

Blueknight Energy Partners, L.P.
Form 10-Q/A
March 26, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 001-33503

BLUEKNIGHT ENERGY PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

Delaware	20-8536826
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Two Warren Place
6120 South Yale Avenue, Suite 500
Tulsa, Oklahoma 74136
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (918) 237-4000

SemGroup Energy Partners, L.P.
(Former name, former address and former fiscal year, if changed since last report)

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

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

As of November 6, 2009, there were 21,702,309 common units and 12,570,504 subordinated units outstanding.

Explanatory Note

This amendment to our quarterly report on Form 10-Q/A (this "Amendment") is being filed to amend our quarterly report on Form 10-Q for the quarter ended September 30, 2009, which was originally filed on November 13, 2009 (the "Original Filing". The consolidated financial statements for the three and nine months ended September 30, 2009 and related disclosures in this Amendment have been restated in accordance with the changes described below.

In March 2010, we concluded that it was necessary to amend the "Original Filing" in order to restate our consolidated financial statements for the three and nine month periods ended September 30, 2009 to record additional interest expense of \$1.5 million and \$2.9 million for the three and nine month periods, respectively. The additional interest expense results from the application of the interest method of accounting as required by accounting principles generally accepted in the United States, and relates to additional interest payments as specified in our credit agreement. Our credit agreement requires us to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively.

As a result of this Amendment, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, filed as exhibits to our Original Filing, have been revised, re-executed and re-filed as of the date of this Amendment.

No attempt has been made in this Amendment to modify or update the disclosures in the Original Filing except for the changes to the consolidated financial statements described above, certain clarifying disclosures, and related changes to "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part I. Item 4. Controls and Procedures." Subsequent to the date of the Original Filing, we changed our name to Blueknight Energy Partners, L.P. This Amendment does not reflect this name change other than as indicated on the cover page of this Amendment.

Except for the amended and restated information as discussed above, this Amendment continues to describe conditions as of the date of the Original Filing, and the disclosures contained herein have not been updated to reflect events, results or developments that have occurred after the Original Filing, or to modify or update those disclosures affected by subsequent events unless otherwise indicated in this Amendment. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events, results or developments that have occurred or facts that have become known to us after the date of the Original Filing, and such forward-looking statements should be read in their historical context. This Amendment should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the Original Filing, including any amendments to those filings.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SEMGROUP ENERGY PARTNERS, L.P.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per unit data)

	As of December 31, 2008 (unaudited)	As of September 30, 2009 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,785	\$ 5,638
Accounts receivable, net of allowance for doubtful accounts of \$554 and \$429 at December 31, 2008 and September 30, 2009, respectively	8,342	11,906
Receivables from related parties, net of allowance for doubtful accounts of \$0 for both dates	18,912	1,010
Prepaid insurance	2,256	3,461
Other current assets	1,811	1,691
Total current assets	60,106	23,706
Property, plant and equipment, net of accumulated depreciation of \$80,277 and \$95,002 at December 31, 2008 and September 30, 2009, respectively	284,489	277,942
Goodwill	6,340	6,340
Debt issuance costs	1,956	6,999
Intangibles and other assets, net	1,750	1,847
Total assets	\$ 354,641	\$ 316,834
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 2,610	\$ 4,767
Payables to related parties	20,134	4,048
Accrued interest payable	175	6,287
Accrued property taxes payable	1,951	3,237
Interest rate swap settlements payable	1,505	129
Unearned revenue	2,765	4,888
Accrued payroll	170	4,338
Other accrued liabilities	2,753	2,752
Current portion of capital lease obligations	866	412
Total current liabilities	32,929	30,858
Long-term debt	448,100	422,499
Long-term capital lease obligations	255	—
Commitments and contingencies (Notes 5, 10 and 13)		
Partners' capital (deficit):		

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Common unitholders (21,557,309 units issued and outstanding as of December 31, 2008 and September 30, 2009)	481,007	475,239
Subordinated unitholders (12,570,504 units issued and outstanding for both dates)	(284,332)	(288,247)
General partner interest (2.0% interest with 690,725 general partner units outstanding for both dates)	(323,318)	(323,515)
Total partners' capital (deficit)	(126,643)	(136,523)
Total liabilities and partners' capital (deficit)	\$ 354,641	\$ 316,834

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009 (Restated) (unaudited)	2008	2009 (Restated)
Service revenue:				
Third party revenue	\$ 15,571	\$ 39,021	\$ 26,222	\$ 93,625
Related party revenue	38,223	998	123,062	26,077
Total revenue	53,794	40,019	149,284	119,702
Expenses:				
Operating	27,368	24,479	80,405	71,425
General and administrative	27,177	7,106	33,244	22,939
Total expenses	54,545	31,585	113,649	94,364
Gain on settlement transaction	—	—	—	2,585
Operating income (loss)	(751)	8,434	35,635	27,923
Other expenses:				
Interest expense	11,041	12,749	15,905	38,626
Income (loss) before income taxes	(11,792)	(4,315)	19,730	(10,703)
Provision for income taxes	59	51	227	159
Net income (loss)	\$ (11,851)	\$ (4,366)	\$ 19,503	\$ (10,862)
Allocation of net income (loss) to limited and subordinated partners:				
General partner interest in net income (loss)	\$ (237)	\$ (87)	\$ 3,681	\$ (216)
Net income (loss) allocable to limited and subordinated partners	\$ (11,614)	\$ (4,279)	\$ 15,822	\$ (10,646)
Basic and diluted net income (loss) per common unit				
	\$ (0.33)	\$ (0.12)	\$ 0.50	\$ (0.30)
Basic and diluted net income (loss) per subordinated unit				
	\$ (0.33)	\$ (0.12)	\$ 0.50	\$ (0.30)
Weighted average common units outstanding - basic and diluted				
	21,426	21,577	20,015	21,557
Weighted average subordinated partners' units outstanding - basic and diluted				
	12,571	12,571	12,571	12,571

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
	2008	2009 (Restated)
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 19,503	\$ (10,862)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for uncollectible receivables from third parties	432	(125)
Depreciation and amortization	15,587	17,055
Amortization of debt issuance costs	616	5,289
Gain on settlement transaction	—	(2,585)
(Gain) loss on sale of assets	178	(54)
Equity-based incentive compensation	17,964	(24)
Changes in assets and liabilities:		
Increase in accounts receivable	(5,720)	(3,439)
Decrease (increase) in receivables from related parties	(9,626)	12,996
Increase in prepaid insurance	(2,506)	(1,205)
Decrease (increase) in other current assets	(1,529)	120
Increase in other assets	(113)	(320)
Increase (decrease) in accounts payable	(377)	1,842
Increase (decrease) in payables to related parties	5,677	(15,197)
Increase (decrease) in accrued interest payable	(449)	6,112
Increase in accrued property taxes	1,944	1,286
Increase (decrease) in interest rate swap settlements payable	1,505	(1,376)
Increase in unearned revenue	453	2,123
Increase in accrued payroll	—	4,168
Increase in other accrued liabilities	1,616	987
Decrease in interest rate swap liability	(2,233)	—
Net cash provided by operating activities	42,922	16,791
Cash flows from investing activities:		
Acquisition of assets from Private Company	(514,669)	—
Capital expenditures	(5,485)	(3,513)
Proceeds from sale of assets	386	217
Net cash used in investing activities	(519,768)	(3,296)
Cash flows from financing activities:		
Debt issuance costs	(2,094)	(10,332)
Payments on capital lease obligations	(939)	(709)
Borrowings under credit facility	518,600	24,700
Payments under credit facility	(160,100)	(50,301)
Proceeds from equity issuance, net of offering costs	161,238	—
Distributions paid	(23,717)	—
Net cash provided by (used in) financing activities	492,988	(36,642)

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Net increase (decrease) in cash and cash equivalents	16,142	(23,147)
Cash and cash equivalents at beginning of period	416	28,785
Cash and cash equivalents at end of period	\$ 16,558	\$ 5,638
Supplemental disclosure of cash flow information:		
Increase in accounts payable related to purchases of property, plant and equipment	\$ 168	\$ 315
Non-cash addition to property, plant and equipment related to settlement (see Note 2)	—	(9,536)

See accompanying notes to unaudited consolidated financial statements.

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

1. ORGANIZATION AND NATURE OF BUSINESS

SemGroup Energy Partners, L.P. and subsidiaries (the “Partnership”) is a publicly traded master limited partnership with operations in twenty-three states. The Partnership provides integrated terminalling, storage, gathering and transportation services for companies engaged in the production, distribution and marketing of crude oil and liquid asphalt cement. The Partnership manages its operations through three operating segments: (i) crude oil terminalling and storage services; (ii) crude oil gathering and transportation services and (iii) asphalt services. The Partnership was formed in February 2007 as a Delaware master limited partnership initially to own, operate and develop a diversified portfolio of complementary midstream energy assets.

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

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

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

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

On May 30, 2008, the Partnership purchased eight recently constructed crude oil storage tanks located at the Cushing Interchange from the Private Company and the Private Company assigned a take-or-pay, fee-based agreement to the Partnership that commits substantially all of the 2.0 million barrels of new storage to a third-party customer through August 2010 (the "Acquired Storage Assets") for aggregate consideration of \$90.3 million, including \$0.3 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Storage Assets recorded at the historical cost of the Private Company, which was approximately \$17.2 million, inclusive of \$0.6 million of completion costs subsequent to the close of the acquisition, with the additional purchase price of \$73.1 million reflected in the statement of changes in partners' capital as a distribution to the Private Company. The acquisition was funded with borrowings under the Partnership's existing revolving credit facility. The Board approved the acquisition of the Acquired Storage Assets based on a recommendation from its conflicts committee, which consisted entirely of independent directors. The conflicts committee retained independent legal and financial advisors to assist it in evaluating the transaction and considered a number of factors in approving the acquisition, including an opinion from the committee's independent financial advisor that the consideration paid for the Acquired Storage Assets was fair, from a financial point of view, to the Partnership.

On July 22, 2008, the Private Company and certain of its subsidiaries filed voluntary petitions (the "Bankruptcy Filings") for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), Case No. 08-11547-BLS. The Private Company and its subsidiaries continue to operate their businesses and own and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code (the "Bankruptcy Cases"). By order dated October 28, 2009, the Bankruptcy Court confirmed the Private Company's reorganization plan. Pursuant to this reorganization plan, the Private Company expects to exit bankruptcy during the fourth quarter of 2009 and become a publicly traded company in 2010. None of the Partnership, its general partner, the subsidiaries of the Partnership nor the subsidiaries of the Partnership's general partner were party to the Bankruptcy Filings. See Notes 2, 5, 8 and 13 for a discussion of the impact of the Bankruptcy Filings and related events upon the Partnership.

For the three and nine months ended September 30, 2009, respectively, the Partnership derived approximately 3% and 21% of its revenues, excluding fuel reimbursement revenues related to fuel and power consumed to operate its liquid asphalt cement storage tanks, from services it provided to the Private Company.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared assuming that the Partnership will continue as a going concern. Prior to consummating the Settlement (as defined below), events of default existed under the Partnership's credit facility. As discussed in Note 5 to the financial statements, the Partnership entered into the Credit Agreement Amendment (as defined below in Note 5) under which, among other things, the lenders under the Partnership's credit facility consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement (as defined below in Note 5) and amendments thereto. Due to the events related to the Bankruptcy Filings, including decreased revenues in the Partnership's crude oil gathering and transportation and asphalt services segments, increased general and administrative expenses related to legal and financial advisors as well as other related costs, and uncertainties related to securities and other litigation, the Partnership continues to face uncertainties with respect to its ability to comply with covenants under its credit facility as discussed in the Partnership's annual report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (the "SEC") on July 2, 2009 (the "2008 Form 10-K") and as discussed below and in Note 13. These factors raise substantial doubt about the

Partnership's ability to continue as a going concern. Management's plans in regard to these matters are also discussed below and in Note 13. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The financial statements have been prepared in accordance with accounting principles and practices generally accepted in the United States of America ("GAAP").

Due to the previous common control of the Private Company and the Partnership, the acquisitions of fixed assets from the Private Company at or following the closing of the Partnership's initial public offering and prior to the Change of Control (as defined below) in July 2008 were recorded at the historical cost of the Private Company. All significant intercompany accounts and transactions have been eliminated in the preparation of the accompanying financial statements.

Prior to the close of its initial public offering in July 2007, the Partnership entered into a Throughput Agreement with the Private Company under which the Partnership provided crude oil gathering and transportation and terminalling and storage services to the Private Company. In connection with its February 2008 purchase of the Acquired Asphalt Assets, the Partnership entered into a Terminalling Agreement with the Private Company under which the Partnership provided liquid asphalt cement terminalling and storage and throughput services to the Private Company (see Note 8). In connection with the Settlement, the Private Company rejected the Throughput Agreement and the Terminalling Agreement as part of the Bankruptcy Cases.

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

Prior to the close of its initial public offering in July 2007, the Partnership entered into an Omnibus Agreement (the “Omnibus Agreement”) with the Private Company under which the Partnership reimbursed the Private Company for the provision of various general and administrative services for the Partnership’s benefit. The Omnibus Agreement was amended and restated in conjunction with the purchase of the Acquired Asphalt Assets in February 2008 (the “Amended Omnibus Agreement”) (see Note 7). The events related to the Bankruptcy Filings terminated the Private Company’s obligations to provide services to the Partnership under the Amended Omnibus Agreement. The Private Company continued to provide such services to the Partnership until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and the Private Company and the Partnership entered into the Shared Services Agreement (as defined below) and the Transition Services Agreement (as defined below) relating to the provision of such services.

