFD, as defined and calculated in accordance with Section 11 hereof, according to the following table:

CAFD Performance Goal	**CAFD Achievement Level**	**Percentage of CAFD Target Award Vesting**
Threshold Goal	_____	50%
Target Goal	_____	100%
Maximum Goal	_____	200%

The number of PSUs that will vest if the Committee determines and certifies the Company's achievement of a CAFD performance level between CAFD Performance Goals will be determined by linear interpolation.

(d) Discretion . The Committee retains the discretion to reduce the amount of an Award paid to the Participant based on such factors as it determines; provided , that no Award shall be increased above the amount that vests and becomes nonforfeitable based on the Company's performance as set forth in this Section 5 .

6. No Right to Continued Service . The granting of the PSUs evidenced hereby and this Agreement shall impose no obligation on the Company or any Affiliate to continue the Service of the Participant and shall not lessen or affect any right that the Company or any Affiliate may have to terminate the Service of the Participant.

7. No Rights as a Stockholder . The Participant shall have none of the rights of a Stockholder of the Company prior to the time the PSUs vest and are paid as Performance Shares.

8. Securities Laws; Certificates; Legends . The issuance and delivery of PSUs and Performance Shares shall comply with all applicable requirements of law, including without limitation the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. If the Company deems it necessary to ensure that the issuance of PSUs and Performance Shares under the Plan is not required to be registered under any applicable securities laws, each Participant to whom such PSUs would be issued shall deliver to the Company an agreement or certificate containing such representations, warranties and covenants as the Company may request which satisfies such requirements. Unless otherwise determined by the Committee or required by any applicable law, rule or regulation, the Company shall not deliver to the participant certificates representing Performance Shares, and instead such Performance Shares shall be recorded in the books of the Company (or, as applicable, its transfer agent or Plan administrator). Any certificates representing Performance Shares and all Performance Shares issued pursuant to book entry procedures hereunder shall be subject to such stop transfer orders and other restrictions as the Committee may deem reasonably advisable, and the Committee may cause a legend or legends to be put on any such certificates or associated with any such book entry to make appropriate reference to such restrictions.

9. Transferability .

(a) Before Vesting . Prior to becoming fully vested and issuable as Performance Shares, the PSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the

Company and all Affiliates; provided , that the designation of a beneficiary for receipt of any PSUs shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer of the PSUs to heirs or legatees of the Participant shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

(b) Before and After Vesting . In addition to other restrictions imposed hereunder or otherwise by the Committee or by law, transferability of Performance Shares shall be subject to the SemGroup Corporation Executive Equity Ownership Policy.

10. Adjustment of PSUs or Performance Goals . Adjustments to the PSUs shall be made in accordance with Article 12 of the Plan. The Committee reserves the right to make adjustments to the Performance Goals as the Committee determines in good faith is appropriate to take into account the effect of: (i) any material transactions or extraordinary events during a Performance Period, (ii) any events during the relevant period outside of the ordinary course, (iii) with respect to the CAFD Performance Goal, any inclusion or exclusion of additional equity issuances or repurchases, as the case may be, which the Committee determines, at or following the time the issuance or repurchase is approved, are necessary or desirable to properly measure the CAFD, including, but not limited to, issuances of equity with respect to merger and acquisition activities of the Company, and (iv) any change in accounting standards used to calculate the Performance Goals. Any such adjustments shall be final, conclusive and binding on the Participant.

11. Definitions . The following terms shall have the meanings set forth below:

" **Adjusted EBITDA** " means consolidated earnings before interest, taxes, depreciation and amortization, adjusted for selected items that the Company believes impact the comparability of financial results between reporting periods.

" **Agreement** " has the meaning set forth in the preamble hereof.

" **Award Notice** " has the meaning set forth in the preamble hereof.

" **Cause** " shall mean, with respect to the Participant, one or more of the following: (a) the plea of guilty or nolo contendere to, or conviction of, the commission of a felony offense, (b) any act of willful fraud, dishonesty or moral turpitude that causes a material harm to the Company or any Subsidiary or Affiliate, (c) gross negligence or gross misconduct with respect to the Company or any Subsidiary or Affiliate, (d) willful and deliberate failure to perform his or her employment duties in any material respect, or (e) breach of a material written employment policy of the Company or any Subsidiary or Affiliate; provided , however , that in the case of a Participant who has an employment agreement with the Company or any Subsidiary or Affiliate in which "Cause" is defined, "Cause" shall be determined in accordance with such definition.

" **Certification Date** " has the meaning set forth in Section 3 hereof.

" **COC Performance Period** " has the meaning set forth in Section 3 hereof.

" **Company** " has the meaning set forth in the preamble hereof.

" **CAFD** " or " **Cash Available for Distributions Per Share** " means Adjusted EBIDTA less cash interest expense, maintenance capital expenditures, and cash income taxes paid at the end of the applicable Performance Period; divided by the number of outstanding Shares at the end of the applicable Performance Period.

" **CAFD Target Award** " has the meaning set forth in Section 1 hererof.

" **Disability** " has the meaning set forth in the Company's long-term disability plan.

Maximum Goal ” means, as to either the TSR or CAFD performance level that the Company must achieve in order for two hundred percent (200%) of the TSR Target Award or the CAFD Target Award, as the case may be, to vest and become nonforfeitable.

“ **Peer Group** ” means the entities listed on Exhibit A attached hereto. A company that ceases to be publicly traded at any time prior to the end of the applicable Performance Period shall cease to qualify as a member of the Peer Group.

“ **Performance Goal** ” means, as to either the TSR or the CAFD, the Threshold Goal, the Target Goal and the Maximum Goal described under Section 5 hereof.

“ **Performance Period** ” has the meaning set forth in Section 3 hereof.

“ **Performance Share** ” has the meaning set forth in the second Recital hereof.

“ **Performance Share Units** ” or “ **PSUs** ” have the meaning set forth in the second Recital hereof.

“ **Plan** ” has the meaning set forth in the first Recital hereof.

“ **Retirement** ” shall mean a termination of the Participant’s Service when (i) the Participant is age sixty-five (65) or older or (ii) the Participant is age fifty-nine and half (59 ½) or older but not yet age sixty-five (65) and has not less than five (5) full years of Service.

“ **Section 409A** ” has meaning set forth in Section 23 hereof.

“ **Target Award** ” has the meaning set forth in Section 1 hereof.

“ **Target Goal** ” means, as to either the TSR or CAFD performance level that the Company must achieve in order for one hundred percent (100%) of the TSR Target Award or the CAFD Target Award, as the case may be, to vest and become nonforfeitable.

“ **Three-Year Performance Period** ” has the meaning set forth in Section 3 hereof.

“ **Threshold Goal** ” means, as to either the minimum TSR or CAFD performance level that the Company must achieve in order for fifty percent (50%) of the TSR Target Award or the CAFD Target Award, as the case may be, to vest and become nonforfeitable.

“ **TSR** ” or “ **Total Shareholder Return** ” for the Company or any member of the Peer Group for the applicable Performance Period means, the percentage (to the third decimal place) derived from a fraction (a) the numerator of which is the change (positive or negative) in the average price of a share of the entity’s publicly-traded stock during the applicable Performance Period based on comparing the average closing price of such share for the twenty (20) trading days preceding the first trading day of the applicable Performance Period (the “ **Beginning Period** ”) with the average closing price of such share for the twenty (20) trading days ending on the last trading day of the applicable Performance Period, plus any dividends paid on the share during the Beginning Period or the applicable Performance Period, as the case may be (assuming such dividends are reinvested into additional shares of such stock as of the ex-dividend date of such dividend), and as further adjusted for splits in such stock during the Beginning Period or the applicable Performance Period, as the case may be, and (b) the denominator of which is the average closing price of the share for the Beginning Period, plus any dividends paid on the share during the Beginning Period (assuming such dividends are reinvested into additional shares of such stock as of the ex-dividend date of such dividend), and as further adjusted for splits in such stock during the Beginning Period.

“ **TSR Target Award** ” has the meaning set forth in Section 1 hereof.

12. Withholding .

(a) Participant's Payment Obligation . The Participant agrees that (i) he or she will pay to the Company or any applicable Subsidiary, as the case may be, or make arrangements satisfactory to the Company or such Subsidiary for the payment of any foreign, federal, state, or local taxes of any kind required by law to be withheld by the Company or such Subsidiary with respect to the PSUs and the Performance Shares, and (ii) the Company, or such Subsidiary, shall, to the extent permitted by law, have the right to deduct from any payments of any kind otherwise due to the Participant any foreign, federal, state, or local taxes of any kind required by law to be withheld with respect to the PSUs and the Performance Shares.

(b) Withholding Performance Shares . With respect to withholding required upon the lapse of restrictions or upon any other taxable event arising as a result of the PSUs awarded and the Performance Shares issued, the Participant may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company or any applicable Subsidiary withhold Performance Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be withheld on the transaction (or such other amount that will not cause adverse accounting consequences for the Company and is permitted under the Plan and applicable withholding rules promulgated by the Internal Revenue Service or other applicable governmental entity). All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

13. Notices . Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or within three (3) days of deposit with the United States Postal Service (or in the case of a non-U.S. Participant, the foreign postal service of the country in which the Participant resides), by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company, Attention: General Counsel, at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

14. Entire Agreement . This Agreement, the Award Notice and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

15. Waiver . No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

16. Participant Undertaking . The Participant agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable to carry out or effect one or more of the obligations or restrictions imposed on either the Participant or the PSUs pursuant to this Agreement.

17. Successors and Assigns . The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate, whether or not any such person shall have become a party to this Agreement and agreed in writing to be joined herein and be bound by the terms hereof.

18. Choice of Law; Jurisdiction; Waiver of Jury Trial . This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

SUBJECT TO THE TERMS OF THIS AGREEMENT, THE PARTIES AGREE THAT ANY AND ALL ACTIONS ARISING UNDER OR IN RESPECT OF THIS AGREEMENT SHALL BE LITIGATED IN THE FEDERAL OR STATE COURTS IN DELAWARE. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH PARTY IRREVOCABLY SUBMITS TO THE PERSONAL JURISDICTION OF SUCH COURTS FOR ITSELF, HIMSELF OR HERSELF AND IN RESPECT OF ITS, HIS OR HER PROPERTY WITH RESPECT TO SUCH ACTION. EACH PARTY AGREES THAT VENUE WOULD BE PROPER IN ANY OF SUCH COURTS,

AND HEREBY WAIVES ANY OBJECTION THAT ANY SUCH COURT IS AN IMPROPER OR INCONVENIENT FORUM FOR THE RESOLUTION OF ANY SUCH ACTION.

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

19. Performance Shares Subject to the Plan . By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Performance Shares are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail. The Participant has had the opportunity to retain counsel, and has read carefully, and understands, the provisions of the Plan, the Award Notice and this Agreement.

20. Amendment . The Committee may amend or alter this Agreement or the PSUs granted hereunder at any time; provided , that , subject to Article 10, Article 11 and Article 12 of the Plan, no such amendment or alteration shall be made without the consent of the Participant if such action would materially diminish any of the rights of the Participant under this Agreement or with respect to such PSUs and Performance Shares.

