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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from to

Commission File Number: 1-34736

SEMGROUP CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files): **Yes** x **No o**

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

Large Accelerated Filer	x	**Accelerated filer**	o
Non-accelerated filer	o	**Smaller reporting company**	☐
		Emerging growth company	☐

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A common stock	SEMG	New York Stock Exchange

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

Class		Outstanding at July 31, 2019	
Class A	Common stock, $0.01 par	79,581,828	Shares
Class B	Common stock, $0.01 par	—	Shares

SemGroup Corporation

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Cautionary Note Regarding Forward-Looking Statements

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

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

- Our ability to generate sufficient cash flow from operations to enable us to pay our debt obligations and our current and expected dividends or to fund our other liquidity needs;
- Any sustained reduction in demand for, or supply of, the petroleum products we gather, transport, process, market and store;
- The effect of our debt level on our future financial and operating flexibility, including our ability to obtain additional capital on terms that are favorable to us;
- Our ability to access the debt and equity markets, which will depend on general market conditions and the credit ratings for our debt obligations and equity;
- The loss of, or a material nonpayment or nonperformance by, any of our key customers;
- The amount of cash distributions, capital requirements and performance of our investments and joint ventures;
- The consequences of any divestitures of non-strategic operating assets or divestitures of interests in some of our operating assets through partnerships and/or joint ventures;
- The amount of collateral required to be posted from time to time in our purchase, sale or derivative transactions;
- The impact of operational and developmental hazards and unforeseen interruptions;
- Our ability to obtain new sources of supply of petroleum products;
- Competition from other midstream energy companies;
- Our ability to comply with the covenants contained in our credit agreements, continuing covenant agreement and the indentures governing our notes, including requirements under our credit agreements and continuing covenant agreement to maintain certain financial ratios;
- Our ability to renew or replace expiring storage, transportation and related contracts;
- The overall forward markets for crude oil, natural gas and natural gas liquids;
- The possibility that the construction or acquisition of new assets or other business combination activities may not result in the corresponding anticipated benefits;
- Any future impairment of goodwill resulting from the loss of customers or business;
- Changes in currency exchange rates;
- Weather and other natural phenomena, including climate conditions;
- A cyber attack involving our information systems and related infrastructure, or that of our business associates;

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

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

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

Investors and others should note that we announce material company information using our investor relations website (www.semgroup.com), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our investors and the public about our company, our businesses and our results of operations. The information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media and others interested in our company to review the information we post on the social media channels listed on our investor relations website.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 252,927	$ 86,655
Accounts receivable (net of allowance of $2,536 and $2,244, respectively)	690,705	562,214
Receivable from affiliates	1,182	295
Inventories	63,539	49,397
Current assets held for sale	1,025	—
Other current assets	33,984	17,264
Total current assets	1,043,362	715,825
Property, plant and equipment (net of accumulated depreciation of $692,081 and $607,903, respectively)	3,886,438	3,457,326
Equity method investments	284,186	274,009
Goodwill	338,931	257,302
Other intangible assets (net of accumulated amortization of $114,775 and $90,014, respectively)	455,858	365,038
Other noncurrent assets	150,539	140,807
Right of use assets, net	93,089	—
Noncurrent assets held for sale	5,537	—
Total assets	$ 6,257,940	$ 5,210,307
LIABILITIES, PREFERRED STOCK AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 580,254	$ 494,792
Payable to affiliates	3,242	3,715
Accrued liabilities	104,830	115,095
Deferred revenue	3,235	11,060
Current liabilities held for sale	1,935	—
Other current liabilities	14,466	6,495
Current portion of long-term debt	12,682	6,000
Total current liabilities	720,644	637,157
Long-term debt	2,510,897	2,278,834
Deferred income taxes	137,846	55,789
Other noncurrent liabilities	145,703	38,548
Commitments and contingencies (Note 8)		
Redeemable preferred stock, $0.01 par value, $380,331 liquidation preference (authorized - 4,000 shares; issued - 350 shares)	372,628	359,658
Subsidiary redeemable preferred stock	252,876	—
SemGroup owners' equity:		
Common stock, $0.01 par value (authorized - 190,000 shares; issued - 79,853 and 79,270 shares, respectively)	790	786
Additional paid-in capital	1,453,679	1,615,969
Treasury stock, at cost (271 and 126 shares, respectively)	(1,421)	(705)
Accumulated deficit	(95,351)	(73,971)
Accumulated other comprehensive loss	(51,691)	(51,247)
Total SemGroup Corporation owners' equity	1,306,006	1,490,832
Noncontrolling interests in consolidated subsidiaries	811,340	349,489
Total owners' equity	2,117,346	1,840,321
Total liabilities, preferred stock and owners' equity	$ 6,257,940	$ 5,210,307