On April 7, 2009, the Partnership and the Private Company executed definitive documentation relating to the settlement of certain matters between the Partnership and the Private Company, to be effective as of 11:59 PM CDT March 31, 2009 (the “Settlement”). The Settlement provided for the following, among other items:

- the Partnership transferred certain crude oil assets located in Kansas and northern Oklahoma to the Private Company. These transfers included real property and associated personal property at locations where the Private Company owned the pipeline. The Partnership retained certain access and connection rights to enable it to continue to operate its crude oil trucking business in such areas. In addition, the Partnership transferred our interests in the SCADA System, a crude oil inventory tracking system, to the Private Company (collectively, the “Transferred Settlement Assets”);
- the Private Company transferred to the Partnership (i) 355,000 barrels of crude oil line fill and tank bottoms, which are necessary for the Partnership to operate its crude oil tank storage operations and its Oklahoma and Texas crude oil pipeline systems, (ii) certain personal property located in Oklahoma, Texas and Kansas used in connection with the Partnership’s crude oil trucking business and (iii) certain real property located in Oklahoma, Kansas, Texas and New Mexico that was intended to be transferred in connection with the Partnership’s initial public offering (the “Crude Oil Assets”). In addition, the Private Company transferred certain asphalt processing assets that were connected to, adjacent to, or otherwise contiguous with the Partnership’s existing asphalt facilities and associated real property interests to the Partnership (the “Asphalt Assets”). The transfer of the Asphalt Assets in connection with the Settlement provides the Partnership with outbound logistics for its existing asphalt assets and, therefore, allows it to provide asphalt terminalling, storage and processing services to third parties;
- the Private Company rejected the Throughput Agreement and the Partnership and the Private Company entered into a new Throughput Agreement (the “New Throughput Agreement”) pursuant to which the Partnership provides certain crude oil gathering, transportation, terminalling and storage services to the Private Company;
- the Private Company rejected the Terminalling Agreement and the Partnership and the Private Company entered into a new Terminalling and Storage Agreement (the “New Terminalling Agreement”) pursuant to which the Partnership provides liquid asphalt cement terminalling and storage services for the Private Company’s remaining asphalt inventory;
- the Private Company rejected the Amended Omnibus Agreement and the Partnership and the Private Company entered into a Shared Services Agreement (the “Shared Services Agreement”) pursuant to which the Private Company provides certain operational services for the Partnership;

- the Partnership and the Private Company entered into a Transition Services Agreement (the “Transition Services Agreement”), pursuant to which the Private Company provides certain corporate, crude oil and asphalt transition services, in each case for a limited amount of time, to the Partnership;
- the Partnership offered employment to certain crude oil employees; and
- certain pre-petition claims by the Private Company and the Partnership were netted and waived.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Partnership accounted for the Settlement as an exchange of nonmonetary assets. Accordingly, the accounting for the Settlement was based upon the fair value of the assets the Partnership transferred to the Private Company. These assets included the Transferred Settlement Assets (fair value of \$5.5 million) and a receivable for March 2009 services provided to the Private Company (fair value of \$4.0 million). The fair value was allocated to the assets that the Partnership received in the Settlement, with \$7.5 million recorded to pipeline linefill and tank bottoms, \$1.7 million to the Asphalt Assets, and \$0.3 million to the received pipeline easements. The fair value of the Transferred Settlement Assets exceeded their book value, which resulted in the Partnership recording a gain of approximately \$2.6 million in the three months ended June 30, 2009. Please see “Item 15. Exhibits, Financial Schedules” and the Consolidated Financial Statements included therein in the Partnership’s annual report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (the “SEC”) on July 2, 2009 (the “2008 Form 10-K”) for a further discussion of the Settlement.

The Bankruptcy Filings and the events related thereto have had a significant impact upon the Partnership’s business and results of operations and may in the future impact it in various ways. These items include, among others: (i) the reconstitution of the Board and management in connection with a change of control that occurred in July 2008 (the “Change of Control”), (ii) the events of default that were triggered under the Partnership’s credit facility, the Forbearance Agreement and amendments thereto and the Credit Agreement Amendment that the Partnership entered into in order to waive such events of default, (iii) the uncertainty relating to and the rebuilding of the Partnership’s business to provide services to and derive revenues from third parties instead of relying upon the Private Company for substantially all of its revenues, (iv) the hiring of certain operational employees in connection with the Settlement and the rejection of the Amended Omnibus Agreement, (v) becoming a party to securities and other litigation as well as governmental investigations, (vi) being delisted from the Nasdaq Global Market, (vii) failing to make distributions for the second, third and fourth quarters of 2008 and the first, second and third quarters of 2009, and the expectation that the Partnership will not make a distribution for the fourth quarter of 2009, (viii) experiencing increased general and administrative expenses due to the costs related to legal and financial advisors as well as other related costs, (ix) experiencing increased interest expense as a result of the Forbearance Agreement and amendments thereto and the Credit Agreement Amendment and (x) the entering into the Settlement with the Private Company. Certain of these items are discussed in more detail below. In addition, please see “Item 15. Exhibits, Financial Schedules” and the Consolidated Financial Statements included therein in the 2008 Form 10-K for a further discussion of the impact of the Bankruptcy Filings upon the Partnership’s business.

The statements of operations for the three and nine months ended September 30, 2008 and 2009 and the statements of cash flows for the nine months ended September 30, 2008 and 2009 are unaudited. In the opinion of management, the unaudited interim financial statements have been prepared on the same bases as the audited financial statements and include all adjustments necessary to present fairly the financial position and results of operations for the respective interim periods. All adjustments are of a recurring nature unless otherwise disclosed herein. These consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the 2008 Form 10-K. Interim financial results are not necessarily indicative of the results to be expected for an annual period. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The Partnership has performed an evaluation of subsequent events through November 13, 2009, which is the date the financial statements in this quarterly report are filed on Form 10-Q.

3. RESTATEMENT

In March 2010, the Partnership concluded that it was necessary to restate its consolidated financial statements for the three and nine month periods ended September 30, 2009 to record additional interest expense of \$1.5 million and \$2.9 million for the three and nine month periods, respectively. The additional interest expense results from the application of the interest method of accounting, which requires that the interest rate used take into consideration all debt service payments that would be required over the estimated term of the debt. Such payments would include additional interest payments as specified in the Partnership's credit agreement. The agreement requires the Partnership to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively.

The Partnership has restated the consolidated financial statements in order to correct this error.

Changes in the notes to the consolidated financial statements have been made to reflect the corresponding impact of the restatement.

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The following table summarizes the effects of the restatement on the consolidated financial statements as of and for the three and nine month periods ended September 30, 2009 (in thousands):

	As of September 30, 2009		
	September 30, 2009 as previously reported	Adjustments	September 30, 2009 as restated
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,638	\$ —	\$ 5,638
Accounts receivable, net of allowance for doubtful accounts of \$554 and \$429 at December 31, 2008 and September 30, 2009, respectively	11,906	—	11,906
Receivables from related parties, net of allowance for doubtful accounts of \$0 for both dates	1,010	—	1,010
Prepaid insurance	3,461	—	3,461
Other current assets	1,691	—	1,691
Total current assets	23,706	—	23,706
Property, plant and equipment, net of accumulated depreciation of \$80,277 and \$95,002 at December 31, 2008 and September 30, 2009, respectively	277,942	—	277,942
Goodwill	6,340	—	6,340
Debt issuance costs	6,999	—	6,999
Other assets, net	1,847	—	1,847
Total assets	\$ 316,834	\$ —	\$ 316,834
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)			
Current liabilities:			
Accounts payable	\$ 4,767	\$ —	\$ 4,767
Payables to related parties	4,048	—	4,048
Accrued interest payable	3,403	2,884 (a)	6,287
Accrued property taxes payable	3,237	—	3,237
Interest rate swap settlements payable	129	—	129
Unearned revenue	4,888	—	4,888
Accrued payroll	4,338	—	4,338
Other accrued liabilities	2,752	—	2,752
Current portion of capital lease obligations	412	—	412
Total current liabilities	27,974	2,884	30,858
Long-term debt	422,499	—	422,499
Long-term capital lease obligations	—	—	—
Commitments and contingencies (Notes 4, 10 and 13)			
Partners' capital (deficit):			
Common unitholders (21,557,309 units issued and outstanding)	477,023	(1,784)	475,239

for both dates)

Subordinated unitholders (12,570,504 units issued and outstanding for both dates)	(287,205)	(1,042)	(288,247)
General partner interest (2.0% interest with 690,725 general partner units outstanding for both periods)	(323,457)	(58)	(323,515)
Total Partners' capital (deficit)	(133,639)	(2,884)	(136,523)
Total liabilities and Partners' capital (deficit)	\$ 316,834	\$ —	\$ 316,834

- (a) The Partnership did not properly accrue additional interest expense related to the additional interest payments specified in the Partnership's credit agreement. The agreement requires the Partnership to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively. As a result of this error, the Partnership recorded an additional \$1.5 million and \$2.9 million of accrued interest payable with a corresponding increase in interest expense to correct this error for the three and nine months ended September 30, 2009, respectively.

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	For the Three Months Ended September 30, 2009		
	September 30, 2009 as previously reported	Adjustments	September 30, 2009 as restated
Service revenue:			
Third party revenue	\$ 39,021	—	\$ 39,021
Related party revenue	998	—	998
Total revenue	40,019	—	40,019
Expenses:			
Operating	24,479	—	24,479
General and administrative	7,106	—	7,106
Total expenses	31,585	—	31,585
Operating income	8,434	—	8,434
Other expenses:			
Interest expense	11,242	1,507 (a)	12,749
Loss before income taxes	(2,808)	(1,507)	(4,315)
Provision for income taxes	51	—	51
Net loss	\$ (2,859)	(1,507)	\$ (4,366)
Allocation of net loss to limited and subordinated partners:			
General partner interest in net loss	\$ (57)	(30)	\$ (87)
Net loss allocable to limited and subordinated partners	\$ (2,802)	(1,477)	\$ (4,279)
Basic and diluted net loss per common unit	\$ (0.08)	(0.04)	\$ (0.12)
Basic and diluted net loss per subordinated unit	\$ (0.08)	(0.04)	\$ (0.12)
Weighted average common units outstanding - basic and diluted			
	21,557	—	21,557
Weighted average subordinated partners' units outstanding - basic and diluted			
	12,571	—	12,571

(a) The Partnership did not properly accrue additional interest expense related to the additional interest payments specified in the Partnership's credit agreement. The agreement requires the Partnership to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively. As a result of this error, the Partnership recorded an additional \$1.5 million and \$2.9 million of accrued interest payable with a corresponding increase in interest expense to correct this error for the three and nine months ended September 30, 2009, respectively.

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	For the Nine Months Ended September 30, 2009		
	September 30, 2009 as previously reported	Adjustments	September 30, 2009 as restated
Service revenue:			
Third party revenue	\$ 93,625	—	\$ 93,625
Related party revenue	26,077	—	26,077
Total revenue	119,702	—	119,702
Expenses:			
Operating	71,425	—	71,425
General and administrative	22,939	—	22,939
Total expenses	94,364	—	94,364
Gain on settlement transaction	2,585	—	2,585
Operating income	27,923	—	27,923
Other expenses:			
Interest expense	35,742	2,884 (a)	38,626
Loss before income taxes	(7,819)	(2,884)	(10,703)
Provision for income taxes	159	-	159
Net loss	\$ (7,978)	(2,884)	\$ (10,862)
Allocation of net loss to limited and subordinated partners:			
General partner interest in net loss	\$ (158)	(58)	\$ (216)
Net loss allocable to limited and subordinated partners	\$ (7,820)	(2,826)	\$ (10,646)
Basic and diluted net loss per common unit	\$ (0.23)	(0.07)	\$ (0.30)
Basic and diluted net loss per subordinated unit	\$ (0.23)	(0.07)	\$ (0.30)
Weighted average common units outstanding - basic and diluted			
	21,557	—	21,557
Weighted average subordinated partners' units outstanding - basic and diluted			
	12,571	—	12,571

(a) The Partnership did not properly accrue additional interest expense related to the additional interest payments specified in the Partnership's credit agreement. The agreement requires the Partnership to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively. As a result of this error, the Partnership recorded an additional \$1.5 million and \$2.9 million of accrued interest payable with a corresponding increase in interest expense to correct this error for the three and nine months ended September 30, 2009, respectively.

The restatement had no impact on net cash provided by operating activities, cash used in investing activities or cash used in financing activities for the three and nine months ended September 30, 2009.

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4. PROPERTY, PLANT AND EQUIPMENT

	Estimated Useful Lives (Years)	December 31, 2008	September 30, 2009
Land		\$ 15,065	\$ 15,430
Land improvements	10-20	5,366	5,408
Pipelines and facilities	5-31	95,010	97,610
Storage and terminal facilities	10-35	166,950	164,399
Transportation equipment	3-10	24,744	23,426
Office property and equipment and other	3-31	19,972	20,551
Pipeline linefill and tank bottoms		—	7,763
Construction-in-progress		37,659	38,357
Property, plant and equipment, gross		364,766	372,944
Accumulated depreciation		(80,277)	(95,002)
Property, plant and equipment, net		\$ 284,489	\$ 277,942

Property, plant and equipment includes assets under capital leases of \$1.2 million and \$0.5 million, net of accumulated depreciation of \$5.3 million and \$5.8 million at December 31, 2008 and September 30, 2009, respectively. All capital leases relate to the transportation equipment asset category. At September 30, 2009, \$37.1 million of construction-in-progress consists of the Eagle North Pipeline System, a 130-mile, 8-inch pipeline that was acquired by the Partnership from the Private Company on May 12, 2008. The Partnership expects to resume capital expenditures on this pipeline in the fourth quarter of 2009 and expects to incur an additional \$3.5 million to \$4.0 million in capital expenditures prior to placing this pipeline system in service at the end of the second quarter of 2010.

Depreciation expense for the nine months ended September 30, 2008 and September 30, 2009 was \$15.4 million and \$16.8 million, respectively.

5. LONG TERM DEBT

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

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The Partnership, its subsidiaries that are guarantors of the obligations under the credit facility, Wachovia Bank, National Association, as Administrative Agent, and the requisite lenders under the Partnership's credit agreement entered into the Consent, Waiver and Amendment to Credit Agreement (the "Credit Agreement Amendment"), dated as of April 7, 2009, under which, among other things, the lenders consented to the Settlement (see Note 2) and waived all existing defaults and events of default described in the Forbearance Agreement and amendments thereto.

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

The Credit Agreement Amendment subsequently further permanently reduced the Partnership's revolving credit facility under the credit agreement from \$220 million to \$50 million, and increased the term loan facility from \$250 million to \$400 million. Upon the execution of the Credit Agreement Amendment, \$150 million of the Partnership's outstanding revolving loans were converted to term loans and the Partnership became able to borrow additional funds under its revolving credit facility. Substantially all of the Partnership's assets are pledged as collateral under the Credit Agreement. Pursuant to the Credit Agreement Amendment, the credit facility and all obligations thereunder will mature on June 30, 2011. As of November 6, 2009, the Partnership had an aggregate unused credit availability under its revolving credit facility of approximately \$26.6 million. Pursuant to the Credit Agreement Amendment, the Partnership's revolving credit facility is limited to \$50.0 million. If any of the financial institutions that support the Partnership's revolving credit facility were to fail, it may not be able to find a replacement lender, which could negatively impact its ability to borrow under its revolving credit facility.

After giving effect to the Credit Agreement Amendment, amounts outstanding under the Partnership's credit facility bear interest at either the LIBOR rate plus 6.50% per annum, with a LIBOR floor of 3.00%, or the Base rate plus 5.50% per annum, with a Base rate floor of 4.00% per annum. The Partnership pays a fee of 1.50% per annum on unused commitments under its revolving credit facility. After giving effect to the Credit Agreement Amendment, interest on amounts outstanding under the Partnership's credit facility must be paid monthly. The Partnership's credit facility, as amended by the Credit Agreement Amendment, requires the Partnership to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively. In October 2009, the Partnership paid additional interest of \$2.3 million. During the nine months ended September 30, 2008 and 2009, the weighted average interest rate incurred by the Partnership was 5.90% and 12.0%, respectively.

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Among other things, the Partnership's credit facility, as amended by the Credit Agreement Amendment, requires the Partnership to make (i) minimum quarterly amortization payments on March 31, 2010 in the amount of \$2.0 million, June 30, 2010 in the amount of \$2.0 million, September 30, 2010 in the amount of \$2.5 million, December 31, 2010 in the amount of \$2.5 million and March 31, 2011 in the amount of \$2.5 million, (ii) mandatory prepayments of amounts outstanding under the revolving credit facility (with no commitment reduction) whenever cash on hand exceeds \$15.0 million, (iii) mandatory prepayments with 100% of asset sale proceeds, (iv) mandatory prepayment with 50% of the proceeds raised through equity sales and (v) annual prepayments with 50% of excess cash flow (as defined in the Credit Agreement Amendment). The Partnership's credit facility, as amended by the Credit Agreement Amendment, prohibits the Partnership from making draws under the revolving credit facility if it would have more than \$15.0 million of cash on hand after making the draw and applying the proceeds thereof. Based on borrowings under the credit facility as of September 30, 2009, the Partnership estimates a final principal repayment of \$411.0 million in 2011 in connection with the June 30, 2011 maturity of all obligations under the credit facility. Based on the borrowing rates currently available to the Partnership for debt with similar terms and maturities and consideration of the Partnership's non-performance risk, long-term debt at September 30, 2009 approximates its fair value.