21. Severability . The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

22. Signature in Counterparts . This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

23. No Guarantees Regarding Tax Treatment . Participants (or their beneficiaries) shall be responsible for all taxes with respect to the PSUs and Performance Shares. The Committee and the Company make no guarantees regarding the tax treatment of such PSUs or Performance Shares. Neither the Committee nor the Company has any obligation to take any action to prevent the assessment of any tax under Section 409A of the Code, including all regulations, guidance, compliance programs and other interpretative authority under such Section of the Code (" **Section 409A** "), under Section 457A of the Code, including all regulations, guidance, compliance programs and other interpretive authority under such Section of the Code, or otherwise, and none of the Company, any Subsidiary or Affiliate, or any of their employees or representatives shall have any liability to the Participant with respect thereto.

24. Compliance with Section 409A . The Company intends that the PSUs be structured in compliance with, or to satisfy an exemption from, Section 409A , such that there are no adverse tax consequences, interest, or penalties under Section 409A as a result of the PSUs. In the event the PSUs are subject to Section 409A, the Committee may, in its sole discretion, take the actions described in Section 11.1 of the Plan. Notwithstanding any contrary provision in the Plan or this Agreement, any payment(s) of nonqualified deferred compensation (within the meaning of Section 409A) that are otherwise required to be made under this Agreement to a "specified employee" (as defined under Section 409A) as a result of his or her separation from Service (other than a payment that is not subject to Section 409A) shall be delayed for the first six (6) months following such separation from Service (or, if earlier, the date of death of the specified employee) and shall instead be paid on the date that immediately follows the end of such six (6) month period or as soon as administratively practicable thereafter. A termination of Service shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under Section 409A upon or following a termination of Service, unless such termination is also a "separation from service" within the meaning of Section 409A and the payment thereof prior to a "separation from service" would violate Section 409A. For purposes of any such provision of this Agreement relating to any such payments or benefits, references to a "termination," "termination of Service" or like terms shall mean "separation from service."

25. Forfeiture and Clawback . Notwithstanding any other provision of the Plan or this Agreement to the contrary, by signing this Agreement, the Participant acknowledges that any incentive-based compensation paid to the Participant hereunder may be subject to recovery by the Company under any clawback policy that the Company may adopt from time to time, including without limitation any policy that the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the U.S. Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Shares may be listed. The Participant further agrees to promptly return any such incentive-based compensation which the Company determines it is required to recover from the Participant under any such clawback policy.

[SIGNATURE REQUIRED ONLINE THROUGH COMPANY PROVIDED THIRD-PARTY VENDOR SERVICE]

Exhibit A

TSR Peer Group

EXHIBIT 10.14

SemGroup Corporation

Severance Agreement

SemGroup Corporation
Severance Agreement

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SEMGROUP CORPORATION
SEVERANCE AGREEMENT

THIS AGREEMENT dated as of the ____ day of _____, 20___ (the "Agreement Date") is made by and between SemGroup Corporation, a corporation incorporated under the laws of the State of Delaware ("SemGroup", together with its subsidiaries, affiliates and successors thereto), and _____ ("Executive").

RECITALS

The Board of Directors of SemGroup has determined that it is in the best interests of SemGroup and its stockholders to encourage and motivate the Executive to devote his full attention to the performance of his assigned duties without the distraction of concerns regarding his involuntary or constructive termination of employment for the reasons specified in this Agreement. The Executive is employed by SemGroup or a Subsidiary and may from time to time be employed by one or more Subsidiaries. SemGroup and its Subsidiaries believe that it is in the best interest of the Executive, their customers, the communities they serve, and the stockholders of SemGroup to provide financial assistance through severance payments and other benefits to Executive if Executive is involuntarily or constructively terminated for the reasons specified in this Agreement. This Agreement is intended to accomplish these objectives.

ARTICLE I

DEFINITIONS

As used in this Agreement, the terms specified below shall have the following meanings:

1.1 " Accrued Annual Bonus " means the amount of any Annual Bonus earned but not yet paid as of the Termination Date, other than amounts Executive has elected to defer.

1.2 " Accrued Base Salary " means the amount of Executive's Base Salary that is accrued but not yet paid as of the Termination Date, other than amounts Executive has elected to defer.

1.3 " Accrued Obligations " means, as of the Termination Date, the sum of Executive's Accrued Base Salary, Accrued Annual Bonus, any accrued but unpaid vacation, and any other amounts and benefits which are then due to be paid or provided to Executive by SemGroup, but have not yet been paid or provided (as applicable), provided no payments will be accelerated if such acceleration would violate Code Section 409A.

1.4 " Affiliate " means any Person (including a Subsidiary) that directly or indirectly, through one or more intermediaries, controls, or is controlled by or is under common control with SemGroup. For purposes of this definition the term "control" with respect to any Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of Voting Securities, by contract or otherwise.

1.5 " Agreement Date " see the introductory paragraph of this Agreement.

1.6 " Agreement Term " means the period commencing on the Agreement Date and ending on June 1, 2018. Notwithstanding anything herein to the contrary, with respect to a Post-Change Period, the Agreement Term shall end at the end of the Severance Period (as defined in Section 2.1(c)) if applicable, or if there is no such Severance Period, the earliest of the following: (a) the second anniversary of the Change Date, or (b) the Termination Date; provided that: (i) the obligations, if any, of SemGroup to make payments under this Agreement due to a Separation from Service which occurred during the Agreement Term shall continue beyond the Agreement Term until all such obligations are fully satisfied, and (ii) the obligations of Executive under

this Agreement shall continue beyond the Agreement Term until all such obligations are fully satisfied. Notwithstanding anything herein to the contrary, this Agreement shall automatically terminate upon the occurrence of a Disqualifying Disaggregation pursuant to Section 1.21.

1.7 " Annual Bonus " means the opportunity to receive payment of a cash annual incentive.

1.8 " Article " means an article of this Agreement.

1.9 " Base Salary " means annual base salary in effect on the Termination Date, disregarding any reduction that would qualify as Good Reason.

1.10 " Beneficial Owner " means such term as defined in Rule 13d-3 of the SEC under the Exchange Act.

1.11 " Beneficiary " see Section 7.3.

1.12 " Board " means the Board of Directors of SemGroup or, from and after the Change Date that gives rise to a Surviving Corporation other than SemGroup, the Board of Directors of such Surviving Corporation.

1.13 " Cause " means any one or more of the following:

(a) Executive's conviction of or plea of nolo contendere to a felony or other crime involving fraud, dishonesty or moral turpitude;

(b) Executive's willful or reckless material misconduct in the performance of his duties which results in an adverse effect on SemGroup, the Subsidiary or an Affiliate;

(c) Executive's willful or reckless violation or disregard of the code of business conduct and ethics or, if applicable, the code of ethics for CEO and senior financial officers;

(d) Executive's material willful or reckless violation or disregard of a SemGroup or Subsidiary policy; or

(e) Executive's habitual or gross neglect of duties;

provided, however, that for purposes of clauses (b) and (e), Cause shall not include any one or more of the following:

(i) bad judgment or negligence, other than Executive's habitual neglect of duties or gross negligence;

(ii) any act or omission believed by Executive in good faith, after reasonable investigation, to have been in or not opposed to the interest of SemGroup, the Subsidiary or an Affiliate (without intent of Executive to gain, directly or indirectly, a profit to which Executive was not legally entitled);

(iii) any act or omission with respect to which a determination could properly have been made by the Board that Executive had satisfied the applicable standard of conduct for indemnification or reimbursement under SemGroup's certificate of incorporation, by-laws, Board resolutions, any applicable indemnification agreement, or applicable law, in each case as in effect at the time of such act or omission; or

(iv) during a Post-Change Period, failure to meet performance goals, objectives or measures following good faith efforts to meet such goals, objectives or measures; and

further provided that, for purposes of clauses (b) through (e) if an act, or a failure to act, which was done, or omitted to be done, by Executive in good faith and with a reasonable belief, after reasonable investigation, that Executive's act, or failure to act, was in the best interests of SemGroup, the Subsidiary or an Affiliate or was required by applicable law or administrative regulation, such breach shall not constitute Cause if, within 10 business days after Executive is given written notice of such breach that specifically refers to this Section, Executive cures such breach to the fullest extent that it is curable. With respect to the above definition of "cause", no act or conduct by Executive will constitute "cause" if Executive acted: (i) in accordance with the instructions or advice of counsel representing SemGroup or if there was a conflict such that Executive could not consult with counsel representing SemGroup, other qualified counsel, or (ii) as required by legal process.

1.14 " Cause Determination " see Section 2.3(b)(iv).

1.15 " Change Date " means the date on which a Change in Control first occurs during the Agreement Term.

1.16 " Change in Control " means, except as otherwise provided below, the occurrence of any one or more of the following during the Agreement Term:

(a) any person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than an Affiliate of SemGroup or any employee benefit plan (or any related trust) sponsored or maintained by SemGroup or any of its Affiliates (a "Related Party"), becomes the Beneficial Owner of 30% or more of the common stock of SemGroup or of Voting Securities representing 30% or more of the combined voting power of all Voting Securities of SemGroup, except that no Change in Control shall be deemed to have occurred solely by reason of such beneficial ownership by a Person with respect to which both more than 70% of the common stock of such Person and Voting Securities representing more than 70% of the combined voting power of the Voting Securities of such Person are then owned, directly or indirectly, by the persons who were the direct or indirect owners of the common stock and Voting Securities of SemGroup immediately before such acquisition, in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of SemGroup, as the case may be; or

(b) SemGroup Incumbent Directors (determined using the Agreement Date as the baseline date) cease for any reason to constitute at least a majority of the directors of SemGroup then serving; or

(c) consummation of a merger, reorganization, recapitalization, consolidation, or similar transaction (any of the foregoing, a "Reorganization Transaction"), other than a Reorganization Transaction that results in the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of SemGroup immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners, of both at least 60% of the then-outstanding common stock of the Surviving Corporation and Voting Securities representing at least 60% of the combined voting power of the then-outstanding Voting Securities of the Surviving Corporation, in substantially the same respective proportions as such Persons' ownership of the common stock and Voting Securities of SemGroup immediately before such Reorganization Transaction; or

(d) approval by the stockholders of SemGroup of a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of SemGroup or a plan of complete liquidation of SemGroup, other than any such transaction that would result in: (i) a Related Party

owning or acquiring more than 50% of the assets owned by SemGroup immediately prior to the transaction, or (ii) the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of SemGroup immediately before such transaction becoming, immediately after the consummation of such transaction, the direct or indirect owners, of more than 50% of the assets owned by SemGroup immediately prior to the transaction.

Notwithstanding the occurrence of any of the foregoing events, a Change in Control shall not occur with respect to Executive if, in advance of such event, Executive agrees in writing that such event shall not constitute a Change in Control. Upon the Board's determination that a sale or other disposition of all or substantially all of the consolidated assets of SemGroup or a plan of complete liquidation of SemGroup that was approved by stockholders, as described in Section 1.16(d), will not occur, a Change in Control shall be deemed not to have occurred from such date of determination forward, and this Agreement shall continue in effect as if no Change in Control had occurred except to the extent termination requiring payments under this Agreement occurs prior to such Board determination.

1.17 " Code " means the Internal Revenue Code of 1986, as amended.