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

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

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues:				
Product	$ 517,002	$ 423,290	$ 937,235	$ 934,058
Service	92,636	109,504	180,009	196,172
Storage	40,549	39,463	82,857	84,687
Lease	4,034	4,251	7,916	8,580
Other	20,719	19,286	34,155	33,906
Total revenues	674,940	595,794	1,242,172	1,257,403
Expenses:				
Costs of products sold, exclusive of depreciation and amortization shown below	493,580	412,089	896,952	908,221
Operating	77,997	90,245	141,204	160,036
General and administrative	25,520	22,886	55,067	49,363
Depreciation and amortization	64,011	51,755	123,047	102,291
Loss (gain) on disposal or impairment, net	8,936	1,824	7,492	(1,742)
Total expenses	670,044	578,799	1,223,762	1,218,169
Earnings from equity method investments	12,695	14,351	26,646	26,965
Operating income	17,591	31,346	45,056	66,199
Other expenses (income), net:				
Interest expense	38,910	35,904	75,562	78,365
Foreign currency transaction loss (gain)	(989)	2,314	(1,277)	5,608
Other income, net	(1,347)	(533)	(2,326)	(1,483)
Total other expenses, net	36,574	37,685	71,959	82,490
Loss before income taxes	(18,983)	(6,339)	(26,903)	(16,291)
Income tax expense (benefit)	(6,085)	(3,613)	(10,691)	19,470
Net loss	(12,898)	(2,726)	(16,212)	(35,761)
Less: net income attributable to noncontrolling interest	12,689	—	16,214	—
Net loss attributable to SemGroup	(25,587)	(2,726)	(32,426)	(35,761)
Less: cumulative preferred stock dividends	6,657	6,211	13,198	11,043
Less: cumulative subsidiary preferred stock dividends	2,577	—	3,684	—
Less: accretion of subsidiary preferred stock to redemption value	237	—	13,986	—
Net loss attributable to common shareholders	$ (35,058)	$ (8,937)	$ (63,294)	$ (46,804)
Net loss	$ (12,898)	$ (2,726)	$ (16,212)	$ (35,761)
Other comprehensive income, net of income tax	27,387	6,180	13,154	24,351
Comprehensive income (loss)	14,489	3,454	(3,058)	(11,410)
Less: net income attributable to noncontrolling interests	12,689	—	16,214	—
Less: other comprehensive income attributable to noncontrolling interests	8,018	—	13,598	—
Comprehensive income (loss) attributable to SemGroup	$ (6,218)	$ 3,454	$ (32,870)	$ (11,410)
Net loss per common share (Note 15):				
Basic	$ (0.45)	$ (0.11)	$ (0.81)	$ (0.60)
Diluted	$ (0.45)	$ (0.11)	$ (0.81)	$ (0.60)