Under the credit agreement, the Partnership is subject to certain limitations, including limitations on its ability to grant liens, incur additional indebtedness, engage in a merger, consolidation or dissolution, enter into transactions with affiliates, sell or otherwise dispose of its assets (other than the sale or other disposition of the assets of the asphalt business, provided that such disposition is at arm's length to a non-affiliate for fair market value in exchange for cash and the proceeds of the disposition are used to pay down outstanding loans), businesses and operations, materially alter the character of its business, and make acquisitions, investments and capital expenditures. The credit agreement prohibits the Partnership from making distributions of available cash to its unitholders if any default or event of default (as defined in the credit agreement) exists. The credit agreement, as amended by the Credit Agreement Amendment, requires the Partnership to maintain a leverage ratio (the ratio of its consolidated funded indebtedness to its consolidated adjusted EBITDA, in each case as defined in the credit agreement), determined as of the last day of each month for the twelve month period ending on the date of determination, that ranges on a monthly basis from not more than 5.50 to 1.00 to not more than 9.75 to 1.00. In addition, pursuant to the Credit Agreement Amendment, the Partnership's ability to make acquisitions and investments in unrestricted subsidiaries is limited and the Partnership may only make distributions if its leverage ratio is less than 3.50 to 1.00 and certain other conditions are met. As of September 30, 2009, the Partnership's leverage ratio was 6.02 to 1.00, which is in compliance with the covenant specified in the Partnership's credit facility. However, if the Partnership's leverage ratio does not improve, it may not make quarterly distributions to its unitholders in the future.

The credit agreement, as amended by the Credit Agreement Amendment, also requires the Partnership to maintain an interest coverage ratio (the ratio of its consolidated EBITDA to its consolidated interest expense, in each case as defined in the credit agreement) that ranges on a monthly basis from not less than 2.50 to 1.00 to not less than 1.00 to 1.00. As of September 30, 2009, the Partnership's interest coverage ratio was 1.78 to 1.00, which is in compliance with the covenant specified in the Partnership's credit facility.

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

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

due date, failure to perform or otherwise comply with the covenants in the credit agreement, failure of any representation or warranty to be true and correct in any material respect, failure to pay debt, and other customary defaults. In addition, a change of control of the Partnership or the Partnership's general partner will be an event of default under the credit agreement. If an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity of the credit agreement and exercise other rights and remedies, including taking available cash in the Partnership's bank accounts. If an event of default exists and the Partnership is unable to obtain forbearance from its lenders or a waiver of the events of default under its credit agreement, it may be forced to sell assets, make a bankruptcy filing or take other action that could have a material adverse effect on its business, the price of its common units and its results of operations. The Partnership is also prohibited from making cash distributions to its unitholders while the events of default exist.

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Interest expense related to debt issuance cost amortization for the three month periods ended September 30, 2008 and 2009 was \$0.4 million and \$1.0 million, respectively, and was \$0.6 million and \$5.3 million for the nine month periods ended September 30, 2008 and 2009, respectively. Interest expense in the three months ended March 31, 2009 includes \$0.4 million of debt issuance cost amortization expense attributable to 2008, which is not material to the 2008 or 2009 financial statements. In connection with the Forbearance Agreement and amendments thereto and the Credit Agreement Amendment, \$1.4 million and \$8.8 million in debt issuance costs were capitalized in March 2009 and April 2009, respectively.

The Partnership is exposed to market risk for changes in interest rates related to its credit facility. Interest rate swap agreements were previously used to manage a portion of the exposure related to changing interest rates by converting floating-rate debt to fixed-rate debt. In August 2007 the Partnership entered into interest rate swap agreements with an aggregate notional value of \$80.0 million that mature on August 20, 2010. Under the terms of the interest rate swap agreements, the Partnership was to pay fixed rates of 4.9% and receive three-month LIBOR with quarterly settlement. In March 2008 the Partnership entered into interest rate swap agreements with an aggregate notional value of \$100.0 million that mature on March 31, 2011. Under the terms of the interest rate swap agreements, the Partnership was to pay fixed rates of 2.6% to 2.7% and receive three-month LIBOR with quarterly settlement. The interest rate swaps did not receive hedge accounting treatment. Changes in the fair value of the interest rate swaps were recorded in interest expense in the statements of operations. In addition, the interest rate swap agreements contained cross-default provisions to events of default under the credit agreement. Due to events related to the Bankruptcy Filings, all of these interest rate swap positions were terminated in the third quarter of 2008, and the Partnership recorded a \$1.5 million liability at September 30, 2008 with respect to these positions. As of November 6, 2009, the Partnership's remaining interest rate swap liability is \$0.1 million.

6. NET INCOME PER LIMITED PARTNER UNIT

On January 1, 2009, the Partnership adopted a new accounting method for the presentation of net income per limited partner unit for Master Limited Partnerships. Under the new accounting methodology, the excess of distributions over earnings or excess of earnings over distributions for each period are allocated to the entities' general partner based on the general partner's ownership interest at the time. The Partnership has retrospectively applied this new accounting method to the three and nine months ended September 30, 2008. Until January 1, 2009, the Partnership's accounting practice, for purposes of calculating earnings per unit, was to allocate net income (loss) to the general partner based on the general partner's share of total or pro forma distributions, as applicable, including incentive distribution rights. The adoption of this new accounting method did not materially impact the Partnership's financial position, results of operations or cash flows. The following sets forth the computation of basic and diluted net income (loss) per common and subordinated unit (in thousands, except per unit data):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2009 (Restated)	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2009 (Restated)
Net income (loss)	\$ (11,851)	\$ (4,366)	\$ 19,503	\$ (10,862)
Less: General partner interest in net income (loss)	(237)	(87)	3,681	(216)
Net income (loss) available to limited and subordinated partners	\$ (11,614)	\$ (4,279)	\$ 15,822	\$ (10,646)

Basic and diluted weighted average number of units:				
Common units	21,426	21,557	20,015	21,557
Subordinated units	12,571	12,571	12,571	12,571
Restricted and phantom units	641	480	552	472
Basic and diluted net income (loss) per common unit				
	\$ (0.33)	\$ (0.12)	\$ 0.50	\$ (0.30)
Basic and diluted net income (loss) per subordinated unit				
	\$ (0.33)	\$ (0.12)	\$ 0.50	\$ (0.30)

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The difference between the amounts of net income allocated to the limited and general partners and the related earnings per unit calculations under the new accounting methodology and the Partnership's previous accounting methodology for the three and nine months ended September 30, 2008 is provided in the table below:

	(in thousands, except per unit amounts)		
	Current Accounting Methodology	As Previously Reported	Difference
Three Months Ended September 30, 2008			
General partner interest in net income	\$ (237)	\$ (237)	\$ —
Net income available to limited and subordinated partners	(11,614)	(11,614)	—
	\$ (11,851)	\$ (11,851)	\$ —
Basic and diluted weighted average number of units:			
Common units	21,426	21,426	—
Subordinated units	12,571	12,571	—
Restricted and phantom units	641	641	—
Basic and diluted net income per common unit	\$ (0.33)	\$ (0.33)	\$ —
Basic and diluted net income per subordinated unit	\$ (0.33)	\$ (0.33)	\$ —
Nine Months Ended September 30, 2008			
General partner interest in net income	\$ 3,681	\$ 3,368	\$ 313
Net income available to limited and subordinated partners	15,822	16,135	(313)
	\$ 19,503	\$ 19,503	\$ —
Basic and diluted weighted average number of units:			
Common units	20,015	20,015	—
Subordinated units	12,571	12,571	—
Restricted and phantom units	552	552	—
Basic and diluted net income per common unit	\$ 0.50	\$ 0.51	\$ (0.01)
Basic and diluted net income per subordinated unit	\$ 0.50	\$ 0.51	\$ (0.01)

7. PARTNERS' CAPITAL AND DISTRIBUTIONS

The Partnership has not made a distribution to its common unitholders, subordinated unitholders or general partner since May 15, 2008 due to the events of default that existed under its credit agreement, restrictions under the credit agreement, and the uncertainty of its future cash flows relating to the Bankruptcy Filings. The Partnership's unitholders will be required to pay taxes on their share of the Partnership's taxable income even though they did not receive a distribution for the quarters ended June 30, 2008, September 30, 2008, December 31, 2008, March 31, 2009 or June 30, 2009 and will not receive a distribution for the quarter ended September 30, 2009. In addition, the Partnership does not currently expect to make a distribution relating to operations during the fourth quarter of 2009. Pursuant to the Credit Agreement Amendment, the Partnership is prohibited from making distributions to its unitholders if its leverage ratio (as defined in the credit agreement) exceeds 3.50 to 1.00. As of September 30, 2009, the Partnership's leverage ratio was 6.02 to 1.00. If the Partnership's leverage ratio does not improve, it may not make quarterly distributions to its unitholders in the future. The Partnership's partnership agreement provides that, during the subordination period, which the Partnership is currently in, the Partnership's common units will have the right to

receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of \$0.3125 per common unit per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. After giving effect to the nonpayment of distributions for the quarters ended June 30, 2008, September 30, 2008, December 31, 2008, March 31, 2009, June 30, 2009 and September 30, 2009, each common unit was entitled to an arrearage of \$1.88, or total arrearages for all common units of \$40.7 million based upon 21,702,309 common units outstanding as of November 6, 2009.

As a result of the Private Company's control of the Partnership's general partner, consideration paid in excess of the historical cost of the Acquired Asphalt Assets, Acquired Pipeline Assets, and Acquired Storage Assets (which were acquired from the Private Company prior to the Change of Control) were treated as distributions to the Private Company. This resulted in an aggregate reduction in partners' capital of \$317.1 million and negative partners' capital of \$136.5 million as of September 30, 2009.

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8. RELATED PARTY TRANSACTIONS

Prior to the close of its initial public offering in July 2007, the Partnership entered into the Throughput Agreement with the Private Company. For the three month periods ended September 30, 2008 and 2009, the Partnership recognized revenue of \$17.2 million and \$0.9 million, respectively, under the Throughput Agreement, and for the nine month periods ended September 30, 2008 and 2009, the Partnership recognized revenue of \$73.4 million and \$4.1 million, respectively, under the Throughput Agreement.

In conjunction with the purchase of the Acquired Asphalt Assets in February 2008, the Partnership entered into the Terminalling Agreement with the Private Company. For the nine month periods ended September 30, 2008 and 2009, the Partnership recognized revenue of \$49.1 million and \$21.8 million, respectively, under the Terminalling Agreement, including fuel reimbursement revenues related to fuel and power consumed to operate its liquid asphalt cement storage tanks.

Based on the minimum requirements under the Throughput Agreement and the Terminalling Agreement, the Private Company was obligated to pay the Partnership an aggregate minimum monthly fee totaling \$135 million annually for the Partnership's gathering and transportation services and the Partnership's terminalling and storage services. Pursuant to an order of the Bankruptcy Court entered on September 9, 2008, the Private Company began making payments under the Throughput Agreement at a market rate based upon the Private Company's actual usage rather than the contractual minimums. In connection with the Settlement, the Private Company rejected the Throughput Agreement and the Terminalling Agreement as part of its Bankruptcy Cases (see Note 2).

In connection with the Settlement, the Partnership and the Private Company entered into various agreements including the New Throughput Agreement pursuant to which the Partnership provides certain crude oil gathering, transportation, terminalling and storage services to the Private Company and the New Terminalling Agreement pursuant to which the Partnership provides certain liquid asphalt cement terminalling and storage services for the Private Company's remaining asphalt inventory. For a further discussion of these agreements, and the other agreements entered into in connection with the Settlement, please see Note 2 herein and "Item 15. Exhibits, Financial Schedules" and the Consolidated Financial Statements included therein in the 2008 Form 10-K.

As of December 31, 2008 and September 30, 2009, the Partnership had \$18.9 million and \$1.0 million, respectively, in receivables from the Private Company and its subsidiaries, including the pre-petition receivables of \$10.5 million as of December 31, 2008. The \$10.5 million relates to amounts that were due from the Private Company as of December 31, 2008 and are considered pre-petition debt in the Bankruptcy Cases. In connection with the Settlement, pre-petition related party receivables were netted against pre-petition related party payables of \$10.6 million and waived in April 2009 (see Note 2).

Prior to the Bankruptcy Filings, the Partnership paid the Private Company a fixed administrative fee for providing general and administrative services to the Partnership. This fixed administrative fee was initially fixed at \$5.0 million per year through July 2010. Concurrently with the closing of the purchase of the Acquired Asphalt Assets in February of 2008, the Partnership amended and restated the Omnibus Agreement, increasing the fixed administrative fee the Partnership paid the Private Company for providing general and administrative services to the Partnership from \$5.0 million per year to \$7.0 million per year. For the nine month periods ended September 30, 2008 and 2009, the Partnership recorded general and administrative expenses of \$5.0 million and \$1.8 million, respectively, for the services provided under the Omnibus Agreement. The obligation for the Private Company to provide services under the Amended Omnibus Agreement and the corresponding administrative fee payable by the Partnership were

terminated in connection with the events related to the Change of Control. The Private Company continued to provide such services to the Partnership until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and the Private Company and the Partnership entered into the Shared Services Agreement and the Transition Services Agreement relating to the provision of such services (see Note 2). In addition, in connection with the Settlement, the Private Company waived the fixed administrative fee payable by the Partnership under the Amended Omnibus Agreement for the month of March 2009 (see Note 2).

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Prior to entering into the Shared Services Agreement, the Partnership also reimbursed the Private Company for direct operating payroll and payroll-related costs and other operating costs associated with services the Private Company's employees provided to the Partnership. For the nine month periods ended September 30, 2008 and 2009, the Partnership recorded \$21.6 million and \$7.8 million, respectively, in compensation costs and \$2.3 million and \$0.6 million, respectively, in other operating costs related to services provided by the Private Company's employees which are reflected as operating expenses in the accompanying statement of operations. As of December 31, 2008 and September 30, 2009, respectively, the Partnership had \$20.1 million and \$2.8 million in payables to the Private Company and its subsidiaries, including the pre-petition payables of \$10.6 million at December 31, 2008. Pursuant to the Settlement, these pre-petition related party payables were netted against pre-petition related party receivables and waived in April 2009 (see Note 2). After the effective date of the Settlement, these costs are reimbursed pursuant to the Shared Services Agreement and the Transition Services Agreement (see Note 2). In addition, in connection with the Settlement, the Private Company waived the direct operational costs attributable to the Partnership's asphalt operations and payable by the Partnership under the Amended Omnibus Agreement for the month of March 2009 (see Note 2).

During the nine months ended September 30, 2009, the Partnership provided crude oil gathering and transportation services to an entity on whose board of directors a member of the Board serves. The Partnership earned revenue of \$3.5 million for services it provided to this entity in the nine months ended September 30, 2009, and as of September 30, 2009 the Partnership has a \$0.8 million receivable from this entity.