1.18 " Competitive Business " means, as of any date, any individual or entity (and any branch, office, or operation thereof) which engages in, or proposes to engage in (with Executive's assistance) any of the following in which the Executive has been engaged in the 12 months preceding the Termination Date: (i) the gathering, transportation, storage, distribution, blending and/or marketing of crude oil, natural gas, natural gas liquids, refined petroleum products and/or liquid asphalt cement; and (ii) any other business actively engaged in by SemGroup which represents for any calendar year or is projected by SemGroup (as reflected in a business plan adopted by SemGroup before Executive's Termination Date) to yield during any year during the first three-fiscal year periods commencing on or after Executive's Termination Date, more than 5% of the gross revenue of SemGroup, and, in either case, which is located (x) anywhere in the United States, or (y) anywhere outside of the United States where SemGroup is then engaged in, or proposes as of the Termination Date to engage in to the knowledge of the Executive, any of such activities.

1.19 " Confidential and Proprietary Information " means any non-public information of any kind or nature in the possession of SemGroup or any of its Affiliates, including without limitation, ideas, processes, methods, systems, procedures, designs, innovations, devices, inventions, discoveries, know-how, data, techniques, models, lists of former, present and prospective customers, vendors, suppliers and employees, marketing, business or strategic plans, pricing structure, financial information, research and development information, trade secrets or other subject matter relating to SemGroup' or its Affiliates' products, services, businesses, operations, employees, customers or suppliers, whether in tangible or intangible form, including: (i) any information that gives SemGroup or any of its Affiliates a competitive advantage in the gathering, transportation, storage, distribution, blending and/or marketing of crude oil, natural gas, natural gas liquids, refined petroleum products and/or liquid asphalt cement and other businesses in which SemGroup or an Affiliate is engaged, or (ii) any information obtained by SemGroup or any of its Affiliates from third parties to which SemGroup or an Affiliate owes a duty of confidentiality, or (iii) any information that was learned, discovered, developed, conceived, originated or prepared during or as a result of Executive's performance of any services on behalf of SemGroup or any Affiliate. Notwithstanding the foregoing, "Confidential and Proprietary Information" shall not include: (i) information that is or becomes generally known to the public through no fault of Executive; (ii) information obtained on a non-confidential basis from a third party other than SemGroup or any Affiliate, which third party disclosed such information without breaching any legal, contractual or fiduciary obligation; or (iii) information approved for release by written authorization of SemGroup. For purposes of this Agreement, "Confidential and Proprietary Information" shall include the execution of this Agreement by the Executive and the terms and conditions contained herein.

1.20 " Disability " means any medically determinable physical or mental impairment of Executive where he: (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous

period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of Executive's Employer. Notwithstanding the forgoing, all determinations of whether an Executive is Disabled shall be made in accordance with Section 409A of the Code.

1.21 " Disqualifying Disaggregation " means the cessation of Executive's employment with SemGroup and/or its Affiliates during the Post-Change Period due to a sale, spin-off, or other disaggregation ("Disaggregation") solely where Executive is employed by the successor in substantially the same position as the position held prior to the Disaggregation, provided the successor assumes all of SemGroup's obligations under this Agreement.

1.22 " Employer " means SemGroup or, if Executive is not employed directly by SemGroup, the Subsidiary that from time to time employs Executive on or after the Agreement Date, and the successor of either (provided, in the case of a Subsidiary, that such successor is also a Subsidiary).

1.23 " ERISA " means the Employee Retirement Income Security Act of 1974, as amended.

1.24 " Exchange Act " means the Securities Exchange Act of 1934, as amended.

1.25 " Good Reason " means a Separation from Service by Executive in accordance with the substantive and procedural provisions of this Section.

(a) Separation from Service by Executive for "Good Reason" means a Separation from Service initiated by Executive on account of any one or more of the following actions or omissions that, unless otherwise specified, occurs during a Post-Change Period:

(i) a material adverse reduction in the nature or scope of Executive's office, position, duties, functions, responsibilities or authority (including reporting responsibilities and authority) during a Post-Change Period from the most significant of those held, exercised and assigned at any time during the 90-day period immediately before the Change Date;

(ii) any reduction in or failure to pay Executive's annual Base Salary at an annual rate not less than 12 times the highest monthly base salary paid or payable to Executive by his Employer in respect of the 12-month period immediately before the Change Date;

(iii) any reduction in the Target Annual Bonus which Executive may earn determined as of the Change Date or failure to pay Executive's Annual Bonus on terms substantially equivalent to those provided to peer executives of the Employer;

(iv) a material reduction of Executive's aggregate compensation and/or aggregate benefits from the amounts and/or levels in effect on the Change Date, unless such reduction is part of a policy applicable to peer executives of the Employer and of any successor entity;

(v) required relocation during a Post-Change Period of more than 50 miles of: (A) Executive's workplace, or (B) the principal offices of the Employer or its successor (if such offices are Executive's workplace), in each case without the consent of Executive; provided, however, in both cases of (A) and (B) of this subsection (v), such new location is farther from Executive's residence than the prior location;

(vi) the failure at any time of a successor to Executive's Employer explicitly to assume and agree to be bound by this Agreement; or

(vii) the giving of a Notice of Consideration pursuant to Section 2.3(b)(ii) and the subsequent failure to terminate Executive for Cause and within a period of 90 days thereafter in compliance with all of the substantive and procedural requirements of Section 2.3.

(b) Notwithstanding anything in this Agreement to the contrary, no act or omission shall constitute grounds for "Good Reason":

(i) Unless Executive gives a Notice of Termination to SemGroup and the Employer 30 days prior to his intent to terminate his employment for Good Reason which describes the alleged act or omission giving rise to Good Reason; and

(ii) Unless such Notice of Termination is given within 90 days of Executive's first actual knowledge of such act or omission; and

(iii) Unless SemGroup or the Employer fails to cure such act or omission within the 30 day period after receiving the Notice of Termination.

(c) No act or omission shall constitute grounds for "Good Reason", if Executive has consented in writing to such act or omission in a document that makes specific reference to this Section.

1.26 " including " means including without limitation.

1.27 " IRS " means the Internal Revenue Service of the United States of America.

1.28 " Notice of Consideration " see Section 2.3(b)(ii).

1.29 " Notice of Termination " means a written notice of a Separation from Service, if applicable, given in accordance with Section 7.7 that sets forth: (a) the specific termination provision in this Agreement relied on by the party giving such notice, (b) in reasonable detail the specific facts and circumstances claimed to provide a basis for such Separation from Service, and (c) if the Termination Date is other than the date of receipt of such Notice of Termination, the Termination Date.

1.30 " Person " means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

1.31 " Post-Change Period " means the period commencing on the Change Date and ending on the earlier of the Termination Date or the second anniversary of the Change Date.

1.32 " Reorganization Transaction " see clause (c) of the definition of "Change in Control".

1.33 " Restricted Shares " means shares of restricted stock, restricted stock units, deferred stock or similar awards.

1.34 " SEC " means the United States Securities and Exchange Commission.

1.35 " Section " means, unless the context otherwise requires, a section of this Agreement.

1.36 " SemGroup " see the introductory paragraph of this Agreement.

1.37 " SemGroup Incumbent Directors " means, determined as of any date by reference to any baseline date:

(a) the members of the Board on the date of such determination who have been members of the Board since such baseline date, and

(b) the members of the Board on the date of such determination who were appointed or elected after such baseline date and whose election, or nomination for election by stockholders of SemGroup or the Surviving Corporation, as applicable, was approved by a vote or written consent of two-thirds of the directors comprising the SemGroup Incumbent Directors on the date of such vote or written consent, but excluding each such member whose initial assumption of office was in connection with (i) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board, (ii) a "tender offer" (as such term is used in Section 14(d) of the Exchange Act), or (iii) a proposed Reorganization Transaction.

1.38 " SemGroup Parties " means SemGroup and Executive's Employer.

1.39 " Separation from Service " means an Executive's termination or deemed termination from employment with SemGroup and its Subsidiaries. For purposes of determining whether a Separation from Service has occurred, the employment relationship is treated as continuing intact while the Executive is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the Executive retains a right to reemployment with his employer under an applicable statute or by contract. For this purpose, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Executive will return to perform services for his employer. If the period of leave exceeds six months and the Executive does not retain a right to reemployment under an applicable statute or by contract, the employment relationship will be deemed to terminate on the first date immediately following such six month period. Notwithstanding the foregoing, if a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, and such impairment causes the Executive to be unable to perform the duties of the Executive's position of employment or any substantially similar position of employment, a 29 month period of absence shall be substituted for such six month period. For purposes of this Agreement, a Separation from Service occurs at the date as of which the facts and circumstances indicate either that, after such date: (A) the Executive and SemGroup reasonably anticipate the Executive will perform no further services for SemGroup and its Subsidiaries (whether as an employee or an independent contractor), or (B) that the level of bona fide services the Executive will perform for SemGroup and its Affiliates (whether as an employee or independent contractor) will permanently decrease to no more than 20% of the average level of bona fide services performed over the immediately preceding 36 month period or, if the Executive has been providing services to SemGroup and its Subsidiaries for less than 36 months, the full period over which the Executive has rendered services, whether as an employee or independent contractor. The determination of whether a Separation from Service has occurred shall be governed by the provisions of Treasury Regulation § 1.409A-1, as amended, taking into account the objective facts and circumstances with respect to the level of bona fide services performed by the Executive after a certain date.

1.40 " Severance Period " see Section 2.1(c).

1.41 " Stock Options " means stock options, stock appreciation rights or similar awards.

1.42 " Subsidiary " means a corporation, trade or business, if it and SemGroup are members of a controlled group of corporations as defined in Code Section 414(b) or under common control as defined under Code Section 414(c); the standard of control under Code Sections 414(b) and 414(c) shall be deemed to be "at least 80%" and all determinations shall be made in accordance with Code Section 409A and the applicable guidance thereunder.

1.43 " Surviving Corporation " means the parent corporation resulting from a Reorganization Transaction or, if securities representing at least 50% of the aggregate voting power of all Voting Securities

of a corporation affected by a Change in Control, which is not a Reorganization Transaction, are directly or indirectly owned by another corporation, such other corporation.

1.44 " Target Annual Bonus " means, as of any date, the amount equal to the product of Executive's Base Salary determined as of such date multiplied by the percentage of such Base Salary to which Executive would have been entitled immediately prior to such date under any Annual Bonus arrangement for the fiscal year for which the Annual Bonus is awarded if the performance goals established pursuant to such Annual Bonus were achieved at the 100% level as of the end of the fiscal year; provided, however, that if Executive's Annual Bonus is discretionary and no 100% target level is formally established either under the Annual Bonus arrangement or otherwise, Executive's "Target Annual Bonus" shall mean the amount equal to 100% of Executive's Base Salary.

1.45 " Taxes " means federal, state, local and other income, employment and other taxes.