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

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

	Three Months Ended June 30, 2019						
	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Owners' Equity
March 31, 2019	$ 790	$ 1,496,633	$ (1,385)	$ (69,764)	$ (71,060)	$ 775,273	$ 2,130,487
Net income (loss)	—	—	—	(25,587)	—	12,689	(12,898)
Other comprehensive income, net of income taxes	—	—	—	—	19,369	8,018	27,387
Dividends paid	—	(37,341)	—	—	—	—	(37,341)
Non-cash preferred stock dividends	— 1	(6,541) 1	— 1	— 1	— 1	— 1	(6,541)
Unvested dividend equivalent rights	— 2	40 2	— 2	— 2	— 2	— 2	40
Non-cash equity compensation	— 3	2,232 3	— 3	— 3	— 3	— 3	2,232
Equity issuance to noncontrolling interest	— 4	— 4	— 4	— 4	— 4	10,974 4	10,974
Non-cash subsidiary preferred stock dividends	— 5	(1,107) 5	— 5	— 5	— 5	(1,064) 5	(2,171)
Accretion of subsidiary preferred stock to redemption value	— 6	(237) 6	— 6	— 6	— 6	(228) 6	(465)
Contributions from noncontrolling interests	— 7	— 7	— 7	— 7	— 7	70,521 7	70,521
Cash distributions to noncontrolling interests	— 8	— 8	— 8	— 8	— 8	(64,843) 8	(64,843)
Repurchase of common stock	—	—	(36)	—	—	—	(36)
Balance at June 30, 2019	$ 790	$ 1,453,679	$ (1,421)	$ (95,351)	$ (51,691)	$ 811,340	$ 2,117,346

	Three Months Ended June 30, 2018					
	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Owners' Equity
March 31, 2018	$ 785	$ 1,735,646	$ (381)	$ (80,257)	$ (35,630)	$ 1,620,163
Net loss	—	—	—	(2,726)	—	(2,726)
Other comprehensive income, net of income taxes	—	—	—	—	6,180	6,180
Dividends paid	—	(37,193)	—	—	—	(37,193)
Non-cash preferred stock dividends	—	(4,830)	—	—	—	(4,830)
Unvested dividend equivalent rights	—	(117)	—	—	—	(117)
Non-cash equity compensation	—	3,396	—	—	—	3,396
Issuance of common stock under compensation plans	—	(37)	—	—	—	(37)
Repurchase of common stock	—	—	(318)	—	—	(318)
Balance at June 30, 2018	$ 785	$ 1,696,865	$ (699)	$ (82,983)	$ (29,450)	$ 1,584,518

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

	Six Months Ended June 30, 2019						
	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Owners' Equity
December 31, 2018	$ 786	$ 1,615,969	$ (705)	$ (73,971)	$ (51,247)	$ 349,489	$ 1,840,321
Adoption of ASU 2018-02	—	—	—	10,884	(10,884)	—	—
Adoption of ASC 842	—	—	—	162	—	—	162
Net income (loss)	—	—	—	(32,426)	—	16,214	(16,212)
Other comprehensive income, net of income taxes	—	—	—	—	10,440	13,598	24,038
Dividends paid	—	(75,736)	—	—	—	—	(75,736)
Non-cash preferred stock dividends		(12,970)					(12,970)
Unvested dividend equivalent rights	—	884	—	—	—	—	884
Non-cash equity compensation	—	4,864	—	—	—	—	4,864
Equity issuance to noncontrolling interest	—	(64,525)	—	—	—	448,443	383,918
Non-cash subsidiary preferred stock dividends		(1,107)				(1,064)	(2,171)
Accretion of subsidiary preferred stock to redemption value	—	(13,986)	—	—	—	(13,438)	(27,424)
Contributions from noncontrolling interests						70,521	70,521
Cash distributions to noncontrolling interest	—	—	—	—	—	(72,423)	(72,423)
Issuance of common stock under compensation plans	4	286	—	—	—	—	290
Repurchase of common stock	—	—	(716)	—	—	—	(716)
Balance at June 30, 2019	$ 790	$ 1,453,679	$ (1,421)	$ (95,351)	$ (51,691)	$ 811,340	$ 2,117,346

	Six Months Ended June 30, 2018					
	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Owners' Equity
December 31, 2017	$ 786	$ 1,770,117	$ (8,031)	$ (50,706)	$ (53,801)	$ 1,658,365
Adoption of ASC 606	—	—	—	11,513	—	11,513
Net loss	—	—	—	(35,761)	—	(35,761)
Other comprehensive income, net of income taxes	—	—	—	—	24,351	24,351
Dividends paid	—	(74,423)	—	—	—	(74,423)
Non-cash preferred stock dividends	—	(4,830)	—	—	—	(4,830)
Unvested dividend equivalent rights	—	(64)	—	—	—	(64)
Non-cash equity compensation	—	5,545	—	—	—	5,545
Issuance of common stock under compensation plans	1	520	—	—	—	521
Retirement of treasury stock	(2)	—	8,031	(8,029)	—	—
Repurchase of common stock	—	—	(699)	—	—	(699)
Balance at June 30, 2018	$ 785	$ 1,696,865	$ (699)	$ (82,983)	$ (29,450)	$ 1,584,518