On November 5, 2009, the Partnership was notified by Manchester Securities Corp. ("Manchester"), which controls the Partnership's general partner, that Manchester was seeking reimbursement of certain expenses of approximately \$1.3 million that it stated were incurred for the benefit of the Partnership and as such were reimbursable under the provisions of the partnership agreement of the Partnership. Subsequently, the Partnership requested and received information submitted by Manchester supporting the claim and, accordingly, the Partnership has accrued approximately \$1.3 million of expenses in the three months ended September 30, 2009.

9. LONG-TERM INCENTIVE PLAN

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

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

In July 2007, 475,000 phantom common units and 5,000 restricted common units were granted which vest ratably over periods of four and three years, respectively. In October 2007, 5,000 restricted common units were granted which vest ratably over three years. In June 2008, 375,000 phantom common units were granted which vest ratably over three years. In July 2008, 5,000 restricted common units were granted which vest ratably over three years. These

grants are equity awards and, accordingly, the fair value of the awards as of the grant date is expensed over the vesting period. The weighted average grant date fair-value of the awards granted in 2007 and 2008 is \$22.06 per unit and \$25.86 per unit, respectively. The value of these award grants was approximately \$10.5 million, \$0.1 million, \$0.1 million, \$9.8 million and \$0.1 million on their grant dates, respectively. Due to the Change of Control related to the Private Company's liquidity issues, all outstanding awards as of July 18, 2008 vested. On August 14, 2008, 282,309 common units were issued in connection with the vesting of certain of the outstanding awards. In October 2009, 145,000 common units were issued in connection with the vesting of certain of the outstanding awards due to the Change of Control related to the Private Company's liquidity issues.

In addition, in December 2008 the Plan was amended to provide for the delivery of subordinated units in addition to common units upon vesting and 3,333 restricted common units and 1,667 restricted subordinated units were awarded under the Plan. In April 2009, the 1,667 restricted subordinated units previously awarded to Duke R. Ligon were cancelled and were replaced by a grant of 1,667 restricted common units. The restricted common units granted to Mr. Ligon vest in one-third increments over a three-year period. In March 2009, 30,000 phantom common units were granted which vest in one-third increments over three years. The weighted average grant date fair value of the awards granted in 2008 and 2009 that are outstanding as of November 6, 2009 is \$2.45 per unit and \$2.25 per unit, respectively. The Partnership's equity-based incentive compensation expense for the nine months ended September 30, 2008 and 2009 was approximately \$19.4 million and \$0, respectively.

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10. COMMITMENTS AND CONTINGENCIES

The Partnership is subject to various legal actions and claims, including a securities class action and other lawsuits, an SEC investigation and a Grand Jury investigation due to events related to the Bankruptcy Filings (see “Item 15. Exhibits, Financial Schedules” and the Consolidated Financial Statements included therein in the 2008 Form 10-K). The Partnership intends to vigorously defend these actions. There can be no assurance regarding the outcome of the litigation. An estimate of possible loss, if any, or the range of loss cannot be made and therefore the Partnership has not accrued a loss contingency related to these actions.

The Partnership is from time to time subject to various legal actions and claims incidental to its business, including those arising out of environmental-related matters. As described in Part I, “Item 1A. Risk Factors” of the Partnership’s 2008 Form 10-K and in Part II, “Item 1A. Risk Factors” of the Partnership’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, these legal proceedings may have a material adverse effect on the financial position, results of operations or cash flows of the Partnership. Once management determines that information pertaining to a legal proceeding indicates that it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated, an accrual is established equal to its estimate of the likely exposure. The Partnership did not have an accrual for legal settlements as of December 31, 2008 or September 30, 2009.

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

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

11. OPERATING SEGMENTS

The Partnership’s operations consist of three operating segments: (i) crude oil terminalling and storage services, (ii) crude oil gathering and transportation services and (iii) asphalt services. Historically, management evaluated the

performance of the Partnership's operations by aggregating both the crude oil terminalling and storage operating segment and the asphalt services operating segment due to both segments having the same primary customer (the Private Company) and similar service contracts. As a result of the Bankruptcy Filings, the services provided by these operating segments are no longer for the same customer base nor are they based on contracts with similar provisions. As a result, the Partnership has three reportable segments as follows:

CRUDE OIL TERMINALLING AND STORAGE SERVICES — The Partnership provides crude oil terminalling and storage services at its terminalling and storage facilities located in Oklahoma and Texas.

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

ASPHALT SERVICES —The Partnership provides liquid asphalt cement and residual fuel terminalling, storage and blending services at its terminalling and storage facilities located in twenty-three states. In addition, the Partnership leases certain of its terminalling and storage facilities to third parties.

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

The following table reflects certain financial data for each segment for the periods indicated. For the three and nine month periods ended September 30, 2008, segment information has been recast to reflect the change in segment presentation adopted at December 31, 2008:

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	Crude Terminalling and Storage	Crude Gathering and Transportation (in thousands)	Asphalt Terminalling and Storage	Total
Three Months Ended September 30, 2008				
Service revenue				
Third party revenue	\$ 4,661	\$ 10,910	\$ —	\$ 15,571
Related party revenue	6,666	10,668	20,889	38,223
Total revenue for reportable segments	11,327	21,578	20,889	53,794
Operating expenses (excluding depreciation and amortization)	(58)	14,413	7,199	21,554
Operating margin (excluding depreciation and amortization)	11,385	7,165	13,690	32,240 (1)
Total assets (end of period)	85,691	102,462	160,960	349,113
Three Months Ended September 30, 2009				
Service revenue				
Third party revenue	\$ 10,286	\$ 13,254	\$ 15,481	\$ 39,021
Related party revenue	715	279	4	998
Total revenue for reportable segments	11,001	13,533	15,485	40,019
Operating expenses (excluding depreciation and amortization)	439	12,542	5,854	18,835
Operating margin (excluding depreciation and amortization)	10,562	991	9,631	21,184 (1)
Total assets (end of period)	76,838	97,872	142,124	316,834
Nine Months Ended September 30, 2008				
Service revenue				
Third party revenue	\$ 5,672	\$ 20,548	\$ 2	\$ 26,222
Related party revenue	26,361	47,628	49,073	123,062
Total revenue for reportable segments	32,033	68,176	49,075	149,284
Operating expenses (excluding depreciation and amortization)	1,848	45,891	17,080	64,819
Operating margin (excluding depreciation and amortization)	30,185	22,285	31,995	84,465 (1)
Total assets (end of period)	85,691	102,462	160,960	349,113
Nine Months Ended September 30, 2009				
Service revenue				

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Third party revenue	\$ 30,604	\$ 41,391	\$ 21,630	\$ 93,625
Related party revenue	2,571	1,689	21,817	26,077
Total revenue for reportable segments	33,175	43,080	43,447	119,702
Operating expenses (excluding depreciation and amortization)	1,843	38,364	14,163	54,370
Gain on settlement transaction	(2,585)	—	—	(2,585)
Operating margin (excluding depreciation and amortization)	33,917	4,716	29,284	67,917 (1)
Total assets (end of period)	76,838	97,872	142,124	316,834

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

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	2008	(Restated)	2008	(Restated)
Operating margin (excluding depreciation and amortization)	\$32,240	\$21,184	\$84,465	\$67,917
Depreciation and amortization	5,814	5,644	15,586	17,055
General and administrative expenses	27,177	7,106	33,244	22,939
Interest expense	11,041	12,749	15,905	38,626
Income (loss) before income taxes	\$(11,792)	\$(4,315)	\$19,730	\$(10,703)

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12. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2009, the Financial Accounting Standards Board (“FASB”) established the FASB Accounting Standards Codification (“Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While the Codification does not change GAAP, it does change the manner in which the Partnership references authoritative accounting principles in its consolidated financial statements. The Codification is effective for this Quarterly Report.

On April 1, 2009, the Partnership adopted a new accounting standard related to subsequent events. The standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The standard provides:

- The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements;
- The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and
- The disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

On April 2, 2009, the Partnership adopted a new accounting standard that requires an entity to provide disclosures about fair value of financial instruments in interim financial information. Under the standard, the Partnership is required to include disclosures about the fair value of its financial instruments whenever it issues financial information for interim reporting periods. In addition, the Partnership is required to disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position. This standard did not materially impact the Partnership’s financial position, results of operations, or cash flows.

13. SUBSEQUENT EVENTS

Sale of the Partnership’s General Partner

On October 8, 2009, the Partnership announced that Manchester has entered into an agreement with Vitol, Inc. (“Vitol”) pursuant to which Vitol will acquire 100% of the membership interests in SemGroup Energy Partners G.P., L.L.C., the Partnership’s general partner, and the Partnership’s subordinated units (the “Vitol Change of Control”). The agreement is subject to a number of customary closing conditions and approvals, including consent from the Partnership’s lenders under its credit agreement.

If the Vitol Change of Control is consummated, 30,000 outstanding phantom unit awards and 5,000 outstanding restricted unit awards under the Plan will vest and the executives of the Partnership’s general partner will be entitled to certain payments under the SemGroup Energy Partners G.P., L.L.C. 2009 Executive Cash Bonus Plan. In addition, if the Vitol Change of Control is consummated, it will constitute a change of control under the employment agreements of the Partnership’s named executive officers. See Part III, “Item 11. Executive Compensation” of the Partnership’s 2008 Form 10-K for a description of potential payments that may be made in connection with a change of control of the Partnership or the Partnership’s general partner.

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Transfer of Certain Assets to Subsidiary Taxed as a Corporation

The Partnership has entered into new storage contracts and leases with third party customers with respect to substantially all of its asphalt facilities. At the time of entering into such agreements, it was unclear under current tax law as to whether the rental income from the leases, and whether the fees attributable to certain of the processing services the Partnership provides under certain of the storage contracts, constitute “qualifying income.” In the second quarter of 2009, the Partnership submitted a request for a ruling from the IRS that rental income from the leases constitutes “qualifying income.” In October 2009, the Partnership received a favorable ruling from the IRS. As part of this ruling, however, the Partnership has agreed to transfer certain of its asphalt processing assets and related fee income, to a subsidiary taxed as a corporation. Such subsidiary will be required to pay federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and will likely pay state (and possibly local) income tax at varying rates. Distributions from such subsidiary will generally be taxed again to unitholders as corporate distributions and none of the income, gains, losses, deductions or credits of such subsidiary will flow through to the Partnership’s unitholders. If a material amount of entity-level taxes are incurred by such subsidiary, then the Partnership’s cash available for distribution to its unitholders could be substantially reduced. The Partnership does not anticipate future entity-level taxes incurred by such subsidiary to be significant.

Litigation

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

1. Poelman v. SemGroup Energy Partners, L.P., et al., Civil Action No. 08-CV-6477, in the United States District Court for the Southern District of New York (filed July 21, 2008). The plaintiff voluntarily dismissed this case on August 26, 2008;
2. Carson v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-425, in the Northern District of Oklahoma (filed July 22, 2008);
3. Charles D. Maurer SIMP Profit Sharing Plan f/b/o Charles D. Maurer v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-6598, in the United States District Court for the Southern District of New York (filed July 25, 2008);
4. Michael Rubin v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7063, in the United States District Court for the Southern District of New York (filed August 8, 2008);
5. Dharam V. Jain v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7510, in the United States District Court for the Southern District of New York (filed August 25, 2008); and
6. William L. Hickman v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7749, in the United States District Court for the Southern District of New York (filed September 4, 2008).

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

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

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

On July 22, 2009, all of the defendants filed motions to dismiss the amended complaint. The lead plaintiff filed a response in opposition to the defendants’ motion to dismiss on September 1, 2009. On October 8, 2009, the defendants filed a reply in support of their motion to dismiss. The lead plaintiff filed a supplemental opposition to the defendants’ motion to dismiss on October 29, 2009. The defendants’ motion to dismiss is currently pending before the court.

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

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

On July 8, 2009, the nine executives filed suit against our general partner in Tulsa County district court claiming they are entitled to recover the value of phantom units purportedly due them under the Phantom Unit Agreement. The claimants assert claims against our general partner for alleged failure to pay wages and breach of contract and seek to recover the alleged value of units in the total amount of approximately \$1.3 million, plus additional damages and attorneys’ fees. The Partnership has distributed phantom units to certain of the claimants, but the litigation remains pending.

The Official Committee of Unsecured Creditors of SemCrude, L.P. ("Unsecured Creditors Committee") filed an adversary proceeding in connection with the Bankruptcy Cases against Mr. Kivisto, Gregory C. Wallace and Westback Purchasing Company, L.L.C., a limited liability trading partnership that Mr. Kivisto owned and controlled. In that proceeding, filed February 18, 2009, the Unsecured Creditors Committee asserted various claims against the defendants on behalf of the Private Company's bankruptcy estate, including claims based upon theories of fraudulent transfer, breach of fiduciary duties, waste, breach of contract, and unjust enrichment. On June 8, 2009, the Unsecured Creditors Committee filed a Second Amended Complaint asserting additional claims against Kevin L. Foxx and Alex G. Stallings, among others, based upon certain findings and recommendations in the Examiner's Report (see Part I, Item 1 of this quarterly report and "Item 1. Business—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Examiner" in the 2008 Form 10-K). The claims against Mr. Foxx are based upon theories of fraudulent transfer, unjust enrichment, and breach of fiduciary duty with respect to certain bonus payments received from the Private Company, and other claims of breach of fiduciary duty and breach of contract are also alleged against Messrs. Foxx and Stallings in the amended complaint. On October 6, 2009, the Unsecured Creditors Committee filed a Third Amended Complaint which, among other things, asserts additional fraudulent transfer and waste claims and additional breach of fiduciary duty allegations against Messrs. Foxx and Stallings. Messrs. Foxx and Stallings have informed us that they intend to vigorously defend these claims.

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On July 24, 2009, the Partnership filed suit against Navigators Insurance Company (“Navigators”) and Darwin National Assurance Company (“Darwin”) in Tulsa County district court. In that suit, the Partnership is seeking a declaratory judgment that Darwin and Navigators did not have the right to rescind binders issued to the Partnership for two excess insurance policies in our Directors and Officers insurance program for the period from July 18, 2008 to July 18, 2009. The face amount of each policy was \$10,000,000. The suit seeks a declaratory judgment that the binders were enforceable insurance contracts of Navigators and Darwin that have not been rescinded or cancelled. The suit also alleges that the attempted rescissions were in breach of contract and violated the duty of good faith and fair dealing, for which the Partnership is seeking the recovery of damages and attorneys fees. Navigators and Darwin have answered the petition and the parties are engaged in discovery.

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

Continuing Effects of the Bankruptcy Filings

In addition to the items described above and in “Item 15. Exhibits, Financial Schedules” and the Consolidated Financial Statements included therein in the 2008 Form 10-K, the Bankruptcy Filings have had and may in the future continue to have a number of other impacts on the Partnership’s business and management. In the Amended Omnibus Agreement and other agreements with the Private Company, the Private Company agreed to indemnify the Partnership for certain environmental and other claims relating to the crude oil and liquid asphalt cement assets that have been contributed to the Partnership. In connection with the Settlement, the Partnership waived these claims and the Amended Omnibus Agreement and other relevant agreements, including the indemnification provisions therein, were rejected as part of the Bankruptcy Cases. If the Partnership experiences an environmental or other loss, it would experience increased losses that may have a material adverse effect on the Partnership’s business, financial condition, results of operations, cash flows, ability to make distributions to its unitholders, the trading price of its common units and its ability to conduct its business.