1.46 " Termination Date " means the date of the receipt of the Notice of Termination by Executive (if such notice is given by Executive's Employer) or by Executive's Employer (if such notice is given by Executive), or any later date, not more than 30 days after the giving of such notice, specified in such notice; provided, however, that:

(a) if Executive's employment is terminated by reason of death or Disability, the Termination Date shall be the date of Executive's death or the date of deemed termination of employment due to Disability, as applicable, regardless of whether a Notice of Termination has been given; and

(b) if no Notice of Termination is given, the Termination Date shall be the last date on which Executive is employed by an Employer; and

(c) for purposes of Article IV (Restrictive Covenants) if the Executive does not have a Separation from Service, the Termination Date shall be the later of the date the entity that employs Executive ceases to be a Subsidiary, or, after a Disaggregation (as defined in Section 1.21), the date Executive's employment with the successor business unit terminates, whether such termination is initiated by such successor or by Executive.

1.47 " Voting Securities " of a corporation means securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

1.48 " Work Product " means any and all work product, including, but not limited to, documentation, tools, templates, processes, procedures, discoveries, inventions, innovations, technical data, concepts, know-how, methodologies, methods, drawings, prototypes, trade secrets, notebooks, reports, findings, business plans, recommendations and memoranda of every description, that Executive makes, conceives, discovers or develops alone or with others during the course of Executive's employment with SemGroup or during the one year period following Executive's Termination Date (whether or not protectable upon application by copyright, patent, trademark, trade secret or other proprietary rights).

1.49 "Restricted Units" means restricted common units representing limited partner interests of Rose Rock Midstream, L.P., a Delaware limited partnership, or similar awards.

1.50 "Performance Shares" means Restricted Shares, the value of which at the time they are payable is determined as a function of the extent to which corresponding performance criteria have been satisfied, or similar awards.

1.51 "Government Agency" means any federal, state or local governmental agency or commission.

ARTICLE II

SEMGROUP'S OBLIGATIONS UPON SEPARATION FROM SERVICE

2.1 If By Executive for Good Reason or By an Employer Other Than for Cause, Disability, Death or Disqualifying Disaggregation During the Post-Change Period . If Executive has a Separation from Service for Good Reason or there is an Employer-initiated Separation from Service of the Executive for any reason other than Cause, Disability, Death or a Disqualifying Disaggregation during the Post-Change Period, then in addition to payment of all Accrued Obligations, which shall be payable no later than 10 business days after the Termination Date, SemGroup's and the Employer's sole obligations to Executive under this Article II shall be as follows:

(a) Severance Payments . Executive shall be paid a lump-sum cash amount equal to the sum of the following, on the first business day following six months after Executive's Separation from Service:

(i) Annual Bonus for Fiscal Year Prior to Year of Termination . If the Termination Date occurs after the end of a fiscal year but before the Annual Bonus with respect to such fiscal year is fully paid out, the Annual Bonus for such prior fiscal year shall be paid to Executive, but the payment shall be reduced (but not below zero) by the amount of any Annual Bonus previously paid to Executive with respect to such prior fiscal year; and

(ii) Multiple of Salary and Bonus . An amount equal to two (2) times the sum of: (A) Base Salary plus (B) the Target Annual Bonus, each determined as of the Termination Date; provided, however, that any reduction in Executive's Base Salary or Target Annual Bonus that would qualify as Good Reason shall be disregarded for this purpose.

(b) Equity Awards . All of Executive's equity awards then outstanding shall only vest and payout in accordance with the applicable award agreements for such equity awards, including, but not limited to, Stock Options, Restricted Shares, Restricted Units and Performance Shares.

(c) Continuation of Welfare Benefits . During the lesser of the period during which Executive or a qualifying beneficiary (as defined in Section 607 of ERISA) has in effect an election for post-termination continuation coverage or conversion rights to welfare benefits under applicable law, including Section 4980 of the Code ("COBRA"), or the period ending on the 18-month anniversary of the Termination Date ("Severance Period"), Executive (or, if applicable, the qualifying beneficiary) shall be entitled to such coverage at an out-of-pocket premium cost that does not exceed the out-of-pocket premium cost applicable to similarly situated active employees (and their eligible dependents); provided, however, that if Executive is eligible to retiree benefits provided under any welfare benefit plan, program, policy, practice or procedure of the SemGroup Parties, Executive shall be entitled to receive such retiree benefits in lieu of the COBRA coverage provided by this Section 2.1(c).

(d) Outplacement . Executive shall be reimbursed for reasonable fees and costs for outplacement services incurred by Executive within six months after the Separation from Service, promptly upon presentation of reasonable documentation of such fees and costs, subject to a maximum of $10,000. All requests of Executive for reimbursement must be submitted to SemGroup within one year of Separation from Service and SemGroup shall make the reimbursement of reasonable requests no later than 30 days after such request, but in all events within 15 months of Separation from Service.

(e) Directors' and Officers' Liability Insurance . For a period of six years after the Termination Date (or for any known longer applicable statute of limitations period), the Executive shall be entitled to coverage under a directors' and officers' liability insurance policy in an amount no

less than, and on the same terms as those provided to peer executive officers and directors of the Employer.

2.2 If By an Employer Other Than for Cause, Disability or Death Prior to the Post-Change Period. If there is an Employer-initiated Separation from Service of the Executive for any reason other than Cause, Disability or Death prior to the Post-Change Period, then in addition to payment of all Accrued Obligations, which shall be payable no later than 30 business days after the Termination Date, SemGroup's and the Employer's sole obligations to Executive under this Article II shall be as follows:

(a) Severance Payments. Executive shall be paid a lump-sum cash amount equal to the sum of the following, on the first business day following six months after Executive's Separation from Service:

(i) Annual Bonus for Fiscal Year Prior to Year of Termination. If the Termination Date occurs after the end of a fiscal year but before the Annual Bonus with respect to such fiscal year is fully paid out, the Annual Bonus for such prior fiscal year shall be paid to Executive, but the payment shall be reduced (but not below zero) by the amount of any Annual Bonus previously paid to Executive with respect to such prior fiscal year; and

(ii) Multiple of Salary and Bonus. An amount equal to one (1) times the sum of: (A) Base Salary plus (B) the Target Annual Bonus, each determined as of the Termination Date.

(b) Equity Awards. All of Executive's equity awards then outstanding shall only vest and payout in accordance with the applicable award agreements for such equity awards, including, but not limited to, Stock Options, Restricted Shares, Restricted Units and Performance Shares.

(c) Outplacement. Executive shall be reimbursed for reasonable fees and costs for outplacement services incurred by Executive within six months after the Separation from Service, promptly upon presentation of reasonable documentation of such fees and costs, subject to a maximum of $10,000. All requests of Executive for reimbursement must be submitted to SemGroup within one year of Separation from Service and SemGroup shall make the reimbursement of reasonable requests no later than 30 days after such request, but in all events within 15 months of Separation from Service.

(d) Directors' and Officers' Liability Insurance. For a period of six years after the Termination Date (or for any known longer applicable statute of limitations period), the Executive shall be entitled to coverage under a directors' and officers' liability insurance policy in an amount no less than, and on the same terms as those provided to peer executive officers and directors of the Employer.

2.3 If by the Employer for Cause.

(a) Termination for Cause. If the Executive has a Separation from Service for Cause, the SemGroup Parties' sole obligation to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

(b) Change in Control: Procedural Requirements for Termination for Cause. For any Separation from Service for Cause during any part of a Post-Change Period, the SemGroup Parties shall strictly observe each of the following substantive and procedural provisions:

(i) The Board shall call a meeting for the stated purpose of determining whether Executive's acts or omissions satisfy the requirements of the definition of "Cause" and, if so, whether to terminate Executive's employment for Cause.

(ii) Not less than 15 days prior to the date of such meeting, the Board shall provide or cause to be provided Executive and each member of the Board written notice (a "Notice of Consideration") of: (A) a detailed description of the acts or omissions alleged to constitute Cause, (B) the date of such meeting of the Board, and (C) Executive's rights under clauses (iii) and (iv) below.

(iii) Executive shall have the opportunity to present to the Board a written response to the Notice of Consideration, but shall not have the right to appear in person or by counsel before the Board.

(iv) Executive's employment may be terminated for Cause only if: (A) the acts or omissions specified in the Notice of Consideration did in fact occur and such actions or omissions do constitute Cause as defined in this Agreement, (B) the Board, by affirmative vote of a simple majority of its members, makes a specific determination to such effect and to the effect that Executive's employment should be terminated for Cause ("Cause Determination"), and (C) SemGroup thereafter provides Executive with a Notice of Termination that specifies in specific detail the basis of such Separation from Service for Cause and which Notice shall be consistent with the reasons set forth in the Notice of Consideration.

(v) In the event that the existence of Cause shall become an issue in any action or proceeding between Executive, on the one hand, and any one or more of the SemGroup Parties, on the other hand, the Cause Determination shall be final and binding on all parties, except as provided in Section 2.3(c) below.

Nothing in this Section 2.3(b) shall preclude the Board, by majority vote, from suspending Executive from his duties, with pay, at any time.

(c) Change in Control: Standard of Review . In the event that the existence of Cause during a Post-Change Period shall become an issue in any action or proceeding between Executive, on the one hand, and any one or more of the SemGroup Parties on the other hand, the SemGroup Parties, as applicable, shall, notwithstanding the Cause Determination, have the burden of establishing that the actions or omissions specified in the Notice of Consideration did in fact occur and do constitute Cause and that the SemGroup Parties have satisfied all applicable substantive and procedural requirements of this Section.

2.4 If by an Executive Other Than for Good Reason . If Executive has a Separation from Service initiated by the Executive other than for Good Reason, Disability or death, the sole obligation of the SemGroup Parties to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

2.5 If by Death or Disability . If Executive dies or if Executive has a Separation from Service by reason of Executive's Disability, the SemGroup Parties' sole obligation to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

2.6 Waiver and Release . Notwithstanding anything herein to the contrary, in the event that Executive's employment terminates pursuant to Section 2.1 or 2.2, no SemGroup Party shall have any obligation to Executive under Sections 2.1(a)-(e) or 2.2(a)-(d), as the case may be, unless and until Executive executes and delivers to SemGroup within 60 days after Separation from Service a release and waiver of SemGroup, the Employer and Affiliates, in substantially the same form as attached hereto as Exhibit A, or as otherwise mutually acceptable.

2.7 Breach of Covenants . If a court determines that Executive has breached any non-competition, non-solicitation, non-disparagement, confidential information or intellectual property covenant entered into at any time between Executive (on the one hand) and SemGroup, the Employer, or any Affiliate (on the other hand), including the Restrictive Covenants in Article IV, (a) no SemGroup Party shall have any obligation to pay or provide any severance or benefits under Article II, (b) all of Executive's unexercised Stock Options shall terminate as of the date of the breach, (c) all of Executive's unvested Restricted Shares, Restricted Units and Performance Shares shall be forfeited as of the date of the breach, (d) Executive shall reimburse a SemGroup Party for any amount already paid under Article II, and (e) Executive shall repay to SemGroup an amount equal to the aggregate "spread" (as defined below) on all Stock Options, if any, exercised in the one year period prior to the first date on which Executive breached any such covenant ("Breach Date"). For purposes of this Section 2.7, "spread" in respect of any Stock Option shall mean the product of the number of shares as to which such Stock Option has been exercised during the one year period prior to the Breach Date multiplied by the difference between the closing price of the Class A common stock on the exercise date (or if the Class A common stock did not trade on the exercise date on the principal stock exchange on which the Class A common stock is then listed or if not so listed in the over-the-counter market, the most recent date on which the Class A common stock did so trade) and the exercise price of the Stock Options.