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

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net loss	$ (16,212)	$ (35,761)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	123,047	102,291
Loss (gain) on disposal or impairment of long-lived assets, net	7,492	(1,742)
Earnings from equity method investments	(26,646)	(26,965)
Distributions from equity method investments	26,625	26,943
Amortization of debt issuance costs and discount	4,676	3,611
Deferred tax expense (benefit)	(17,466)	5,618
Non-cash equity compensation	4,940	5,594
Provision for uncollectible accounts receivable, net of recoveries	(84)	(250)
Foreign currency transaction loss (gain)	(1,277)	5,608
Inventory valuation adjustment	734	—
Changes in operating assets and liabilities (Note 16)	(75,943)	11,499
Net cash provided by operating activities	29,886	96,446
Cash flows from investing activities:		
Capital expenditures	(184,251)	(234,294)
Proceeds from sale of long-lived assets	1,679	154
Contributions to equity method investments	(20,017)	(2,453)
Payments to acquire business, net of cash acquired	(488,297)	—
Proceeds from business divestitures	—	146,735
Distributions in excess of equity in earnings of affiliates	9,861	11,636
Net cash used in investing activities	(681,025)	(78,222)
Cash flows from financing activities:		
Debt issuance costs	(13,193)	(4,469)
Borrowings on credit facilities and issuance of senior notes, net of discount	556,022	997,500
Principal payments on credit facilities and other obligations	(322,553)	(1,315,798)
Proceeds from subsidiary common stock issuance, net of offering costs	448,443	—
Proceeds from subsidiary preferred stock issuance, net of offering costs	223,280	342,299
Contributions from noncontrolling interests	70,521	—
Distributions to noncontrolling interests	(72,423)	—
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(716)	(699)
Dividends paid	(75,736)	(74,423)
Proceeds from issuance of common stock under employee stock purchase plan	366	245
Net cash provided by (used in) financing activities	814,011	(55,345)
Effect of exchange rate changes on cash and cash equivalents	3,400	(1,254)
Change in cash and cash equivalents	166,272	(38,375)
Cash and cash equivalents at beginning of period	86,655	93,699
Cash and cash equivalents at end of period	$ 252,927	$ 55,324

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

1. OVERVIEW

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

Basis of presentation

The accompanying condensed consolidated balance sheet at December 31, 2018, which is derived from audited financial statements, and the unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC"). These financial statements include all normal and recurring adjustments that, in the opinion of management, are necessary to present fairly the financial position of the Company and the results of its operations and its cash flows.

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Although management believes these estimates are reasonable, actual results could differ materially from these estimates. The results of operations for the three months and six months ended June 30, 2019, are not necessarily indicative of the results to be expected for the full year ending December 31, 2019.

Pursuant to the rules and regulations of the SEC, the accompanying condensed consolidated financial statements do not include all of the information and notes normally included with financial statements prepared in accordance with U.S. GAAP. Certain reclassifications have been made to conform previously reported balances to the current presentation. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018, which are included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC.

Our significant accounting policies are consistent with those described in our Annual Report on Form 10-K for the year ended December 31, 2018.