The Partnership is currently pursuing entering into additional crude oil gathering and transportation contracts with third parties. The uncertainty relating to the Bankruptcy Filings and the recent global market and economic conditions may make it more difficult to enter into service contracts with third party customers.

In addition, general and administrative expenses (exclusive of non-cash compensation expense related to the vesting of the units under the Plan - see Note 9) increased by approximately \$6.4 million, \$4.8 million and \$4.8 million, or approximately 278%, 209% and 209%, to approximately \$8.7 million for the first quarter of 2009, \$7.1 million for the second quarter of 2009 and \$7.1 million for the third quarter of 2009, respectively, compared to \$2.3 million in the second quarter of 2008. This increase is due to increased costs related to legal and financial advisors as well as other related costs in connection with events related to the Bankruptcy Filings, the securities litigation and governmental investigations, and the Partnership’s efforts to enter into storage contracts with third party customers and pursue

strategic opportunities. The Partnership expects this increased level of general and administrative expenses to continue for the remainder of 2009 and into 2010.

The Partnership has also experienced increased interest expenses and other costs due to the events of default that existed under the Partnership's credit agreement and the entering into the Forbearance Agreement, the amendments thereto and the Credit Agreement Amendment. Please see "Item 2.— Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" for a discussion of these agreements and the associated expenses.

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

Confirmation of the Private Company's Reorganization Plan

By order dated October 28, 2009, the Bankruptcy Court confirmed the Private Company's reorganization plan. Pursuant to this reorganization plan, the Private Company expects to exit bankruptcy during the fourth quarter of 2009 and become a publicly traded company in 2010. The Partnership expects that the reorganized Private Company will compete with the Partnership's crude oil terminalling and storage operations and the Partnership's crude oil gathering and transportation operations. For a discussion of certain risks related the Partnership's relationship with the Private Company, including risks relating to competition and the Partnership's reliance upon the Private Company for certain shared services, please see Part I, "Item 1A. Risk Factors" in the Partnership's 2008 Form 10-K.

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

As used in this quarterly report, unless we indicate otherwise: (1) "SemGroup Energy Partners," "our," "we," "us" and similar terms refer to SemGroup Energy Partners, L.P., together with our subsidiaries and (2) the "Private Company" refers to SemGroup, L.P. and its subsidiaries and affiliates (other than our general partner and us). The following discussion analyzes the historical financial condition and results of operations of the Partnership and should be read in conjunction with our financial statements and notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations presented in our Annual Report on Form 10-K for the year ended December 31, 2008.

Restatement

As discussed in Note 3 to the consolidated financial statements included in "Part I. Item 1. Financial Statements," above, we have restated the consolidated financial statements for the three and nine month periods ended September 30, 2009. Changes in this management discussion and analysis have been made to reflect the corresponding impact of the restatement.

Forward-Looking Statements

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

Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of the filing of this report. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, no assurance can be given that these expectations will prove to be correct. Important factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include, among other things, those set forth in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the Securities and Exchange Commission (the "SEC") on July 2, 2009 (the "2008 Form 10-K"), and those set forth in Part II, "Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, which was filed with the SEC on August 24, 2009.

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

Overview

We are a publicly traded master limited partnership with operations in twenty-three states. We provide integrated terminalling, storage, gathering and transportation services for companies engaged in the production, distribution and marketing of crude oil and liquid asphalt cement. We manage our operations through three operating segments: (i) crude oil terminalling and storage services, (ii) crude oil gathering and transportation services and (iii) asphalt services. We were formed in February 2007 as a Delaware master limited partnership initially to own, operate and develop a diversified portfolio of complementary midstream energy assets.

From our formation until the Settlement (as defined below), we relied on the Private Company for a substantial portion of our revenues, which were derived from services provided to the finished asphalt product processing and marketing operations of the Private Company pursuant to the Terminalling and Storage Agreement (the “Terminalling Agreement”) and from services provided to the crude oil purchasing, marketing and distribution operations of the Private Company pursuant to the Throughput Agreement (the “Throughput Agreement”). Additionally, during that time period, we paid the Private Company a fixed administrative fee for the provision by the Private Company of various general and administrative services to us pursuant to the Amended and Restated Omnibus Agreement between us and the Private Company (the “Amended Omnibus Agreement”).

On July 22, 2008 and thereafter, the Private Company and certain of its subsidiaries filed voluntary petitions (the “Bankruptcy Filings”) for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), Case No. 08-11547-BLS. The Private Company and its subsidiaries continue to operate their businesses and own and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code (the “Bankruptcy Cases”). By order dated October 28, 2009, the Bankruptcy Court confirmed the Private Company’s reorganization plan. Pursuant to this reorganization plan, the Private Company expects to exit bankruptcy during the fourth quarter of 2009 and become a publicly traded company in 2010. None of us, our general partner, our subsidiaries nor the subsidiaries of our general partner are debtors in the Bankruptcy Cases.

On April 7, 2009, we and the Private Company executed definitive documentation relating to the settlement of certain matters between the Private Company and us, to be effective as of 11:59 PM CDT March 31, 2009 (the “Settlement”). The Settlement provided for the following, among other items:

- we transferred certain crude oil assets located in Kansas and northern Oklahoma to the Private Company. These transfers included real property and associated personal property at locations where the Private Company owned the pipeline. We retained certain access and connection rights to enable us to continue to operate our crude oil trucking business in such areas. In addition, we transferred our interests in the SCADA System, a crude oil inventory tracking system, to the Private Company (collectively, the “Transferred Settlement Assets”);
- the Private Company transferred to us (i) 355,000 barrels of crude oil line fill and tank bottoms, which are necessary for us to operate our crude oil tank storage operations and our Oklahoma and Texas crude oil pipeline systems, (ii) certain personal property located in Oklahoma, Texas and Kansas used in connection with our crude oil trucking business and (iii) certain real property located in Oklahoma, Kansas, Texas and New Mexico that was intended to be transferred in connection with our initial public offering (the “Crude Oil Assets”). In addition, the Private Company transferred certain asphalt processing assets that were connected to, adjacent to, or otherwise contiguous with our existing asphalt facilities and associated real property interests to us (the “Asphalt Assets”). The transfer of the Asphalt Assets in connection with the Settlement provides us with outbound logistics for our existing asphalt assets and, therefore, allows us to provide asphalt terminalling, storage and processing services to third parties;
- the Private Company rejected the Throughput Agreement and we and the Private Company entered into a new Throughput Agreement (the “New Throughput Agreement”) pursuant to which we provide certain crude oil gathering, transportation, terminalling and storage services to the Private Company;
- the Private Company rejected the Terminalling Agreement and we and the Private Company entered into a new Terminalling and Storage Agreement (the “New Terminalling Agreement”) pursuant to which we provide liquid asphalt cement terminalling and storage services for the Private Company’s remaining asphalt inventory;
- the Private Company rejected the Amended Omnibus Agreement and we and the Private Company entered into a Shared Services Agreement (the “Shared Services Agreement”) pursuant to which the Private Company provides certain operational services for us;
- we and the Private Company entered into a Transition Services Agreement (the “Transition Services Agreement”), pursuant to which the Private Company provides certain corporate, crude oil and asphalt transition services, in each case for a limited amount of time, to us;
- we offered employment to certain crude oil employees; and

- certain pre-petition claims by the Private Company and us were netted and waived.

We accounted for the Settlement as an exchange of nonmonetary assets. Accordingly, the accounting for the Settlement was based upon the fair value of the assets we transferred to the Private Company. These assets included the Transferred Settlement Assets (fair value of \$5.5 million) and a receivable for March 2009 services provided to the Private Company (fair value of \$4.0 million). The fair value was allocated to the assets that we received in the Settlement, with \$7.5 million recorded to pipeline linefill and tank bottoms, \$1.7 million to the Asphalt Assets, and \$0.3 million to the received pipeline easements. The fair value of the Transferred Settlement Assets exceeded their book value, which resulted in our recording a gain of approximately \$2.6 million in the three months ended June 30, 2009.

Please see “Item 1. Business—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events” in the 2008 Form 10-K for a further discussion of the Settlement.

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

The Bankruptcy Filings and the events related thereto have had a significant impact on our business and results of operations and may in the future impact it in various ways. These items include, among others: (i) the reconstitution of the Board and management in connection with a change of control that occurred in July 2008 (the “Change of Control”), (ii) the events of default that were triggered under our credit facility, the Forbearance Agreement and amendments thereto and the Credit Agreement Amendment that we entered into in order to waive such events of default, (iii) the uncertainty relating to and the rebuilding of our business to provide services to and derive revenues from third parties instead of relying upon the Private Company for substantially all of our revenues, (iv) the hiring of certain operational employees in connections with the Settlement and the rejection of the Amended Omnibus Agreement, (v) becoming a party to securities and other litigation as well as governmental investigations, (vi) being delisted from the Nasdaq Global Market, (vii) failing to make distributions for the second, third and fourth quarters of 2008 and the first, second and third quarters of 2009, and the expectation that we will not make a distribution for the fourth quarter of 2009, (viii) experiencing increased general and administrative expenses due to the costs related to legal and financial advisors as well as other related costs, (ix) experiencing increased interest expense as a result of the Forbearance Agreement and amendments thereto and the Credit Agreement Amendment and (x) the entering into the Settlement with the Private Company. Certain of these items are discussed in more detail below. In addition, please see “Item 1. Business—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events” in the 2008 Form 10-K for a further discussion of the impact of the Bankruptcy Filings upon our business.

Our Revenues

For the three and nine months ended September 30, 2009, respectively, we derived approximately 3% and 21% of our revenues, excluding fuel reimbursement revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks, from services we provided to the Private Company and its subsidiaries. Prior to an order relating to the settlement of certain matters between us and the Private Company issued by the Bankruptcy Court on September 9, 2008 (the “Order”) and the Settlement, the Private Company was obligated to pay us minimum monthly fees totaling \$76.1 million annually and \$58.9 million annually in respect of the minimum commitments under the Throughput Agreement and the Terminalling Agreement, respectively, regardless of whether such services were actually utilized by the Private Company. The Order required the Private Company to make certain payments under the Throughput Agreement and Terminalling Agreement during a portion of the third and fourth quarters of 2008, including the contractual minimum payments under the Terminalling Agreement. In connection with the Settlement, we waived the fees due under the Terminalling Agreement during March 2009. In addition, the Private Company rejected the Throughput Agreement and the Terminalling Agreement and we and the Private Company entered into the New Throughput Agreement and the New Terminalling Agreement. Revenues from services provided to the

Private Company under the New Throughput Agreement and New Terminalling Agreement are substantially less than prior revenues from services provided to the Private Company as the new agreements are based upon actual volumes gathered, transported, terminalled and stored instead of certain minimum volumes and are at reduced rates when compared to the Throughput Agreement and Terminalling Agreement. Also in connection with the Settlement, the Private Company transferred certain asphalt assets to us that were connected to our existing asphalt assets. The transfer of the Private Company's asphalt assets in connection with the Settlement provides us with asphalt processing assets and outbound logistics for our existing asphalt assets and, therefore, allows us to provide asphalt services for third parties.

We have been pursuing opportunities to provide crude oil terminalling and storage services, crude oil gathering and transportation services and asphalt services to third parties. As a result of new crude oil third-party storage contracts, we increased our third-party crude oil terminalling and storage revenue from approximately \$1.0 million, or approximately 10% of total crude oil terminalling and storage revenue during the second quarter of 2008, to approximately \$10.2 million, \$10.3 million and \$10.3 million, or approximately 88%, 96% and 94% of total crude oil terminalling and storage revenue for the first, second and third quarters of 2009, respectively.

In addition, as a result of new third-party crude oil transportation contracts and reduced commitments of usage by the Private Company under the Throughput Agreement and New Throughput Agreement, we increased our third-party gathering and transportation revenue from approximately \$5.0 million, or approximately 21% of total gathering and transportation revenue during the second quarter of 2008, to approximately \$13.9 million, \$14.2 million and \$13.3 million, or approximately 93%, 98% and 98% of total crude oil gathering and transportation revenue for the first, second and third quarters of 2009, respectively.

The significant majority of the increase in third party revenues results from an increase in third-party crude oil services provided and a corresponding decrease in the Private Company's crude oil services provided due to the termination of the monthly contract minimum revenues under the Throughput Agreement in September 2008 and reduced revenues under the New Throughput Agreement. Average rates for the new third-party crude oil terminalling and storage and transportation and gathering contracts are comparable with those previously received from the Private Company. However, the volumes being terminalled, stored, transported and gathered have decreased as compared to periods prior to the Bankruptcy Filings, which has negatively impacted total revenues. As an example, third quarter 2009 total revenues are approximately \$11.9 million (or approximately 24%) less than second quarter 2008 total revenues, in each case excluding fuel reimbursement revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks.

In addition, we currently have entered into leases and storage agreements with third party customers relating to 45 of our 46 asphalt facilities. The majority of these leases and storage agreements with third parties extend through December 31, 2011. We operate the asphalt facilities pursuant to the storage agreements while our contract counterparties operate the asphalt facilities that are subject to the lease agreements. The revenues we receive pursuant to these leases and storage agreements are less than the revenues received under the Terminalling Agreement with the Private Company. We expect annual revenues from these leases and storage agreements to be approximately \$40 million.

We are continuing to pursue additional contracts with third parties; however, these additional efforts may not be successful. In addition, certain third parties may be less likely to enter into business transactions with us due to the Bankruptcy Filings. As a result, unless we are able to generate additional third party revenues, we will continue to experience lower volumes in our system which could have a material adverse effect on our results of operations and cash flows.

Our Expenses

Events related to the Bankruptcy Filings, the securities litigation and governmental investigations, and our efforts to enter into storage contracts with third party customers and pursue strategic opportunities have resulted in increased expenses beginning in the third quarter of 2008 due to the costs related to legal and financial advisors as well as other related costs. General and administrative expenses (exclusive of non-cash compensation expense related to the vesting of the units under the SemGroup Energy Partners G. P., L.L.C. Long-Term Incentive Plan (the "Plan")) increased by approximately \$4.8 million, or approximately 209%, to approximately \$7.1 million for the third quarter of 2009, compared to \$2.3 million in the second quarter of 2008. We expect this increased level of general and administrative expenses to continue for the remainder of 2009 and into 2010.

In addition, we have experienced increased interest expenses and other costs due to the events of default that existed under our credit agreement and the entering into the Forbearance Agreement, the amendments thereto and the Credit Agreement Amendment. Please see “—Liquidity and Capital Resources” for a discussion of these agreements and the associated expenses.

Expansions

On February 20, 2008, we purchased land, receiving infrastructure, storage tanks, machinery, pumps and piping at 46 liquid asphalt cement and residual fuel oil terminalling and storage facilities (the “Acquired Asphalt Assets”) from the Private Company for aggregate consideration of \$379.5 million, including \$0.7 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Asphalt Assets recorded at the historical cost of the Private Company, which was approximately \$145.5 million, with the additional purchase price of \$234.0 million reflected in the statement of changes in partners’ capital as a distribution to the Private Company.