2.8 Code Section 280G Cutback . Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid under Section 2.1 of this Agreement would be an "excess parachute payment" (within the meaning of Section 280G of the Code, or any successor provision thereto) but for the application of this sentence, then the payment to be paid or provided under this Agreement will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment, as so reduced, constitutes an excess parachute payment. Whether requested by Executive or the Company, the determination of whether any reduction in such payment or benefit to be provided under this Agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by the Company's independent accountants. The fact that Executive's right to payment or benefit may be reduced by reason of the limitations contained in this Section 2.8 will not of itself limit or otherwise affect any rights Executive has other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement is required to be reduced pursuant to this Section 2.8, the Company will reduce Executive's payment and/or benefit, to the extent required, in the following order: (i) the lump sum payment described in Section 2.1(a), (ii) the health continuation benefits set forth in Section 2.1(c), and (iii) the outplacement benefit described in Section 2.1(d).

ARTICLE III

NO SET-OFF OR MITIGATION

3.1 No Set-off by SemGroup . Executive's right to receive when due the payments and other benefits provided for under this Agreement is absolute, unconditional and subject to no set-off, counterclaim, recoupment, or other claim, right or action that any SemGroup Party may have against Executive or others, except as expressly provided in this Section or as specifically otherwise provided in this Agreement. Notwithstanding the prior sentence, any SemGroup Party shall have the right to deduct any amounts outstanding on any loans or other extensions of credit to Executive from a SemGroup Party from Executive's payments and other benefits (if any) provided for under this Agreement. Notwithstanding any provision of this Agreement to the contrary, Executive acknowledges that any incentive-based compensation paid to the Executive under this Agreement may be subject to recovery by a SemGroup Party under any clawback policy which a SemGroup Party may adopt from time to time, including, without limitation, any policy which a SemGroup Party may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the SEC thereunder or the requirements of any national securities exchange on which a SemGroup Party's common stock may be listed. The Executive agrees to promptly return any such incentive-based compensation which a SemGroup Party determines it is required to recover from the Executive under any such clawback policy. Time is of the essence in the performance by the SemGroup Parties of their respective obligations under this Agreement.

3.2 No Mitigation . Executive shall not have any duty to mitigate the amounts payable by any SemGroup Party under this Agreement by seeking new employment or self-employment following termination. Except as specifically otherwise provided in this Agreement, all amounts payable pursuant to this Agreement shall be paid without reduction regardless of any amounts of salary, compensation or other amounts which may be paid or payable to Executive as the result of Executive's employment by another employer or self-employment.

ARTICLE IV

RESTRICTIVE COVENANTS

4.1 Confidential and Proprietary Information . The Executive acknowledges that in the course of performing services for SemGroup and its Affiliates, Executive may create (alone or with others), learn of, have access to, or receive Confidential and Proprietary Information (as defined in Section 1.19). The Executive recognizes that all such Confidential and Proprietary Information is the sole and exclusive property of SemGroup and its Affiliates or of third parties to which SemGroup or an Affiliate owes a duty of confidentiality, that it is SemGroup's policy to safeguard and keep confidential all such Confidential and Proprietary Information, and that disclosure of Confidential and Proprietary Information to an unauthorized third party would cause irreparable damage to SemGroup and its Affiliates. Executive agrees that, except as required by the duties of Executive's employment with SemGroup or any of its Affiliates and except in connection with enforcing Executive's rights under this Agreement or if compelled by a court or governmental agency, in each case provided that prior written notice is given to SemGroup, Executive will not, without the written consent of SemGroup, willfully disseminate or otherwise disclose, directly or indirectly, any Confidential and Proprietary Information disclosed to Executive or otherwise obtained by Executive during his employment with SemGroup or its Affiliates, and will take all necessary precautions to prevent disclosure, to any unauthorized individual or entity (whether or not such individual or entity is employed or engaged by, or is otherwise affiliated with, SemGroup or any Affiliate), and will use the Confidential and Proprietary Information solely for the benefit of SemGroup and its Affiliates and will not use the Confidential and Proprietary Information for the benefit of any other Person nor permit its use for the benefit of Executive. These obligations shall continue during and after the termination of Executive's employment for any reason and for so long as the Confidential and Proprietary Information remains Confidential and Proprietary Information. Pursuant to Section 7 of the Defend Trade Secrets Act of 2016 (which added 18 U.S.C. § 1833(b) to the United States Code), Executive acknowledges that Executive shall not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, if Executive files a lawsuit for retaliation by Employer for reporting a suspected violation of law, Executive may disclose the trade secret to the attorney of Executive and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such Section.

4.2 Non-Competition . During the period beginning on the Agreement Date and ending on the first anniversary of the Termination Date, regardless of the reason for Executive's Separation from Service, Executive agrees that without the written consent of SemGroup Executive shall not at any time, directly or indirectly, in any capacity:

(a) engage or participate in, become employed by, serve as a director of, or render advisory or consulting or other services in connection with, any Competitive Business; provided, however, that after Executive's Separation from Service, this Section 4.2 shall not preclude Executive from: (i)

being an employee of, or consultant to, any business unit of a Competitive Business if: (A) such business unit does not qualify as a Competitive Business in its own right, and (B) Executive does not have any direct or indirect involvement in, or responsibility for, any operations of such Competitive Business that cause it to qualify as a Competitive Business, or (ii) with the approval of SemGroup, being a consultant to, an advisor to, a director of, or an employee of a Competitive Business; or

(b) make or retain any financial investment, whether in the form of equity or debt, or own any interest, in any Competitive Business. Nothing in this subsection (b) shall, however, restrict Executive from making an investment in any Competitive Business if such investment does not: (i) represent more than 1% of the aggregate market value of the outstanding capital stock or debt (as applicable) of such Competitive Business, (ii) give Executive any right or ability, directly or indirectly, to control or influence the policy decisions or management of such Competitive Business, or (iii) create a conflict of interest between Executive's duties to SemGroup and its Affiliates or under this Agreement and his interest in such investment.

4.3 Non-Solicitation . During the period beginning on the Agreement Date and ending on the first anniversary of the Termination Date, regardless of the reason for Executive's Separation from Service, Executive shall not, directly or indirectly:

(a) other than in connection with the good-faith performance of his duties as an officer of SemGroup or its Affiliates, cause or attempt to cause any employee, director or consultant of SemGroup or an Affiliate to terminate his relationship with SemGroup or an Affiliate;

(b) solicit the employment or engagement as a consultant or adviser, of any employee of SemGroup or an Affiliate (other than by SemGroup or its Affiliates), or cause or attempt to cause any Person to do any of the foregoing;

(c) establish (or take preliminary steps to establish) a business with, or cause or attempt to cause others to establish (or take preliminary steps to establish) a business with, any employee of SemGroup or an Affiliate, if such business is or will be a Competitive Business; or

(d) solicit the purchase or sale of goods, services or combination of goods and services from the established customers of SemGroup or an Affiliate. For the purpose of this provision, "established customers" shall be deemed to include any entity or person which has been a customer or supplier of SemGroup or an Affiliate within twelve (12) months of the date of cessation of Executive's employment with SemGroup or an Affiliate.

4.4 Intellectual Property .

(a) During the period of Executive's employment with SemGroup or any Affiliate, and thereafter upon SemGroup's request, regardless of the reason for Executive's Separation from Service, Executive shall disclose immediately to SemGroup all Work Product that: (i) relates to the business of SemGroup or any Affiliate or any customer or supplier to SemGroup or an Affiliate or any of the products or services being developed, manufactured, sold or otherwise provided by SemGroup or an Affiliate or that may be used in relation therewith; or (ii) results from tasks or projects assigned to Executive by SemGroup or an Affiliate; or (iii) results from the use of the premises or personal property (whether tangible or intangible) owned, leased or contracted for by SemGroup or an Affiliate. Executive agrees that any Work Product shall be the property of SemGroup and, if subject to copyright, shall be considered a "work made for hire" within the meaning of the Copyright Act of 1976, as amended. If and to the extent that any such Work Product is not a "work made for hire" within the meaning of the Copyright Act of 1976, as amended, Executive hereby assigns, and agrees to assign, to SemGroup all right, title and interest in and to the Work Product and all copies thereof, and all copyrights, patent rights, trademark rights, trade secret rights and all other proprietary and intellectual

property rights in the Work Product, without further consideration, free from any claim, lien for balance due, or rights of retention thereto on the part of Executive.

(b) Notwithstanding the foregoing, SemGroup agrees and acknowledges that the provisions of Section 4.4(a) relating to ownership and disclosure of Work Product do not apply to any inventions or other subject matter for which no equipment, supplies, facility, or trade secret information of SemGroup or an Affiliate was used and that are developed entirely on Executive's own time, unless: (i) the invention or other subject matter relates: (a) to the business of SemGroup or an Affiliate, or (b) to the actual or demonstrably anticipated research or development of SemGroup or any Affiliate, or (ii) the invention or other subject matter results from any work performed by Executive for SemGroup or any Affiliate.

(c) Executive agrees that, upon disclosure of Work Product to SemGroup, Executive will, during his employment by SemGroup or an Affiliate and at any time thereafter, at the request and cost of SemGroup, execute all such documents and perform all such acts as SemGroup or an Affiliate (or their respective duly authorized agents) may reasonably require: (i) to apply for, obtain and vest in the name of SemGroup alone (unless SemGroup otherwise directs) letters patent, copyrights or other intellectual property protection in any country throughout the world, and when so obtained or vested to renew and restore the same; and (ii) to prosecute or defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other intellectual property protection, or otherwise in respect of the Work Product.

(d) In the event that SemGroup is unable, after reasonable effort, to secure Executive's execution of such documents as provided in Section 4.4(c), whether because of Executive's physical or mental incapacity or for any other reason whatsoever, Executive hereby irrevocably designates and appoints SemGroup and its duly authorized officers and agents as his agent and attorney-in-fact, to act for and on his behalf to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution, issuance and protection of letters patent, copyright and other intellectual property protection with the same legal force and effect as if personally executed by Executive.

4.5 Non-Disparagement .

(a) Executive agrees not to make, or cause to be made, any statement, observation or opinion, or communicate any information (whether oral or written, directly or indirectly) that: (i) accuses or implies that SemGroup and/or any of its Affiliates, together with their respective present or former officers, directors, partners, stockholders, employees and agents, and each of their predecessors, successors and assigns, engaged in any wrongful, unlawful or improper conduct, whether relating to Executive's employment (or the termination thereof), the business or operations of SemGroup, or otherwise; or (ii) disparages, impugns or in any way reflects adversely upon the business or reputation of SemGroup and/or any of its Affiliates, together with their respective present or former officers, directors, partners, stockholders, employees and agents, and each of their predecessors, successors and assigns.

(b) SemGroup agrees not to authorize any statement, observation or opinion, or communicate any information (whether oral or written, direct or indirect) that: (i) accuses or implies that Executive engaged in any wrongful, unlawful or improper conduct relating to Executive's employment or termination thereof with SemGroup, or otherwise; or (ii) disparages, impugns or in any way reflects adversely upon the reputation of Executive.