Recently adopted accounting pronouncements

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. For public entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those years and early adoption is permitted in the year prior to the effective date. We adopted the standard at January 1, 2019, and recorded a $10.9 million adjustment from accumulated other comprehensive income to retained earnings upon adoption.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", as amended ("ASC 842"), which amends the existing lease guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by operating and finance leases and to disclose additional quantitative and qualitative information about leasing arrangements. This ASU, as amended, also provides clarifications surrounding the presentation of the effects of leases in the income statement and statement of cash flows. For public entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those years. We have elected the package of practical expedients such that we will not reassess whether any expired or existing contracts contain leases, we will not reassess the lease classification for any expired or existing leases and we will not reassess initial direct costs for any leases. Additionally, we have elected the practical expedient not to reassess certain land easements. As such, certain storage tanks, pipeline leases and land easements, which are not currently treated as leases, may become leases as these agreements are renewed or modified depending on the terms of the renewal or modification. Additionally, the classification for existing leases may change as agreements are renewed or modified. We adopted the standard at January 1, 2019, and recorded approximately $100 million of right of use assets and lease liabilities. We recognized a

1. OVERVIEW, Continued

cumulative-effect adjustment to the opening balance of retained earnings of approximately $0.2 million as allowed by ASU 2018-11, "Leases (Topic 842): Targeted Improvements".

Recent accounting pronouncements not yet adopted

On August 27, 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", which modifies the disclosure requirements in Topic 820 by removing, adding or modifying certain fair value measurement disclosures. For public entities, this ASU is effective for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. We will adopt this guidance in the first quarter of 2020. The impact is not expected to be material.

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

2. DISPOSALS OR IMPAIRMENTS OF LONG-LIVED ASSETS

Six months ended June 30, 2019

In June 2019, we entered into an agreement to sell our Sherman, Texas natural gas gathering and processing assets of our U.S. Gas segment, for $5.3 million in cash. At June 30, 2019, these assets and related liabilities are reflected on the consolidated balance sheet as held for sale and have been written down to net realizable value by recording an impairment of $5.2 million. The sale of these assets closed in July 2019. At June 30, 2019, the assets and liabilities held for sale included $5.5 million of property, plant and equipment, $1.0 million of current assets and $1.9 million of current liabilities.

At June 30, 2019, we recorded a $3.4 million impairment of our Nash, Oklahoma natural gas processing plant within our U.S. Gas segment. The impairment was triggered by the permanent idling of the Nash plant. We used a market approach to determine the fair value of the remaining assets based on assumptions of the equipment's condition, marketability and salvage value.

On February 25, 2019, we contributed 100% of the issued and outstanding equity interests in our wholly owned subsidiary, SemCAMS ULC, an Alberta unlimited liability company, in exchange for 51% of the common shares of SemCAMS Midstream ULC ("SemCAMS Midstream"), cash, a potential payment contingent on positive final investment decision of a specific project by SemCAMS Midstream, and earnout consideration in the form of a special share in SemCAMS Midstream entitled to dividend payments if either or both of two specific projects proceed and EBITDA thresholds pertaining to those projects are achieved. No gain or loss was recorded on the contribution as we retained control of the contributed subsidiary. Certain deferred tax impacts of the transaction were recorded as an adjustment to Additional Paid-In Capital. Refer to Note 3 for further information.

Six months ended June 30, 2018

On April 12, 2018, we completed the sale of our U.K. operations, SemLogistics, for $73.1 million. We recorded a pre-tax gain on disposal of $0.4 million for the six months ended June 30, 2018. The U.K. business contributed $5.4 million of pre-tax income for the six months ended June 30, 2018, excluding the gain on disposal.

On March 15, 2018, we completed the sale of our Mexican asphalt business for $70.7 million. We recorded a pre-tax gain on disposal of $1.6 million for the six months ended June 30, 2018. The Mexican asphalt business contributed $2.3 million of pre-tax income for the six months ended June 30, 2018, excluding the gain on disposal.

3. ACQUISITIONS

SemCAMS Midstream

On January 9, 2019, a wholly owned subsidiary of SemGroup Corporation, SemCanada II, L.P., an Oklahoma limited partnership, and an affiliate of Kohlberg Kravis Roberts & Co. L.P. and wholly owned subsidiary of KKR Global Infrastructure Investors III L.P., KKR Alberta Midstream Inc., an Alberta corporation ("KKR"), entered into definitive agreements to create a new joint venture company that will own and operate midstream oil and gas infrastructure in Western Canada, SemCAMS Midstream, an Alberta unlimited liability corporation. SemGroup owns 51%, and KKR owns 49%, of SemCAMS Midstream, subsequent to close of the transactions described below.