On May 12, 2008, we purchased the Eagle North Pipeline System, a 130-mile, 8-inch pipeline that originates in Ardmore, Oklahoma and terminates in Drumright, Oklahoma as well as other real and personal property related to the pipeline (the “Acquired Pipeline Assets”) from the Private Company for aggregate consideration of \$45.1 million, including \$0.1 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Pipeline Assets recorded at the historical cost of the Private Company, which was approximately \$35.1 million, with the additional purchase price of \$10.0 million reflected in the statement of changes in partners’ capital as a distribution to the Private Company. We expect to resume capital expenditures on this pipeline in the fourth quarter of 2009 and expect to incur an additional \$3.5 million to \$4.0 million in capital expenditures prior to placing this pipeline system in service at the end of the second quarter of 2010.

On May 30, 2008, we purchased certain land, crude oil storage and terminalling facilities with an aggregate of approximately 2.0 million barrels of storage capacity and related assets located at the Cushing Interchange from the Private Company and we assumed a take-or-pay, fee-based, third party contract through August 2010 relating to the 2.0 million barrels of storage capacity (the “Acquired Storage Assets”) for aggregate consideration of \$90.3 million, including \$0.3 million of acquisition-related costs. For accounting purposes, the acquisition has been reflected as a purchase of assets, with the Acquired Storage Assets recorded at the historical cost of the Private Company, which was approximately \$17.2 million, inclusive of \$0.6 million of completion costs subsequent to the close of the acquisition, with the additional purchase price of \$73.1 million reflected in the statement of changes in partners’ capital as a distribution to the Private Company.

Recent Developments

Sale of our General Partner

On October 8, 2009, we announced that Manchester Securities Corp. (“Manchester”) has entered into an agreement with Vitol, Inc. (“Vitol”) pursuant to which Vitol will acquire 100% of the membership interests in SemGroup Energy Partners G.P., L.L.C., our general partner, and our subordinated units (the “Vitol Change of Control”). The agreement is subject to a number of customary closing conditions and approvals, including consent from the lenders under our credit agreement.

If the Vitol Change of Control is consummated, 30,000 outstanding phantom unit awards and 5,000 outstanding restricted unit awards under the Plan will vest and the executives of our general partner will be entitled to certain payments under the SemGroup Energy Partners G.P., L.L.C. 2009 Executive Cash Bonus Plan. In addition, if the Vitol Change of Control is consummated, it will constitute a change of control under the employment agreements of our named executive officers. See Part III, “Item 11. Executive Compensation” of our 2008 Form 10-K for a description of potential payments that may be made in connection with a change of control of us or our general partner.

Transfer of Certain Assets to Subsidiary Taxed as a Corporation

We have entered into new storage contracts and leases with third party customers with respect to substantially all of our asphalt facilities. At the time of entering into such agreements, it was unclear under current tax law as to whether the rental income from the leases, and whether the fees attributable to certain of the processing services we provide under certain of the storage contracts, constitute “qualifying income.” In the second quarter of 2009, we submitted a request for a ruling from the IRS that rental income from the leases constitutes “qualifying income.” In October 2009, we received a favorable ruling from the IRS. As part of this ruling, however, we have agreed to transfer certain of our processing assets and related fee income, to a subsidiary taxed as a corporation. Such subsidiary will be required to pay federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and will likely pay state (and possibly local) income tax at varying rates. Distributions from such subsidiary will generally be taxed again to unitholders as corporate distributions and none of the income, gains, losses, deductions or credits of such subsidiary will flow through to our unitholders. If a material amount of entity-level taxes are incurred by such subsidiary, then our cash available for distribution to our unitholders could be substantially reduced. We do not anticipate future entity-level taxes incurred by such subsidiary to be significant.

Confirmation of the Private Company’s Reorganization Plan

By order dated October 28, 2009, the Bankruptcy Court confirmed the Private Company’s reorganization plan. Pursuant to this reorganization plan, the Private Company expects to exit bankruptcy during the fourth quarter of 2009 and become a publicly traded company in 2010. We expect that the reorganized Private Company will compete with our crude oil terminalling and storage operations and our crude oil gathering and transportation operations. For a discussion of certain risks related our relationship with the Private Company, including risks relating to competition and our reliance upon the Private Company for certain shared services, please see Part I, “Item 1A. Risk Factors” in our 2008 Form 10-K.

Results of Operations

The table below summarizes the financial results of the Partnership for the three and nine months ended September 30, 2008 and 2009.

	Three Months ended September 30, 2009 (Restated) (in thousands)		Nine Months Ended September 30, 2009 (Restated) (in thousands)	
	2008		2008	
Service revenues:				
Crude oil terminalling and storage revenues:				
Third party	\$4,661	\$10,286	\$5,672	\$30,604
Related party	6,666	715	26,361	2,571
Total crude oil terminalling and storage	11,327	11,001	32,033	33,175
Crude oil gathering and transportation revenues:				
Third party	10,910	13,254	20,548	41,391
Related party	10,668	279	47,628	1,689
Total crude oil gathering and transportation	21,578	13,533	68,176	43,080
Asphalt services revenues:				
Third party	—	15,481	2	21,630
Related party	20,889	4	49,073	21,817
Total asphalt services	20,889	15,485	49,075	43,447
Total revenues	53,794	40,019	149,284	119,702
Operating expenses:				
Crude oil terminalling and storage	991	1,552	4,759	5,081
Crude oil gathering and transportation	16,212	14,038	51,334	43,143
Asphalt services	10,165	8,889	24,312	23,201
Total operating expenses	27,368	24,479	80,405	71,425
General and administrative expenses:	27,177	7,106	33,244	22,939
Gain on settlement transaction:	—	—	—	2,585
Operating income (loss)	(751)	8,434	35,635	27,923
Interest expense	11,041	12,749	15,905	38,626
Income tax expense	59	51	227	159
Net income (loss)	\$(11,851)	\$(4,366)	\$19,503	\$(10,862)

Three Months Ended September 30, 2009 Compared to the Three Months Ended September 30, 2008

Service revenues. Service revenues were \$40.0 million for the three months ended September 30, 2009 compared to \$53.8 million for the three months ended September 30, 2008, a decrease of \$13.8 million, or 26%. Service revenues include revenues from crude oil terminalling and storage services, crude oil gathering and transportation services and asphalt services. Crude oil terminalling and storage revenues decreased by \$0.3 million to \$11.0 million for the three months ended September 30, 2009 compared to \$11.3 million for the three months ended September 30, 2008, primarily due to our transferring certain crude oil storage assets located in Kansas and northern Oklahoma to the Private Company in April 2009 in connection with the Settlement.

Our crude oil gathering and transportation services revenue decreased by \$8.1 million to \$13.5 million for the three months ended September 30, 2009 compared to \$21.6 million for the three months ended September 30, 2008. The decrease is primarily due to the impact of the Bankruptcy Filings and the resulting decrease in the volume of crude oil we gathered and transported for our customers. Historically, the Private Company was a first purchaser of crude oil and it utilized our gathering and transportation assets to deliver its crude oil to market. As we are not in the business of purchasing crude oil, the utilization of our crude oil gathering and transportation assets is now dependent on third party purchasers of crude oil, some of whom own alternative gathering and transportation assets. Our reliance on third party purchasers of crude oil has resulted in a decrease in the utilization of our crude oil gathering and transportation assets, and we continue to expect a similar level of utilization of these assets for the remainder of 2009. In connection with the Bankruptcy Filings, the Private Company rejected the Throughput Agreement, and we concurrently began to replace this business with services provided to third party customers. Third parties accounted for 98% of our total crude oil gathering and transportation revenue of \$13.5 million for the three months ended September 30, 2009 compared to 51% of our total crude oil gathering and transportation revenue for the three months ended September 30, 2008.

Our asphalt services revenue decreased by \$5.4 million to \$15.5 million for the three months ended September 30, 2009 compared to \$20.9 million for the three months ended September 30, 2008. The decrease is primarily due to the impact of the Private Company's rejection of the Terminalling Agreement. In connection with entering into the Settlement with the Private Company in April of 2009, we executed a new Terminalling Agreement with the Private Company. In addition, we currently have entered into leases and storage agreements with third party customers relating to 45 of our 46 asphalt facilities. We expect annual revenues from these leases and storage agreements to be approximately \$40 million excluding fuel reimbursement revenues related to fuel and power consumed to operate our liquid asphalt cement storage tanks.

Operating expenses. Operating expenses include salary and wage expenses and related taxes and depreciation and amortization expenses. Operating expenses decreased by \$3.7 million, or 13%, to \$24.5 million for the three months ended September 30, 2009 compared to \$28.2 million for the three months ended September 30, 2008. Crude oil terminalling and storage operating expenses decreased by \$0.2 million to \$1.6 million for the three months ended September 30, 2009 compared to \$1.8 million for the three months ended September 30, 2008. The decrease is primarily a result of a decrease in costs we incur by directly employing our operating personnel as compared to what we were historically charged by the Private Company for personnel costs related to the operation of our crude oil terminalling and storage assets. Our crude oil gathering and transportation operating expenses decreased by \$2.2 million to \$14.0 million for the three months ended September 30, 2009 compared to \$16.2 million for the three months ended September 30, 2008. The decrease is due to the decreased utilization of our crude oil gathering and transportation assets as discussed above. Our asphalt operating expenses decreased \$1.3 million, or 13%, to \$8.9 million for the three months ended September 30, 2009 compared to \$10.2 million for the three months ended September 30, 2008 primarily due to the Private Company's rejection of the Terminalling Agreement and a related reduction in fuel and power consumed to heat our liquid asphalt cement storage tanks. This reduction in fuel and power costs is also a result of the timing in which we entered into new lease and storage contracts with third party customers during the second quarter of 2009. While our total operating expenses related to our asphalt operations decreased, property taxes related to these operations increased by \$0.5 million to \$1.1 million for the three months ended September 30, 2009 compared to \$0.6 million for the three months ended September 30, 2008 primarily as a result of the asphalt assets we received in the Settlement.

Fuel expenses incurred in our crude oil gathering and transportation segment decreased by \$1.7 million to \$1.7 million for the three months ended September 30, 2009 compared to \$3.4 million for the three months ended September 30, 2008. The decline in our fuel costs is primarily attributable to the decreased utilization of our crude oil transport trucks as a result of the impact of the Bankruptcy Filings. Fuel and power expenses incurred in association with the boiler systems used to heat our liquid asphalt cement storage tanks decreased by \$3.3 million to \$1.4 million

for the three months ended September 30, 2009 compared to \$4.7 million for the three months ended September 30, 2008. The decline in these fuel and power costs primarily the result of a decline in natural gas prices.

Our repair and maintenance expenses increased by \$0.2 million to \$1.7 million for the three months ended September 30, 2009 compared to \$1.5 million for the three months ended September 30, 2008. This increase was primarily due to right of way maintenance related to our crude oil gathering and transportation services.

Insurance premium expenses increased by \$0.3 million to \$0.7 million for the three months ended September 30, 2009 compared to \$0.4 million for the three months ended September 30, 2008. This increase was primarily due to our independently obtaining health insurance for our employees in conjunction with separating from the Private Company. Historically, we were allocated premiums under the Private Company's self-insured health plan for the Private Company's employees that provided services to us.

The three months ended September 30, 2008 includes a decrease of \$0.9 million in our allowance for doubtful accounts for amounts due from the Private Company that had been reserved as of June 30, 2008. Pursuant to the Settlement, our pre-petition claims against the Private Company have been netted against pre-petition claims by the Private Company against us and waived. As a result, the allowance previously established for amounts due us from the Private Company has been reversed. The three months ended September 30, 2008 also includes an allowance for doubtful accounts increase of \$0.1 million for services provided to certain third parties as of September 30, 2008. The allowance related to amounts due from third parties increased as a result of certain third party customers netting amounts due them from the Private Company with amounts due to us. We have experienced no additional collection issues with respect to amounts due us as of September 30, 2009.

General and administrative expenses. General and administrative expenses decreased by \$20.1 million, or 74%, to \$7.1 million for the three months ended September 30, 2009 compared to \$27.2 million for the three months ended September 30, 2008. This decrease is primarily attributable to the \$18.0 million in equity-based incentive compensation we incurred in the third quarter of 2008 associated with the vesting of all awards outstanding under the Plan at the time of the Change of Control. In addition legal, financial advisory and other professional expenses decreased by \$2.0 million to \$4.3 million for the three months ended September 30, 2009 compared to \$6.3 million for the three months ended September 30, 2008.

Interest expense. Interest expense represents interest on capital lease obligations and long-term borrowings under our credit facility. Interest expense increased by \$1.7 million to \$12.7 million for the three months ended September 30, 2009 compared to \$11.0 million for the three months ended September 30, 2008 primarily due to the additional interest as specified in the April 2009 amendment to our credit facility.

Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008

Service revenues. Service revenues were \$119.7 million for the nine months ended September 30, 2009 compared to \$149.3 million for the nine months ended September 30, 2008, a decrease of \$29.6 million, or 20%. Service revenues include revenues from crude oil terminalling and storage services, crude oil gathering and transportation services and asphalt services. Crude oil terminalling and storage revenues increased by \$1.2 million to \$33.2 million for the nine months ended September 30, 2009 compared to \$32.0 million for the nine months ended September 30, 2008, primarily due to an increase in revenue generated by short-term storage contracts at our Longview terminal in East Texas. In connection with the Bankruptcy Filings, the Private Company rejected the Throughput Agreement, and we concurrently began to replace this business with services provided to third party customers. This resulted in a \$25.0 million increase in our third party crude oil terminalling and storage revenues during the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008.

Our crude oil gathering and transportation services revenue decreased by \$25.1 million to \$43.1 million for the nine months ended September 30, 2009 compared to \$68.2 million for the nine months ended September 30, 2008. The decrease is primarily due to the impact of the Bankruptcy Filings and the resulting decrease in the volume of crude oil we gathered and transported for our customers. Historically, the Private Company was a first purchaser of crude oil and it utilized our gathering and transportation assets to deliver its crude oil to market. As we are not in the business of purchasing crude oil, the utilization of our crude oil gathering and transportation assets is now dependent on third party purchasers of crude oil, some of whom own alternative gathering and transportation assets. Our reliance on

third party purchasers of crude oil has resulted in a decrease in the utilization of our crude oil gathering and transportation assets, and we continue to expect a similar level of utilization of these assets for the remainder of 2009. In connection with the Bankruptcy Filings, the Private Company rejected the Throughput Agreement, and we concurrently began to replace this business with services provided to third party customers. Third parties accounted for 96% of our total crude oil gathering and transportation revenue of \$43.1 million for the nine months ended September 30, 2009 compared to 30% of our total crude oil gathering and transportation revenue of \$68.2 million for the nine months ended September 30, 2008.

Our asphalt services revenue decreased by \$5.7 million to \$43.4 million for the nine months ended September 30, 2009 compared to \$49.1 million for the nine months ended September 30, 2008. The decrease is primarily due to the impact of the Private Company's rejection of the Terminalling Agreement and the timing of our entering into new leases and storage agreements with third party customers in the middle of the second quarter of 2009, and is partially offset by the fact that our results of operations for the nine months ended September 30, 2008 include only approximately seven months of operations due to the timing of our purchase of the Acquired Asphalt Assets. In connection with entering into the Settlement with the Private Company in April of 2009, we executed a new Terminalling Agreement with the Private Company. In addition, we currently have entered into leases and storage agreements with third party customers relating to 45 of our 46 asphalt facilities. We expect annual revenues from these leases and storage agreements to be approximately \$40 million.