(c) Notwithstanding anything contained herein to the contrary, nothing herein shall be deemed to preclude or limit (i) Executive or SemGroup from providing truthful testimony or

information pursuant to subpoena, court order or other similar legal or regulatory process, provided, that to the extent permitted by law, Executive will promptly inform SemGroup of any such obligation prior to participating in any such proceedings or (ii) Executive from (A) filing a charge or complaint with any Government Agency, (B) communicating with any Government Agency or otherwise participating in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to SemGroup, or (C) receiving an award for information provided to any Government Agency.

4.6 Reasonableness of Restrictive Covenants .

(a) Executive acknowledges that the covenants contained in this Agreement are reasonable in the scope of the activities restricted, the geographic area covered by the restrictions, and the duration of the restrictions, and that such covenants are reasonably necessary to protect SemGroup's legitimate interests in its Confidential and Proprietary Information, its proprietary work, and in its relationships with its employees, customers, suppliers and agents.

(b) SemGroup has, and Executive has had an opportunity to, consult with their respective legal counsel and to be advised concerning the reasonableness and propriety of such covenants. Executive acknowledges that his observance of the covenants contained herein will not deprive Executive of the ability to earn a livelihood or to support his dependents.

(c) Executive understands he is bound by the terms of this Article IV, whether or not he receives severance payments under this Agreement or otherwise.

4.7 Right to Injunction: Survival of Undertakings .

(a) In recognition of the confidential nature of the Confidential and Proprietary Information, and in recognition of the necessity of the limited restrictions imposed by this Agreement, Executive and SemGroup agree that it would be impossible to measure solely in money the damages which SemGroup would suffer if Executive were to breach any of his obligations hereunder. Executive acknowledges that any breach of any provision of this Agreement would irreparably injure SemGroup. Accordingly, Executive agrees that if he breaches any of the provisions of this Agreement, SemGroup shall be entitled, in addition to any other remedies to which SemGroup may be entitled under this Agreement or otherwise, to an injunction to be issued by a court of competent jurisdiction, to restrain any breach, or threatened breach, of any provision of this Agreement without the necessity of posting a bond or other security therefor, and Executive hereby waives any right to assert any claim or defense that SemGroup has an adequate remedy at law for any such breach.

(b) If a court determines that any covenant included in this Article IV is unenforceable in whole or in part because of such covenant's duration or geographical or other scope, such court shall have the power to modify the duration or scope of such provision, as the case may be, so as to cause such covenant as so modified to be enforceable.

(c) All of the provisions of this Agreement shall survive any Separation from Service of Executive, without regard to the reasons for such termination. Notwithstanding Section 2.7, in addition to any other rights it may have, neither SemGroup nor any Affiliate shall have any obligation to pay or provide severance or other benefits (except as may be required under ERISA) after the Termination Date if Executive has materially breached any of Executive's obligations under this Agreement.

ARTICLE V

NON-EXCLUSIVITY OF RIGHTS

5.1 Waiver of Certain Other Rights . To the extent that Executive shall have received severance payments or other severance benefits under any other plan, program, policy, practice or procedure or agreement of any SemGroup Party prior to receiving severance payments or other severance benefits pursuant to Article II, the severance payments or other severance benefits under such other plan, program, policy, practice or procedure or agreement shall reduce (but not below zero) the corresponding severance payments or other benefits to which Executive shall be entitled under Article II. To the extent that Executive accepts payments made pursuant to Article II, he shall be deemed to have waived his right to receive a corresponding amount of future severance payments or other severance benefits under any other plan, program, policy, practice or procedure or agreement of any SemGroup Party.

5.2 Other Rights . Except as expressly provided in Section 5.1 and as provided in the Recitals to this Agreement, this Agreement shall not prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plan, program, policy, practice or procedure provided by a SemGroup Party and for which Executive may qualify, nor shall this Agreement limit or otherwise affect such rights as Executive may have under any other agreements with a SemGroup Party. Amounts that are vested benefits or that Executive is otherwise entitled to receive under any plan, program, policy, practice or procedure and any other payment or benefit required by law at or after the Termination Date shall be payable in accordance with such plan, program, policy, practice or procedure or applicable law except as expressly modified by this Agreement.

5.3 No Right to Continued Employment . Nothing in this Agreement shall guarantee the right of Executive to continue in employment, and SemGroup and the Employer retain the right to terminate Executive's employment at any time for any reason or for no reason.

ARTICLE VI

CLAIMS PROCEDURE

6.1 Filing a Claim .

(a) Each individual eligible for benefits under this Agreement ("Claimant") may submit his application for benefits ("Claim") to SemGroup (or to such other person as may be designated by SemGroup) in writing in such form as is provided or approved by SemGroup. A Claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a Claim, prior to his filing a Claim and exhausting his rights to review under Sections 6.1 and 6.2.

(b) When a Claim has been filed properly, it shall be evaluated and the Claimant shall be notified of the approval or the denial of the Claim within 30 days after the receipt of such Claim. A Claimant shall be given a written notice in which the Claimant shall be advised as to whether the Claim is granted or denied, in whole or in part. If a Claim is denied, in whole or in part, the notice shall contain: (i) the specific reasons for the denial, (ii) references to pertinent provisions of this Agreement on which the denial is based, (iii) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material or information is necessary, (iv) the Claimant's right to seek review of the denial and a description of the procedures for such review, and (v) a statement regarding Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on appeal.

6.2 Review of Claim Denial . If a Claim is denied, in whole or in part, or if a Claim is neither approved nor denied within the 30-day period specified Section 6.1(b), the Claimant (or his authorized representative) shall have the right at any time to: (a) request that SemGroup (or such other person as shall be designated in writing by SemGroup) review the denial or the failure to approve or deny the Claim, (b) review pertinent documents, and (c) submit issues and comments in writing. Within 30 days after such a request is received, SemGroup shall complete its review and give the Claimant written notice of its decision. Upon request and without charge, the Claimant will be provided reasonable access to and copies of all documents, records and other information relevant to the claim. SemGroup shall include in its notice to Claimant: (i) the specific reasons for its decision, (ii) references to provisions of this Agreement on which its decision is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim, and (iv) a statement regarding the Claimant's right to bring a civil action under ERISA Section 502(a) within 180 days of receipt of notice of denial on appeal.

ARTICLE VII

MISCELLANEOUS

7.1 No Assignability . This Agreement is personal to Executive and without the prior written consent of SemGroup shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

7.2 Successors . This Agreement shall inure to the benefit of and be binding upon SemGroup and its successors and assigns. SemGroup will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of SemGroup (or the Employer during any Post-Change Period) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that SemGroup (or, if applicable, the Employer) would be required to perform it if no such succession had taken place. Any successor to the business or assets of SemGroup (or any Employer) which assumes or agrees to perform this Agreement by operation of law, contract, or otherwise shall be jointly and severally liable with SemGroup (or the Employer) under this Agreement as if such successor were SemGroup (or the Employer). If Executive's employment is transferred from SemGroup to a Subsidiary, or from a Subsidiary to SemGroup or another Subsidiary, the rights and obligations of the Employer (determined prior to such transfer) shall automatically become the rights and obligations of the Employer (determined immediately following such transfer), without requiring the consent of Executive.

7.3 Payments to Beneficiary . If Executive dies before receiving amounts to which Executive is entitled under this Agreement, such amounts shall be paid in a lump sum to one or more beneficiaries designated in writing by Executive (each, a "Beneficiary"). An Executive's Beneficiary for receipt of any payment made under this Agreement in the event of Executive's death shall be the person(s) designated as the Executive's Beneficiary(ies) for life insurance benefits under SemGroup's fully company-paid life insurance benefits plan unless Executive designates a different Beneficiary on the form prescribed by SemGroup. If no Beneficiary is designated, Executive's estate shall be his Beneficiary.

7.4 Non-Alienation of Benefits . Benefits payable under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, before actually being received by Executive, and any such attempt to dispose of any right to benefits payable under this Agreement shall be void.

7.5 Severability . If any one or more Articles, Sections or other portions of this Agreement are declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any Article, Section or other portion not so declared to be unlawful or invalid. Any Article, Section or other portion so declared to be unlawful or invalid shall be construed so as to effectuate the terms of such Article, Section or other portion to the fullest extent possible while remaining lawful and valid.

7.6 Amendments . This Agreement shall not be amended or modified except by written instrument executed by SemGroup and Executive; provided however that notwithstanding the terms of this Agreement to the contrary, the terms of this Agreement shall be administered in such a way to comply with Code Section 409A as reasonably deemed appropriate by SemGroup; provided further however that notwithstanding anything to the contrary herein, SemGroup shall have the unilateral right to modify or amend this Agreement as it reasonably deems appropriate related to compliance with Code Section 409A. The parties to this Agreement intend that this Agreement meet the requirements of Code Section 409A and recognize that it may be necessary to modify this Agreement to reflect guidance under Code Section 409A issued by the Internal Revenue Service.

7.7 Notices . All notices and other communications under this Agreement shall be in writing and delivered by hand, by nationally-recognized delivery service that promises overnight delivery, or by first-class registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:
to Executive at his most recent home address on file with SemGroup.

If to SemGroup or the Employer:
SemGroup Corporation
Two Warren Place
6120 S. Yale Avenue, Suite 1500
Tulsa, OK 74136
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing. Notice and communications shall be effective when actually received by the addressee.

7.8 Joint and Several Liability . In the event that the Employer incurs any obligation to Executive pursuant to this Agreement, such Employer, SemGroup and each Subsidiary, if any, of which such Employer is a subsidiary shall be jointly and severally liable with such Employer for such obligation.

7.9 Counterparts . This Agreement may be executed in 2 or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

7.10 Governing Law . This Agreement shall be interpreted and construed in accordance with the laws of the State of Delaware, without regard to its choice of law principles, except to the extent such law is preempted by ERISA or other applicable federal law.

7.11 Captions . The captions of this Agreement are not a part of the provisions hereof and shall have no force or effect.

7.12 Rules of Construction . Reference to a specific law shall include such law, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

7.13 Number and Gender . Wherever appropriate, the singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine.

7.14 Tax Withholding . SemGroup may withhold from any amounts payable under this Agreement or otherwise payable to Executive any Taxes SemGroup determines to be required under applicable law or regulation and may report all such amounts payable to such authority as is required by any applicable law or regulation.

7.15 Entire Agreement . This Agreement and the documents expressly referred to herein contain the entire understanding of SemGroup and Executive with respect to severance or benefits in relation to a Change in Control.

IN WITNESS WHEREOF, Executive and a duly authorized representative of SemGroup Corporation have executed this Severance Agreement this _____ day of _____, 20___.

[EXECUTIVE]

_____

SemGroup Corporation , acting on behalf of itself and its Subsidiaries and Affiliates

By: _____
Carlin G. Conner
President and CEO

Exhibit A
SemGroup Corporation
Waiver And Release
Agreement

This agreement, waiver and release (this "Agreement"), made as of the ___ day of _____, 20___ (the "Effective Date"), is made by and among SemGroup Corporation (together with all successors thereto, "Company") and **[EXECUTIVE]** ("Executive").