Share Purchase Agreement

In connection with the formation of SemCAMS Midstream, on January 9, 2019, SemCAMS Midstream entered into a Share Purchase Agreement (the "Share Purchase Agreement") with Meritage Midstream Services III, LP ("Meritage") to acquire 100% of the issued and outstanding equity interests in Meritage Midstream ULC, an Alberta unlimited liability corporation ("Meritage ULC" and such acquisition, the "Meritage Acquisition"). On February 25, 2019, SemCAMS Midstream completed the Meritage Acquisition pursuant to the Share Purchase Agreement for a debt-free, cash purchase price of C$645.6 million (US$490.8 million at the February 25, 2019 exchange rate), subject to customary post-closing adjustments. The purchase price included C$152.3 million (US$115.8 million at the February 25, 2019 exchange rate) in reimbursements for estimated capital expenditures incurred from September 1, 2018 to the closing of the Meritage Acquisition (the "Meritage Closing").

Pursuant to the Share Purchase Agreement, SemCAMS Midstream has obtained a representation and warranty insurance policy to cover losses arising from breaches of representations and warranties by Meritage. Each party has agreed to indemnify the other for breaches of covenants and certain other matters, subject to certain exceptions and limitations.

Investment and Contribution Agreement

Concurrently with the execution of the Share Purchase Agreement, SemGroup, KKR and SemCAMS Midstream entered into an Investment and Contribution Agreement (the "Contribution Agreement"). On February 25, 2019, the Contribution (as defined below) closed immediately prior to the Meritage Closing (the "Contribution Closing"). Pursuant to the terms of the Contribution Agreement, each of SemGroup and KKR made the following contributions to SemCAMS Midstream: (i) SemGroup contributed 100% of the issued and outstanding equity interests in its wholly owned subsidiary, SemCAMS ULC, an Alberta unlimited liability company, (the "SemGroup Contribution") in exchange for (A) 51% of the common shares of SemCAMS Midstream, (B) a cash amount of C$645.6 million (US$490.8 million at the February 25, 2019 exchange rate) subject to adjustments for capital contributions to SemCAMS ULC by SemGroup and other customary adjustments, (C) a potential payment of C$14.7 million (US$11.2 million at the February 25, 2019 exchange rate) contingent on positive final investment decision of a specific project by SemCAMS Midstream, and (D) earnout consideration in the form of a special share in SemCAMS Midstream entitled to dividend payments up to a maximum (pre-tax) aggregate amount of C$50.0 million (US$38.0 million at the February 25, 2019 exchange rate) if either or both of two specific projects proceed and EBITDA thresholds pertaining to those projects are achieved; and (ii) KKR contributed cash in the amount of C$785.6 million (US$597.2 million at the February 25, 2019 exchange rate), capital contributions to SemCAMS ULC by SemGroup and a payment of C$14.7 million (US$11.2 million at the February 25, 2019 exchange rate) contingent on the pursuit of a specific project (unrelated to the two projects referred to above) by SemCAMS Midstream, and other customary adjustments (the "KKR Contribution" and, together with the SemGroup Contribution, the "Contribution") in exchange for (A) 49% of the common shares of SemCAMS Midstream and (B) 300,000 preferred shares in SemCAMS Midstream (representing C$300 million (US$228.1 million at the February 25, 2019 exchange rate) of KKR cash contribution) which will pay annual dividends of C$87.50 paid on a quarterly basis. SemCAMS Midstream may elect, for any of the first ten quarters following issuance of the preferred shares, to pay the dividends in-kind in the form of additional preferred shares. SemCAMS Midstream will have the right to convert the preferred shares into common shares in the event of an initial public offering of its common shares, at a conversion price equal to 92.5% of the IPO offering price. In connection with the issuance of the preferred shares, KKR received a C$6.0 million (US$4.6 million at the February 25, 2019 exchange rate) transaction fee from SemCAMS Midstream.