Operating expenses. Operating expenses include salary and wage expenses and related taxes and depreciation and amortization expenses. Operating expenses decreased by \$8.6 million, or 11%, to \$71.4 million for the nine months ended September 30, 2009 compared to \$80.0 million for the nine months ended September 30, 2008. Crude oil terminalling and storage operating expenses increased by \$0.3 million to \$5.1 million for the nine months ended September 30, 2009 compared to \$4.8 million for the nine months ended September 30, 2008. The increase is primarily a result of an increase in repair and maintenance of our crude oil storage tanks. Our crude oil gathering and transportation operating expenses decreased by \$7.7 million to \$43.2 million for the nine months ended September 30, 2009 compared to \$50.9 million for the nine months ended September 30, 2008. The decrease is due to the decreased utilization of our crude oil gathering and transportation assets as discussed above. Our asphalt operating expenses decreased by \$1.1 million to \$23.2 million for the nine months ended September 30, 2009 compared to \$24.3 million for the nine months ended September 30, 2008. This was primarily due to decreased fuel and power expenses incurred for the boiler systems used to heat our liquid asphalt cement storage tanks due to the Private Company's rejection of the Terminalling Agreement and the timing of our entering into new leases and storage agreements with third party customers. This decrease was partially offset by increased compensation expenses related to the hiring of our asphalt operational personnel in June of 2009 and increased property taxes associated with the asphalt assets we received in the Settlement.

Fuel expenses incurred in our crude oil gathering and transportation segment decreased by \$4.7 million to \$5.0 million for the nine months ended September 30, 2009 compared to \$9.7 million for the nine months ended September 30, 2008. The decline in our fuel costs is primarily attributable to the decreased utilization of our crude oil transport trucks as a result of the impact of the Bankruptcy Filings. Fuel and power expenses incurred in association with the boiler systems used to heat our liquid asphalt cement storage tanks decreased by \$7.1 million to \$3.6 million for the nine months ended September 30, 2009 compared to \$10.7 million for the nine months ended September 30, 2008. The decline in these fuel and power costs is a result of decreased utilization of our asphalt storage tanks by the Private Company as a result of its Bankruptcy Filings, its rejection of the Terminalling Agreement in April of 2009 and the timing of our contracting our asphalt assets to new third party customers.

Our repair and maintenance expenses decreased by \$0.5 million to \$5.4 million for the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008, primarily due to the decreased utilization of our crude oil gathering and transportation assets noted above. Lease expense related to crude oil tanker trucks increased by \$0.3 million to \$2.3 million for the nine months ended September 30, 2009. This increase is attributable to the replacement of crude oil transport vehicles that were historically financed through capital leases.

Insurance premium expenses increased by \$0.4 million to \$1.7 million for the nine months ended September 30, 2009 compared to \$1.3 million for the nine months ended September 30, 2008. This increase was primarily due to our independently obtaining health insurance for our employees in conjunction with separating from the Private Company. Historically, we were allocated premiums under the Private Company's self-insured health plan for the Private Company's employees that provided services to us.

The nine months ended September 30, 2008 reflects a \$0.4 million allowance for doubtful accounts related to amounts due from third parties as of September 30, 2008. The allowance related to amounts due from third parties was established as a result of certain third party customers netting amounts due them from the Private Company with amounts due to us. We have experienced no additional collection issues with respect to amounts due us as of September 30, 2009.

As a result of the growth in our property and equipment associated with the Acquired Pipeline Assets, the Acquired Storage Assets and the asphalt assets received in the Settlement, our property taxes increased by \$1.5 million to \$3.8 million for the nine months ended September 30, 2009 compared to \$2.3 million for the nine months ended September 30, 2008.

Depreciation expense increased by \$1.4 million to \$16.8 million for the nine months ended September 30, 2009 compared to \$15.4 million for the nine months ended September 30, 2008, primarily as a result of growth in our property and equipment associated with the Acquired Storage Assets and the Acquired Asphalt Assets.

Gain on settlement transaction. Operating income for the nine months ended September 30, 2009 includes a \$2.6 million gain recognized in connection with the Settlement. We have accounted for the assets transferred pursuant to the Settlement as an exchange of nonmonetary assets. Accordingly, we recorded the Crude Oil Assets and the Asphalt Assets received in the Settlement at the fair value of the Transferred Settlement Assets, resulting in our recording a gain of \$2.6 million in the nine months ended September 30, 2009.

General and administrative expenses. General and administrative expenses decreased by \$10.3 million, or 31%, to \$22.9 million for the nine months ended September 30, 2009 compared to \$33.2 million for the nine months ended September 30, 2008. This decrease is primarily attributable to the \$18.0 million in equity-based incentive compensation we incurred in the third quarter of 2008 associated with the vesting of all awards outstanding under the Plan at the time of the Change of Control. This decrease was offset by increased costs related to legal and financial advisers as well as other related costs incurred in connection with events related to the Bankruptcy Filings, the securities litigation and governmental investigations, and our efforts to enter into storage contracts with third party customers and pursue other strategic opportunities.

Interest expense. Interest expense represents interest on capital lease obligations and long-term borrowings under our credit facility and the impact of our interest rate swap agreements. Total interest expense increased by \$22.7 million to \$38.6 million for the nine months ended September 30, 2009 compared to \$15.9 million for the nine months ended September 30, 2008. Cash interest expense increased by \$12.8 million to \$30.5 million for the nine months ended September 30, 2009 compared to \$17.7 million for the nine months ended September 30, 2008. The increase was primarily due to both an increase in average borrowings outstanding as a result of our financing of the purchase of the Acquired Pipeline Assets and the Acquired Storage Assets and higher interest rates under our amended credit facility during the nine months ended September 30, 2009. Non-cash interest expense increased by \$10.0 million to \$8.2 million for the nine months ended September 30, 2009 compared to non-cash interest income of \$1.8 million for the nine months ended September 30, 2008. The increase is due to the amortization of debt issuance costs incurred in connection with our amended credit facility and the Forbearance Agreement and amendments thereto, the fair value accounting for the interest rate swaps that were terminated in the third quarter of 2008 as a result of events related to the Bankruptcy Filings, and the accrual of additional interest payments specified in our credit agreement. Interest expense in the three months ended March 31, 2009 includes \$0.4 million of debt issuance cost amortization expense attributable to 2008, which is not material to our 2008 or 2009 financial statements.

Effects of Inflation

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

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Liquidity and Capital Resources

Cash Flows and Capital Expenditures

The following table summarizes our sources and uses of cash for the nine months ended September 30, 2008 and 2009:

	Nine Months Ended September 30,	
	2008	2009 (Restated)
	(in millions)	
Net cash provided by operating activities	\$ 42.9	\$ 16.8
Net cash used in investing activities	(519.8)	(3.3)
Net cash provided by (used in) financing activities	493.0	(36.6)

Operating Activities. Net cash provided by operating activities was \$16.8 million for the nine months ended September 30, 2009 as compared to the \$42.9 million for the nine months ended September 30, 2008. The decrease in net cash provided by operating activities is primarily due to net income decreasing from net income of \$19.5 million for the nine months ended September 30, 2008 to a net loss of \$10.9 million for the nine months ended September 30, 2009. This \$30.4 million decrease in net income was significantly impacted by decreased revenues under our agreements with the Private Company, increased general and administrative expenses related to legal and financial advisors as a result of the Bankruptcy Filings and increased interest expense under our credit facility. In addition, net cash provided by our operating activities decreased by \$2.6 million as a result of the gain we recognized on the Settlement in the second quarter of 2009. The decrease in our equity-based compensation expense resulted in an \$18.0 million decrease in cash provided by operating activities in the comparative nine month periods. In addition, the change in our provision for uncollectible receivables resulted in a \$0.6 million decrease in cash provided by operating activities for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. Gains on sale of assets also decreased in the comparative periods, resulting in a \$0.2 million decrease in cash provided by operating activities.

These decreases in cash provided by operating activities were partially offset by changes in working capital, which resulted in a \$17.4 million increase in cash provided by operating activities. Also, an increase in the amortization of debt issuance costs associated with our credit facility, resulted in \$4.7 million more cash provided by operating activities. Furthermore, unrealized losses related to our interest rate swaps recorded during the nine months ended September 30, 2008 resulted in a \$2.2 million increase in cash provided by operating activities as compared to the nine months ended September 30, 2009. Lastly, depreciation increased by approximately \$1.5 million in the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008.

Investing Activities. Net cash used in investing activities was \$3.3 million for the nine months ended September 30, 2009 compared to \$519.8 million for the nine months ended September 30, 2008. Net cash used in investing activities for the nine months ended September 30, 2008 includes our \$379.5 million purchase of our Acquired Asphalt Assets, our \$45.1 million purchase of our Acquired Pipeline Assets and our \$90.3 million purchase of our Acquired Storage Assets. Net cash used in investing activities during the nine months ended September 30, 2009 is primarily comprised of maintenance capital expenditures.

Financing Activities. Net cash used in financing activities was \$36.6 million for the nine months ended September 30, 2009 as compared to \$493.0 million provided by financing activities for the nine months ended September 30, 2008. Net cash provided by financing activities for the nine months ended September 30, 2008 includes proceeds of

an underwritten public offering and borrowings under our credit facility in connection with our purchase of the Acquired Asphalt Assets in February 2008 as well as borrowings under our credit facility in connection with our purchase of our Acquired Pipeline Assets and our Acquired Storage Assets in the second quarter of 2008. Net cash used in financing activities for the nine months ended September 30, 2009 is primarily comprised of payments under our credit facility and debt issuance costs related to our amended credit facility. As a result of our entering into the Credit Agreement Amendment in April of 2009, cash flows from financing activities for the remainder of 2009 are expected to include borrowings and payments under our credit facility.

Our Liquidity and Capital Resources

Cash flow from operations and our credit facility are our primary sources of liquidity. At September 30, 2009, we had approximately \$27.5 million of availability under our revolving credit facility. At September 30, 2009 we have a working capital deficit of \$4.3 million. This deficit does not have a material impact on our liquidity as we have sufficient availability under our revolving credit agreement to fund our current operating and capital expenditure requirements. As of November 6, 2009, we had an aggregate unused credit availability under our revolving credit facility of approximately \$26.6 million. Usage of our revolving credit facility is subject to ongoing compliance with covenants. If we are unable to sustain our sources of revenue generation and reestablish our relationships within the credit markets, this cash position and availability under our credit facility may not be sufficient to operate our business over the long-term. Historically, we have derived a substantial majority of our revenues from services provided to the Private Company, and as such, our liquidity was affected by the liquidity and credit risk of the Private Company. Due to the events related to the Bankruptcy Filings, including decreased revenues in our crude oil gathering and transportation and asphalt services segments, increased general and administrative expenses related to legal and financial advisors as well as other related costs, and uncertainties related to securities and other litigation, we face uncertainty with respect to our ability to comply with covenants under our credit facility and substantial doubt as to our ability to continue as a going concern.

Capital Requirements. Our capital requirements consist of the following:

- maintenance capital expenditures, which are capital expenditures made to maintain the existing integrity and operating capacity of our assets and related cash flows further extending the useful lives of the assets; and
- expansion capital expenditures, which are capital expenditures made to expand or to replace partially or fully depreciated assets or to expand the operating capacity or revenue of existing or new assets, whether through construction, acquisition or modification.

Expansion capital expenditures for organic growth projects totaled \$0.5 million in the nine months ended September 30, 2009 compared to \$4.7 million in the nine months ended September 30, 2008. We expect expansion capital expenditures for organic growth projects to be approximately \$1 million to \$2 million in 2009. Maintenance capital expenditures totaled \$2.9 million in the nine months ended September 30, 2009 compared to \$3.3 million in the nine months ended September 30, 2008. We expect maintenance capital expenditures to be approximately \$8 million in 2009.

No assurance can be given that we will not be required to restrict our operations because the limitations on our ability to incur capital expenditures due to restrictions under our credit agreement described below.

Our Ability to Grow Depends on Our Ability to Access External Expansion Capital. Our partnership agreement provides that we distribute all of our available cash to our unitholders. Available cash is reduced by cash reserves established by our general partner to provide for the proper conduct of our business (including for future capital expenditures) and to comply with the provisions of our credit facility. Pursuant to the Credit Agreement Amendment, we are prohibited from making distributions to our unitholders if our leverage ratio (as defined in the credit agreement) exceeds 3.50 to 1.00. As of September 30, 2009, our leverage ratio was 6.02 to 1.00. If our leverage ratio does not improve, we may not make quarterly distributions to our unitholders in the future.

We expect that for the foreseeable future, substantially all of our cash generated from operations will be used to reduce our debt. In the event that we are again able to pay distributions, we may not grow as quickly as businesses that reinvest their available cash to expand ongoing operations because we distribute all of our available cash.

We do not expect to make significant acquisitions or expansion capital expenditures in the near term. We currently intend to put the Acquired Pipeline Assets into service at the end of the second quarter of 2010. We expect to resume capital expenditures related to this project in the fourth quarter of 2009 and to incur an estimated \$3.5 to \$4.0 million in additional expenditures prior to placing the Acquired Pipeline Assets into service. Capital expenditures are limited under our credit agreement to \$12.5 million in 2009, \$8.0 million in 2010 and \$4.0 million in 2011. To the extent we are unable to finance growth externally and we are unwilling to establish cash reserves to fund future acquisitions, our cash distribution policy will significantly impair our ability to grow.

Description of Credit Facility. As of November 6, 2009, we had \$423.4 million in outstanding borrowings under our credit facility (consisting of \$23.4 million under our revolving credit facility and \$400.0 million under our term loan facility) with an aggregate unused credit availability under our revolving credit facility of approximately \$26.6 million. The credit facility is guaranteed by certain of our subsidiaries.

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

The Credit Agreement Amendment permanently reduced our revolving credit facility under the credit agreement to \$50 million, and increased the term loan facility to \$400 million. Upon the execution of the Credit Agreement Amendment, \$150 million of our outstanding revolving loans were converted to term loans and we became able to borrow additional funds under our revolving credit facility. Pursuant to the Credit Agreement Amendment, the credit facility and all obligations thereunder will mature on June 30, 2011.

During the nine months ended September 30, 2008 and 2009, the weighted average interest rate incurred by us was 5.9% and 12.0%, respectively. After giving effect to the Credit Agreement Amendment, amounts outstanding under our credit facility bear interest at either the LIBOR rate plus 6.5% per annum, with a LIBOR floor of 3.0%, or the federal funds rate plus 0.5% (the "Base rate") plus 5.5% per annum, with a Base rate floor of 4.0% per annum. We pay a fee of 1.5% per annum on unused commitments under our revolving credit facility. After giving effect to the Credit Agreement Amendment, interest on amounts outstanding under our credit facility must be paid monthly. Our credit facility, as amended by the Credit Agreement Amendment, requires us to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.5%, 0.5%, 1.0% and 1.0%, respectively. In October 2009, we paid additional interest of \$2.3 million. Due to the Credit Agreement Amendment, the interest expense we incur in 2009 will be substantially greater than the interest expense we incurred in 2008.