WHEREAS, the Executive and the Company have entered into that certain SemGroup Corporation Severance Agreement ("Severance Agreement");

NOW THEREFORE, in consideration for receiving benefits and severance under the Severance Agreement and in consideration of the representations, covenants and mutual promises set forth in this Agreement, the parties agree as follows:

1. Release . Except with respect to all of the Company's obligations under the Severance Agreement, the Executive, and Executive's heirs, executors, assigns, agents, legal representatives, and personal representatives, hereby releases, acquits and forever discharges the Company, its agents, subsidiaries, affiliates, operating units and their respective officers, directors, agents, servants, employees, attorneys, stockholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, obligations, promises, acts, agreements, causes of action, costs, expenses, attorneys fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to the day prior to execution of this Agreement that arose out of or were related to the Executive's employment with the Company or the Executive's termination of employment with the Company including, but not limited to, any and all claims or demands pursuant to Title VII of the Civil Rights Act of 1964 as amended by the Civil Rights Act of 1991, which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Civil Rights Act of 1866, 42 U.S.C. §2000e, et seq., 42 U.S.C. §1981, 1983 and 1985, which prohibits violations of civil rights; the Equal Pay Act of 1963, 29 U.S.C. § 206(d)(1), which prohibits unequal pay based upon gender; the Age Discrimination in Employment Act of 1967, as amended, and as further amended by the Older Workers Benefit Protection Act, 29 U.S.C. § 621, *et seq* ., which prohibits age discrimination in employment; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §1001, *et seq* ., which protects certain employee benefits; the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. § 12101, *et seq* . and the Rehabilitation Act of 1973, which prohibit discrimination against the disabled; the Family and Medical Leave Act of 1993, as amended 29 U.S.C. § 2601, *et seq* ., which provides medical and family leave; the federal Worker Adjustment and Retraining Notification Act (as amended) and similar laws in other jurisdictions; the Oklahoma Anti-Discrimination Act, Okla. Stat., tit. 25, §§ 1101, *et seq.* , the Fair Labor Standards Act, 29 U.S.C. § 201, *et seq* ., including the Wage and Hour Laws relating to payment of wages, including, but not limited to, vacation pay, commissions, and bonuses; and all other federal, state or local laws or regulations prohibiting employment discrimination and/or governing the payment of wages, benefits, and other forms of compensation, and any claims for wrongful discharge, breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, discrimination, harassment, defamation, infliction of emotional distress, termination in violation of public policy, retaliation, including workers' compensation retaliation under state statutes, tort law; contract law; wrongful discharge; discrimination; fraud; libel; slander; defamation; harassment; emotional distress; breach of the implied covenant of good faith and fair dealing; or claims for retaliation, or other claims arising under any local, state or federal regulation, statute or common law. This Release does not apply to the payment of any and all benefits and/or monies earned, accrued, vested or otherwise owing, if any, to the Executive under the terms of a Company sponsored tax qualified retirement or savings plan, except that the Executive hereby releases and waives any claims that his termination was to avoid payment of such benefits or payments, and that, as a result of his termination, he is entitled to additional benefits or payments. Additionally, this Release does not apply to any of Executive's rights or obligations with respect to indemnification or directors' and officers' liability coverage to which Executive is entitled or

subject in his capacity as a former officer or employee of the Company. This Release does not apply to any claim or rights which might arise out of the actions of the Company after the date the Executive signs this Agreement. Further, notwithstanding anything herein to the contrary, nothing herein or otherwise shall release the Company from any claims, rights or damages that may not be released or waived as a matter of law.

2. No Inducement. Executive agrees that no promise or inducement to enter into this Agreement has been offered or made except as set forth in this Agreement, that the Executive is entering into this Agreement without any threat or coercion and without reliance or any statement or representation made on behalf of the Company or by any person employed by or representing the Company, except for the written provisions and promises contained in this Agreement.

3. Damages. The parties agree that damages incurred as a result of a breach of this Agreement will be difficult to measure. It is, therefore, further agreed that, in addition to any other remedies, equitable relief will be available in the case of a breach of this Agreement. It is also agreed that, in the event Executive files a claim against the Company with respect to a claim released by Executive herein (other than a proceeding before the EEOC), the Company may withhold, retain, or require reimbursement of all or any portion of the benefits and severance payments under the Severance Agreement until such claim is withdrawn by Executive.

4. Advice of Counsel; Time to Consider; Revocation. Executive acknowledges the following:

(a) Executive has read this Agreement, and understands its legal and binding effect. Executive is acting voluntarily and of Executive's own free will in executing this Agreement.

(b) Executive has been advised to seek and has had the opportunity to seek legal counsel in connection with this Agreement.

(c) Executive was given at least 21 days to consider the terms of this Agreement before signing it.

Executive understands that, if Executive signs this Agreement, Executive may revoke it within seven days after signing it by delivering written notification of intent to revoke within that seven day period. Executive understands that this Agreement will not be effective until after the seven-day period has expired.

5. Severability. If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other portion of this Agreement. Any section or a part of a section declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of the section to the fullest extent possible while remaining lawful and valid.

6. Amendment. This Agreement shall not be altered, amended, or modified except by written instrument executed by the Company and the Executive. A waiver of any portion of this Agreement shall not be deemed a waiver of any other portion of this Agreement.

7. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

8. Headings. The headings of this Agreement are not part of the provisions hereof and shall not have any force or effect.

9. Rules of Construction. Reference to a specific law shall include such law, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

10. Applicable Law . The provisions of this Agreement shall be interpreted and construed in accordance with the laws of the State of Oklahoma without regard to its choice of law principles.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates specified below.

[EXECUTIVE]

_____

Date: _____

SemGroup Corporation , acting on behalf of itself and its Subsidiaries and Affiliates

By: _____

Title: _____

Date: _____

A C K N O W L E D G M E N T

I HEREBY ACKNOWLEDGE that SemGroup Corporation (the "Company"), in accordance with the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990, informed me in writing that:

(1) I should consult with an attorney before signing the Waiver and Release Agreement ("Agreement") that was provided to me.

(2) I may review the Agreement for a period of up to 21 days prior to signing the Agreement. If I choose to take less than 21 days to review the Agreement, I do so knowingly, willingly and on advice of counsel.

(3) For a period of seven days following the signing of the Agreement, I may revoke the Agreement, and that the Agreement will not become effective or enforceable until the seven day revocation period has elapsed.

(4) The Company shall not accept my signed Agreement prior to the last day of my employment.

I HEREBY FURTHER ACKNOWLEDGE receipt of this Agreement on the ____ day of _____, 20_____.

WITNESS:

_____ _____

[EXECUTIVE]

EXHIBIT 21

SEMGROUP CORPORATION
Subsidiaries

Entity	Place of Incorporation/Organization
SemGroup Holdings G.P., L.L.C.	Delaware
SemGroup Holdings, L.P.	Delaware
SemOperating G.P., L.L.C.	Oklahoma
SemCap, L.L.C.	Oklahoma
SemGroup Asia, L.L.C.	Delaware
SemManagement, L.L.C.	Delaware
SemStream, L.P.	Delaware
SemGroup Subsidiary Holding, L.L.C.	Delaware
Alpine Holding, LLC	Oklahoma
Rose Rock Midstream Operating, LLC	Delaware
Rose Rock Midstream Energy GP, LLC	Delaware
Rose Rock Finance Corporation	Delaware
Rose Rock Midstream Field Services, LLC	Delaware
Rose Rock Midstream Crude, L.P.	Delaware
SemCrude Pipeline, L.L.C.	Delaware
Wattenberg Holding, LLC	Oklahoma
Eaglwing, L.P.	Oklahoma
SemDevelopment, L.L.C.	Delaware
Rocky Cliffs Pipeline, L.L.C.	Delaware
Glass Mountain Holding, LLC	Oklahoma
SemFuel, L.P.	Texas
SemFuel Transport, LLC	Wisconsin
SemProducts, L.L.C.	Oklahoma
SemGas, L.P.	Oklahoma
SemKan, L.L.C.	Oklahoma
SemGas Gathering, L.L.C.	Oklahoma
SemGas Storage, L.L.C.	Oklahoma
Greyhawk Gas Storage Company, L.L.C.	Delaware
Steuben Development Company, LLC	Delaware
Grayson Pipeline, L.L.C.	Oklahoma
Mid-America Midstream Gas Services, L.L.C.	Oklahoma
SemCanada, L.P.	Oklahoma
SemCanada Crude Company	Nova Scotia
SemCanada II, L.P.	Oklahoma
SemCAMS ULC	Nova Scotia
SemCAMS Redwillow ULC	Nova Scotia
SemGreen, L.P.	Delaware
SemBio, L.L.C.	Delaware
SemMaterials, L.P.	Oklahoma
New Century Transportation LLC	Delaware
K.C. Asphalt, L.L.C.	Colorado
SemTrucking, L.P.	Oklahoma
SemMexico, L.L.C.	Oklahoma

SemMexico Materials HC S. de R.L. de C.V.	Mexico
SemMaterials HC Mexico S. de R.L. de C.V.	Mexico
SemMaterials Mexico S. de R.L. de C.V.	Mexico
SemMaterials SC Mexico S. de R.L. de C.V.	Mexico
SemGroup Europe Holding L.L.C.	Delaware
SemEuro Limited	United Kingdom
SemLogistics Milford Haven Limited	United Kingdom
SemGroup Netherlands B.V.	The Netherlands
Maurepas Pipeline, LLC	Delaware
Maurepas Holding, LLC	Oklahoma
SemGroup Energy S. de R.L. de C.V.	Mexico
SemGroup Mexico S. de R.L. de C.V.	Mexico
SemEnergy S. de R.L. de C.V.	Mexico

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
SemGroup Corporation

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-170968, 333-189905 and 333-214561) and Form S-3 (File No. 333-210044) of SemGroup Corporation of our reports dated February 24, 2017, relating to the consolidated financial statements, and the effectiveness of SemGroup Corporation's internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP
Dallas, Texas
February 24, 2017

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
SemGroup Corporation

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-170968, 333-189905 and 333-214561) and Form S-3 (File No. 333-210044) of SemGroup Corporation of our report dated February 24, 2017, relating to the financial statements of White Cliffs Pipeline, L.L.C. which appears in this Form 10-K.