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

The credit facility contains financial covenants relating to leverage and interest coverage. As discussed above, if our leverage ratio does not improve, we may not make quarterly distributions to our unitholders in the future. Other covenants contained in the credit agreement restrict our ability to, among other things, grant liens, incur additional indebtedness, engage in a merger, consolidation or dissolution, enter into transactions with affiliates, sell or otherwise dispose of our assets (other than the sale or other disposition of the assets of the asphalt business, provided that such disposition is at arm's length to a non-affiliate for fair market value in exchange for cash and the proceeds of the disposition are used to pay down outstanding loans), businesses and operations, materially alter the character of our business, and make acquisitions, investments and capital expenditures.

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

defaults. In addition, it is an event of default under our credit agreement if there is a change of control of us or our general partner. If an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity of the credit agreement and exercise other rights and remedies, including taking available cash in our bank accounts. If an event of default exists and we are unable to obtain forbearance from our lenders or a waiver of the events of default under our credit agreement, we may be forced to sell assets, make a bankruptcy filing or take other action that could have a material adverse effect on our business, the price of our common units and our results of operations. We are also prohibited from making cash distributions to our unitholders if any default or event of default (as defined in the credit agreement) exists.

For a further description of our credit facility, please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Liquidity and Capital Resources—Description of Credit Facility” and the 2008 Form 10-K.

Contractual Obligations. A summary of our contractual cash obligations over the next several fiscal years, as of September 30, 2009, is as follows:

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	More than 5 years
			(in millions)		
Shared Services Agreement obligations (1)	\$5.1	\$1.9	\$3.0	\$0.2	\$—
Debt obligations (2)	505.2	51.0	454.2	—	—
Capital lease obligations	0.4	0.4	—	—	—
Operating lease obligations	12.2	3.8	5.8	1.5	1.1
Financial advisory obligations (3)	1.0	1.0	—	—	—

(1) Represents required future payments under the Shared Services Agreement into which we and the Private Company entered in connection with the Settlement. See “Item 1. Business—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events” in the 2008 Form 10-K.

(2) Represents required future principal repayments of borrowings, variable rate interest payments, and required fixed-rate additional interest payments under our credit facility. For purposes of calculating interest payments on our variable rate debt, the interest rate on our outstanding borrowings of 9.5% as of September 30, 2009 was used. All amounts outstanding under the credit facility mature in June 2011. The amounts included in this table also reflect the additional interest payments specified in the Credit Agreement Amendment. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources” in the 2008 Form 10-K for an additional description of the Credit Agreement Amendment.

(3) Represents required future payments under a financial advisory services contract.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Commencing on December 12, 2008, indebtedness under the credit agreement bore interest at our option, at either (i) the Base rate plus 5.0% per annum, with a Base rate floor of 4.0% per annum, or (ii) LIBOR plus 6.0% per annum, with a LIBOR floor of 3.0% per annum. After giving effect to the Credit Agreement Amendment, amounts outstanding under our credit facility bear interest at either the LIBOR rate plus 6.5% per annum, with a LIBOR floor of 3.0%, or the Base rate plus 5.5% per annum, with a Base rate floor of 4.0% per annum. We pay a fee of 1.5% on unused commitments under our revolving credit facility. After giving effect to the Credit Agreement Amendment, interest on amounts outstanding under our credit facility must be paid monthly. Our credit facility, as amended by the Credit Agreement Amendment, requires us to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.5%, 0.5%, 1.0% and 1.0%, respectively. In October 2009, we paid additional interest of \$2.3 million.

During the nine months ended September 30, 2008 and 2009, the weighted average interest rate incurred by us was 5.90% and 12.0%, respectively. We expect the interest expense we incur in 2009 to be substantially greater than the interest expense we incurred in 2008.

Due to the Forbearance Agreement and amendments thereto and the Credit Agreement Amendment, we expect our interest expense to be greater than our interest expense prior to the Bankruptcy Filings. Changes in economic conditions could result in higher interest rates, thereby increasing our interest expense and reducing our funds available for capital investment, operations or distributions to our unitholders. Additionally, if domestic interest rates continue to increase, the interest rates on any of our future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. Based on borrowings as of September 30, 2009 and the 3.00% LIBOR floor under our credit facility, an increase or decrease of 100 basis points in the interest rate will not impact annual interest expenses. An increase of 350 basis points in the current LIBOR rate will result in increased annual interest of approximately \$3.2 million based on borrowings and interest rates as of September 30, 2009.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. At the time that our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 was filed on November 13, 2009, our general partner's management, including the former Chief Executive Officer and current Chief Financial Officer of our general partner, evaluated as of the end of the period covered by this report, the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, the former Chief Executive Officer and current Chief Financial Officer of our general partner concluded that our disclosure controls and procedures, as of September 30, 2009, were effective. Subsequent to that evaluation, as a result of the restatement described in Note 3 to the consolidated financial statements included in Item 1 of this quarterly report, our general partner's management, including our current Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of September 30, 2009 because of the material weakness described below. Notwithstanding the material weakness described below, our general partner's management, based upon the additional work performed during the restatement process, has concluded that our consolidated financial statements for the periods covered by and included in this Quarterly Report on Form 10-Q/A are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented herein.

Material Weakness in Internal Control over Financial Reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the preparation of our financial statements for the year ended December 31, 2009, management identified a material weakness in internal control over financial reporting in related to our process for analyzing and applying complex accounting associated with debt accounting, such as, the accounting for increasing rate interest provisions and forbearance fees associated with debt modifications. This control deficiency resulted in the restatement of our consolidated financial statements as of and for the quarters ended June 30, 2009 and September 30, 2009, as well as an audit adjustment in the fourth quarter to our consolidated financial statements as of and for the year ended December 31, 2009, to correct interest expense recognized in each of those periods as well as the related balance sheet accounts. It also resulted in an out-of-period adjustment recorded in the first quarter of 2009 as previously disclosed in the quarterly report on Form 10-Q for the quarter ended March 31, 2009. Additionally, this control deficiency could result in misstatements of the aforementioned accounts that would result in a material misstatement of to the annual or interim consolidated financial statements that would not be prevented or detected.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Plans for Remediation. To address the material weakness, management will implement a remediation plan which will supplement our existing controls. The remediation plan will include additional controls to more formally evaluate complex areas of generally accepted accounting principles such as accounting for debt arrangements. The material weakness will be fully remediated when, in the opinion of our management, the revised control processes have been operating for a sufficient period of time to provide reasonable assurance as to their effectiveness. The remediation and ultimate resolution of our material weakness will be reviewed with the Audit Committee of the Board.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

1. Poelman v. SemGroup Energy Partners, L.P., et al., Civil Action No. 08-CV-6477, in the United States District Court for the Southern District of New York (filed July 21, 2008). The plaintiff voluntarily dismissed this case on August 26, 2008;
2. Carson v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-425, in the Northern District of Oklahoma (filed July 22, 2008);
3. Charles D. Maurer SIMP Profit Sharing Plan f/b/o Charles D. Maurer v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-6598, in the United States District Court for the Southern District of New York (filed July 25, 2008);
4. Michael Rubin v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7063, in the United States District Court for the Southern District of New York (filed August 8, 2008);
5. Dharam V. Jain v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7510, in the United States District Court for the Southern District of New York (filed August 25, 2008); and
6. William L. Hickman v. SemGroup Energy Partners, L.P. et al., Civil Action No. 08-cv-7749, in the United States District Court for the Southern District of New York (filed September 4, 2008).

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

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

The lead plaintiff filed a consolidated amended complaint on May 4, 2009. In that complaint, filed as a putative class action on behalf of all purchasers of our units from July 17, 2007 to July 17, 2008 (the "class period"), lead plaintiff asserts claims under the federal securities laws against us, our general partner, certain of our current and former officers and directors, certain underwriters in our initial and secondary public offerings, and certain entities who were investors in the Private Company and their individual representatives who served on the Private Company's management committee. Among other allegations, the amended complaint alleges that our financial condition throughout the class period was dependent upon speculative commodities trading by the Private Company and its

Chief Executive Officer, Thomas L. Kivisto, and that defendants negligently and intentionally failed to disclose this speculative trading in our public filings during the class period. The amended complaint further alleges there were other material omissions and misrepresentations contained in our filings during the class period. The amended complaint alleges claims for violations of sections 11, 12(a)(2), and 15 of the Securities Act of 1933 for damages and rescission with respect to all persons who purchased our units in the initial and secondary offerings, and also asserts claims under section 10b, Rule 10b-5, and section 20(a) of the Securities and Exchange Act of 1934. The amended complaint seeks certification as a class action under the Federal Rules of Civil Procedure, compensatory and rescissory damages for class members, pre-judgment interest, costs of court, and attorneys' fees.

On July 22, 2009, all of the defendants filed motions to dismiss the amended complaint. The lead plaintiff filed a response in opposition to the defendants' motion to dismiss on September 1, 2009. On October 8, 2009, the defendants filed a reply in support of their motion to dismiss. The lead plaintiff filed a supplemental opposition to the defendants' motion to dismiss on October 29, 2009. The defendants' motion to dismiss is currently pending before the court.

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

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

On July 8, 2009, the nine executives filed suit against our general partner in Tulsa County district court claiming they are entitled to recover the value of phantom units purportedly due them under the Phantom Unit Agreement. The claimants assert claims against our general partner for alleged failure to pay wages and breach of contract and seek to recover the alleged value of units in the total amount of approximately \$1.3 million, plus additional damages and attorneys' fees. We have distributed phantom units to certain of the claimants, but the litigation remains pending.

The Official Committee of Unsecured Creditors of SemCrude, L.P. ("Unsecured Creditors Committee") filed an adversary proceeding in connection with the Bankruptcy Cases against Mr. Kivisto, Gregory C. Wallace and Westback Purchasing Company, L.L.C., a limited liability trading partnership that Mr. Kivisto owned and controlled. In that proceeding, filed February 18, 2009, the Unsecured Creditors Committee asserted various claims against the defendants on behalf of the Private Company's bankruptcy estate, including claims based upon theories of fraudulent transfer, breach of fiduciary duties, waste, breach of contract, and unjust enrichment. On June 8, 2009, the Unsecured Creditors Committee filed a Second Amended Complaint asserting additional claims against Kevin L. Foxx and Alex G. Stallings, among others, based upon certain findings and recommendations in the Examiner's Report (see Part I, Item 1 of this quarterly report and "Item 1. Business—Impact of the Bankruptcy of the Private Company and Certain of its Subsidiaries and Related Events—Examiner" in the 2008 Form 10-K). The claims against Mr. Foxx are based upon theories of fraudulent transfer, unjust enrichment, and breach of fiduciary duty with respect to certain bonus payments received from the Private Company, and other claims of breach of fiduciary duty and breach of contract are also alleged against Messrs. Foxx and Stallings in the amended complaint. On October 6, 2009, the Unsecured Creditors Committee filed a Third Amended Complaint which, among other things, asserts additional fraudulent transfer and waste claims and additional breach of fiduciary duty allegations against Messrs. Foxx and Stallings. Messrs. Foxx and Stallings have informed us that they intend to vigorously defend these claims.

On July 24, 2009, we filed suit against Navigators Insurance Company ("Navigators") and Darwin National Assurance Company ("Darwin") in Tulsa County district court. In that suit, we are seeking a declaratory judgment that Darwin and Navigators did not have the right to rescind binders issued to us for two excess insurance policies in our Directors and Officers insurance program for the period from July 18, 2008 to July 18, 2009. The face amount of each policy was \$10,000,000. The suit seeks a declaratory judgment that the binders were enforceable insurance contracts

of Navigators and Darwin that have not been rescinded or cancelled. The suit also alleges that the attempted rescissions were in breach of contract and violated the duty of good faith and fair dealing, for which we are seeking the recovery of damages and attorneys fees. Navigators and Darwin have answered the petition and the parties are engaged in discovery.

Item 3. Defaults Upon Senior Securities

During the nine months ended September 30, 2009, events of default existed under our credit agreement. For a description of our credit facility and the defaults thereunder, please see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in this quarterly report and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in the 2008 Form 10-K. The Credit Agreement Amendment waived all existing defaults and events of default described in the Forbearance Agreement and amendments thereto, and no events of default existed as of September 30, 2009.

Item 6. Exhibits

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

SIGNATURES

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

BLUEKNIGHT ENERGY PARTNERS, L.P.
(formerly SEMGROUP ENERGY PARTNERS, L.P.)

By: Blueknight Energy Partners G.P., L.L.C
(formerly SemGroup Energy Partners G.P., L.L.C)
its General Partner

Date: March 26, 2010

By: /s/ Alex G. Stallings
Alex G. Stallings
Chief Financial Officer and Secretary

Date: March 26, 2010

By: /s/ James R. Griffin
James R. Griffin
Chief Accounting Officer

INDEX TO EXHIBITS

Exhibit Number	Exhibit Name
3.1	Certificate of Limited Partnership of SemGroup Energy Partners, L.P. (the “Partnership”), dated February 22, 2007 (filed as Exhibit 3.1 to the Partnership’s Registration Statement on Form S-1 (Reg. No. 333-141196), filed March 9, 2007, and incorporated herein by reference).
3.2	First Amended and Restated Agreement of Limited Partnership of the Partnership, dated July 20, 2007 (filed as Exhibit 3.1 to the Partnership’s Current Report on Form 8-K, filed July 25, 2007, and incorporated herein by reference).
3.3	Amendment No. 1 to First Amended and Restated Agreement of Limited Partnership of the Partnership, effective as of July 20, 2007 (filed as Exhibit 3.1 to the Partnership’s Current Report on Form 8-K, filed on April 14, 2008, and incorporated herein by reference).
3.4	Amendment No. 2 to First Amended and Restated Agreement of Limited Partnership of the Partnership, dated June 25, 2008 (filed as Exhibit 3.1 to the Partnership’s Current Report on Form 8-K, filed on June 30, 2008, and incorporated herein by reference).
3.5	Certificate of Formation of SemGroup Energy Partners G.P., L.L.C. (the “General Partner”), dated February 22, 2007 (filed as Exhibit 3.3 to the Partnership’s Registration Statement on Form S-1 (Reg. No. 333-141196), filed March 9, 2007, and incorporated herein by reference).
3.6	Amended and Restated Limited Liability Company Agreement of the General Partner, dated July 20, 2007 (filed as Exhibit 3.2 to the Partnership’s Current Report on Form 8-K, filed July 25, 2007, and incorporated herein by reference).
3.7	Amendment No. 1 to Amended and Restated Limited Liability Company Agreement of the General Partner, dated June 25, 2008 (filed as Exhibit 3.2 to the Partnership’s Current Report on Form 8-K, filed on June 30, 2008, and incorporated herein by reference).
3.8	Amendment No. 2 to Amended and Restated Limited Liability Company Agreement of the General Partner, dated July 18, 2008 (filed as Exhibit 3.1 to the Partnership’s Current Report on Form 8-K, filed on July 22, 2008, and incorporated herein by reference).
4.1	Specimen Unit Certificate (included in Exhibit 3.2).
10.1	SemGroup Energy Partners G.P., L.L.C. 2009 Executive Cash Bonus Plan (filed as Exhibit 10.22 to the Partnership’s Annual Report on Form 10-K, filed on July 2, 2009, and incorporated herein by reference).
31.1*	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551, this Exhibit is furnished to the SEC and shall not be deemed to be “filed.”

* Filed herewith.