/s/ BDO USA, LLP
Dallas, Texas
February 24, 2017

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 annual report on Form 10-K of SemGroup Corporation;

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

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

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

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

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

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

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

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

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

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

Date: February 24, 2017

/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 annual report on Form 10-K of SemGroup Corporation;

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

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

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

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

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

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

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

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

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

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

Date: February 24, 2017

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald

Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the annual report of SemGroup Corporation (the "Company") on Form 10-K for the year ended December 31, 2016, 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: February 24, 2017

/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 annual report of SemGroup Corporation (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert N. Fitzgerald, Senior Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 24, 2017

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Senior Vice President and
Chief Financial Officer

EXHIBIT 99.1

Index to White Cliffs Pipeline, L.L.C. Financial Statements

Independent Auditor's Report

To the Members
White Cliffs Pipeline, L.L.C.
Tulsa, Oklahoma

We have audited the accompanying financial statements of White Cliffs Pipeline, L.L.C., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, changes in members' equity and cash flows for each of the three years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Cliffs Pipeline, L.L.C., as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

BDO USA, LLP
Dallas, Texas
February 24, 2017

WHITE CLIFFS PIPELINE, L.L.C.
Balance Sheets
(In thousands, except unit amounts)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,672	$ 24,423
Accounts receivable	16,103	25,289
Receivable from affiliate	5,261	914
Inventories	7,743	2,545
Other current assets	942	920
Total current assets	34,721	54,091
Property, plant and equipment, net	508,043	509,068
Goodwill	17,000	17,000
Other intangible assets (net of accumulated amortization of $45,504 and $42,026 at December 31, 2016 and 2015, respectively)	8,496	11,974
Other noncurrent assets, net	13	—
Total assets	$ 568,273	$ 592,133
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 843	$ 634
Payable to affiliate	4,172	173
Accrued liabilities	10,797	8,684
Total current liabilities	15,812	9,491
Commitments and contingencies (Note 5)		
Members' equity (240,610 units at December 31, 2016 and 2015)	552,461	582,642
Total liabilities and members' equity	$ 568,273	$ 592,133

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Operations
(In thousands)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Revenues	$ 212,359	$ 206,395	$ 160,369
Expenses:			
Costs of products sold, exclusive of depreciation and amortization shown below	3,223	2,913	3,636
Operating	33,924	28,835	17,480
General and administrative	1,748	1,535	1,951
Depreciation and amortization	35,439	34,105	23,257
Total expenses	74,334	67,388	46,324
Operating income	138,025	139,007	114,045
Other expenses (income), net	(7)	7	—
Net income	$ 138,032	$ 139,000	$ 114,045

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Changes in Members' Equity
(In thousands)

	Members' Equity
Balance at December 31, 2013	$ 439,442
Net income	114,045
Distributions to members	(130,917)
Contributions from members	106,167
Balance at December 31, 2014	528,737
Net income	139,000
Distributions to members	(171,584)
Contributions from members	86,489
Balance at December 31, 2015	582,642
Net income	138,032
Distributions to members	(174,194)
Contributions from members	5,981
Balance at December 31, 2016	$ 552,461

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Cash flows from operating activities:			
Net income	$ 138,032	$ 139,000	$ 114,045
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,439	34,105	23,257
Inventory valuation adjustment	—	640	1,889
Loss on disposal of long-lived assets	—	60	—
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	9,186	(8,675)	(5,143)
Decrease (increase) in receivable from affiliate	(4,347)	246	(1,146)
Decrease (increase) in inventories	(5,198)	(948)	(2,811)
Decrease (increase) in other current assets	(35)	(223)	(249)
Increase (decrease) in accounts payable and accrued liabilities	2,572	5,229	(3,075)
Increase (decrease) in payable to affiliate	3,999	11	30
Net cash provided by operating activities	179,648	169,445	126,797
Cash flows from investing activities:			
Capital expenditures	(31,186)	(74,835)	(172,348)
Net cash used in investing activities	(31,186)	(74,835)	(172,348)
Cash flows from financing activities:			
Distributions to members	(174,194)	(171,584)	(130,917)
Contributions from members	5,981	86,489	106,167
Net cash used in financing activities	(168,213)	(85,095)	(24,750)
Net increase (decrease) in cash and cash equivalents	(19,751)	9,515	(70,301)
Cash and cash equivalents at beginning of period	24,423	14,908	85,209
Cash and cash equivalents at end of period	$ 4,672	$ 24,423	$ 14,908

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

1. OVERVIEW

White Cliffs Pipeline, L.L.C. ("White Cliffs") is a Delaware limited liability company. White Cliffs owns two parallel 12-inch common carrier, crude oil pipelines running 527 miles with origination points in Platteville, Colorado and Healy, Kansas and a termination point in Cushing, Oklahoma.

SemGroup Corporation ("SemGroup") operates White Cliffs and owns a 51% interest. SemGroup accounts for White Cliffs under the equity method, as the other members have substantive rights to participate in the management of White Cliffs.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Although management believes these estimates are reasonable, actual results could differ materially from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ACCOUNTS RECEIVABLE - Accounts receivable are reported net of the allowance for doubtful accounts. White Cliffs' assessment of the allowance for doubtful accounts is based on several factors, including the overall creditworthiness of its customers, existing economic conditions, and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. The allowance for doubtful accounts was $0 at December 31, 2016 and 2015.

INVENTORIES —Inventories primarily consist of crude oil. Inventories are valued at the lower of cost or market, with cost generally determined using the weighted-average method. The cost of inventory includes applicable transportation costs. During the years ended December 31, 2015 and 2014, White Cliffs recorded $0.6 million and $1.9 million, respectively, of non-cash adjustments to reduce the carrying value of inventory to the lower of cost or market value. No adjustment was necessary in 2016.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment is recorded at cost. White Cliffs capitalizes costs that extend or increase the future economic benefits of property, plant and equipment, and expenses maintenance costs that do not. When assets are disposed of, their cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is recorded within operating expenses in the statements of operations.

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

Pipelines and related facilities	20 years
Storage and terminal facilities	10 –25 years
Other property and equipment	3 – 7 years

GOODWILL – White Cliffs tests goodwill for impairment each year as of October 1, or more often if circumstances warrant, by estimating the fair value of the asset group to which the goodwill relates and comparing this fair value to the net book value of the asset group. If fair value is less than net book value, White Cliffs estimates the implied fair value of goodwill, reduces the book value of the goodwill to the implied fair value, and records a corresponding impairment loss.

For the October 1, 2016 goodwill impairment test, White Cliffs developed estimates of cash flows for the next nine years, and also developed an estimated terminal value. White Cliffs discounted the estimated cash flows to present value using a rate of 11%. No impairment was recorded for the period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

REVENUE RECOGNITION – Revenue for the transportation of product is recognized upon delivery of the product to its destination.

LINE LOSS DEDUCTIONS AND INVENTORY – The White Cliffs tariff allows White Cliffs to retain a pipeline loss allowance ("PLA") in the amount of two-tenths of one percent of any customer product placed in the system. The PLA is intended to compensate for expenses associated with product shrinkage and evaporation. If the PLA exceeds the actual amount of product loss, White Cliffs is entitled to sell the product overage for its own gain. The PLA is recorded to revenue and inventory in the month in which the shipment occurs. Gains or losses resulting from actual product overages or shortages are also recorded to costs of products sold and inventory during the month the overage or shortage occurs.

White Cliffs recorded $3.3 million, $3.5 million and $4.7 million of revenue related to PLA during the years ended December 31, 2016, 2015 and 2014, respectively. White Cliffs recorded $0.1 million, $2.3 million and $1.7 million of costs of products sold related to actual product shortages for the years ended December 31, 2016, 2015 and 2014, respectively. During the year ended December 31, 2016, White Cliffs sold $4.8 million of inventory to and purchased $5.0 million of inventory from SemGroup.

INCOME TAXES - White Cliffs is a pass-through entity for federal and state income tax purposes. Its earnings are allocated to its members, who are responsible for any related income taxes. Because of this, no provision for income taxes is reported in the accompanying financial statements.

SUBSEQUENT EVENTS - White Cliffs has evaluated subsequent events for accrual or disclosure in these financial statements through February 24, 2017, which is the date these financial statements were available to be issued.

3. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2016	December 31, 2015
Land	$ 31,770	$ 31,732
Pipelines and related facilities	588,206	519,248
Storage and terminal facilities	1,830	1,830
Other property and equipment	3,550	3,431
Construction-in-progress	16,452	54,632
Property, plant and equipment, gross	641,808	610,873
Accumulated depreciation	(133,765)	(101,805)
Property, plant and equipment, net	$ 508,043	$ 509,068

White Cliffs recorded depreciation expense of $31.9 million, $30.0 million and $18.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. Property, plant and equipment includes accruals for construction costs incurred but not yet paid of $0.5 million, $0.8 million and $7.6 million at December 31, 2016, 2015 and 2014, respectively.

4. OTHER INTANGIBLE ASSETS

Other intangible assets consist of customer relationships. They are generally amortized on an accelerated basis over the estimated period of benefit and may be subject to impairments in the future if we are unable to maintain the relationships with the customers to which the assets relate. The following table shows the changes in the other intangible asset balances (in thousands):

Balance, December 31, 2013	$	20,802
Amortization		(4,759)
Balance, December 31, 2014		16,043
Amortization		(4,069)
Balance, December 31, 2015		11,974
Amortization		(3,478)
Balance, December 31, 2016	$	8,496

White Cliffs estimates that future amortization of other intangible assets will be as follows (in thousands):

For the year ending:		
December 31, 2017	$	2,972
December 31, 2018		2,541
December 31, 2019		1,133
December 31, 2020		748
December 31, 2021		468
Thereafter		634
Total estimated amortization expense	$	8,496

5. COMMITMENTS AND CONTINGENCIES

Environmental

White Cliffs may from time to time experience leaks of petroleum products from its facilities, as a result of which it may incur remediation obligations or property damage claims. In addition, White Cliffs is subject to numerous environmental regulations. Failure to comply with these regulations could result in the assessment of fines or penalties by regulatory authorities.

Asset retirement obligations

White Cliffs may be subject to removal and restoration costs upon retirement of our facilities. However, White Cliffs is unable to predict when, or if, its pipelines, storage tanks and related facilities would become completely obsolete and require decommissioning. Accordingly, White Cliffs has not recorded a liability or corresponding asset, as both the amount and timing of such potential future costs are indeterminable.

Other matters

White Cliffs is a party to various other claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these claims, legal actions, and complaints, after consideration of amounts accrued, insurance coverage, and other arrangements, will not have a material adverse effect on White Cliffs' financial position, results of operations or cash flows. However, the outcome of such matters is inherently uncertain, and estimates of consolidated liabilities may change materially as circumstances develop.

Leases

White Cliffs has entered into operating lease agreements for storage tanks with SemGroup. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2016, are as follows (in thousands):

Years ending:		
December 31, 2017	$	3,750
December 31, 2018		2,963
December 31, 2019		2,088
December 31, 2020		187
December 31, 2021		—
Thereafter		—
Total future minimum lease payments	$	8,988

White Cliffs recorded lease and rental expenses of $4.5 million, $4.6 million and $3.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

6. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016, 2015 and 2014, White Cliffs generated service revenues from its owners in the amounts of $171.5 million, $184.4 million and $134.3 million, respectively. During the year ended December 31, 2016, White Cliffs sold crude oil to its owners in the amount of $4.8 million. There were no crude oil sales to its owners during the years ended December 31, 2015 or 2014. During the year ended December 31, 2016, White Cliffs purchased crude oil from its owners in the amount of $5.0 million. There were no purchases from its owners during the years ended December 31, 2015 or 2014. White Cliffs has storage and management services agreements with SemGroup. White Cliffs paid $4.8 million, $4.8 million and $2.9 million for such services during the years ended December 31, 2016, 2015 and 2014, respectively.

During the years ended December 31, 2015 and 2014, White Cliffs generated revenues from its affiliates in the amounts of $3.2 million and $3.1 million, respectively. There were no revenues from affiliates during the year ended December 31, 2016.

SemGroup incurs certain general and administrative expenses on behalf of White Cliffs for which the other owners of White Cliffs are not responsible. White Cliffs records the expense and a corresponding member contribution from SemGroup, since White Cliffs is not required to reimburse SemGroup for these expenses. White Cliffs recorded $1.6 million, $1.3 million and $1.6 million of such general and administrative expense during the years ended December 31, 2016, 2015 and 2014, respectively.