3. ACQUISITIONS, Continued

Included within the C$645.6 million (US$490.8 million at the February 25, 2019 exchange rate) cash received by SemGroup are reimbursements of C$30.6 million (US$23.3 million at the February 25, 2019 exchange rate) for a 51% share of the deposit made pursuant to the Share Purchase Agreement. KKR's cash contribution of C$785.6 million (US$597.2 million at the February 25, 2019 exchange rate) does not include C$29.4 million (US$22.4 million at the February 25, 2019 exchange rate), the 49% share of the deposit made pursuant to the Share Purchase Agreement, which was not reimbursed to KKR and forms part of the KKR Contribution.

On June 6, 2019, KKR paid, and SemGroup received, C$14.7 million (US$11.0 million at the June 6, 2019 exchange rate) associated with a positive investment decision of a specific project by SemCAMS Midstream. The payment was recorded as additional proceeds under the Contribution Agreement.

KKR and SemGroup have agreed to indemnify each other for breaches of covenants and certain other matters, subject to certain exceptions and limitations.

Upon the Contribution Closing, KKR and SemGroup entered into a unanimous shareholder agreement (the "Shareholder Agreement") to cover corporate governance, transfer restrictions, funding obligations and other similar matters related to SemCAMS Midstream. The Shareholder Agreement includes customary restrictions on the activities of SemGroup and KKR that relate to the business of SemCAMS Midstream within a defined area of mutual interest surrounding the location in which SemCAMS Midstream will operate. In addition, the Shareholder Agreement includes certain liquidity rights that allow each of KKR and SemGroup to cause SemCAMS Midstream to pursue an initial public offering of its respective common shares after the third anniversary of the parties' entry into the Shareholder Agreement.

Purchase price allocation

We are in the process of finalizing the determination of the fair value of consideration exchanged and assets and liabilities acquired at the acquisition date to record the acquisition of Meritage ULC. Further, the acquired business was not yet required to comply with ASU 2016-02 "Leases (Topic 842)". The determination of the estimated fair values of the assets acquired, including intangible assets and goodwill, and liabilities assumed is not yet complete and adjustments to preliminary amounts could be material.

As of June 30, 2019, we have recorded the preliminary purchase price allocation as follows in USD at the February 25, 2019 exchange rate (in thousands):

Assets acquired		
Cash	$	2,756
Accounts receivable		29,330
Other current assets		60
Property, plant and equipment		328,497
Intangible assets subject to amortization		115,068
Goodwill		81,266
Total assets acquired	$	556,977
Consideration		
Cash	$	491,487
Liabilities assumed		
Accounts payable and accrued liabilities		32,169
Other noncurrent liabilities		33,321
Total liabilities assumed		65,490
Total consideration	$	556,977

Finite-lived intangibles are amortized over their estimated useful lives. Customer contracts are being amortized over 20 years on a straight-line basis. Goodwill primarily relates to the location of the business and potential for future growth. SemGroup will be able to deduct 51% of the goodwill from the transaction for U.S. income tax purposes. Acquired

3. ACQUISITIONS, Continued

property, plant and equipment has been assigned useful lives consistent with our accounting policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

From the acquisition date through June 30, 2019, the preliminary purchase price allocation was adjusted to reduce property, plant and equipment and intangible assets subject to amortization by $2.2 million and $0.5 million, respectively, offset by a decrease in other noncurrent liabilities of $0.1 million. Accordingly, goodwill recognized at acquisition of $78.8 million increased to $81.3 million as of June 30, 2019.

4. EQUITY METHOD INVESTMENTS

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

	June 30, 2019	December 31, 2018
White Cliffs Pipeline, L.L.C.	$ 265,200	$ 255,043
NGL Energy Partners LP	18,986	18,966
Total equity method investments	$ 284,186	$ 274,009

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
White Cliffs Pipeline, L.L.C.	$ 12,688	$ 14,338	$ 26,625	$ 26,943
NGL Energy Partners LP	7	13	21	22
Total earnings from equity method investments	$ 12,695	$ 14,351	$ 26,646	$ 26,965

White Cliffs Pipeline, L.L.C.

We own a 51% interest in White Cliffs Pipeline, L.L.C. ("White Cliffs"), which we account for under the equity method. Certain unaudited summarized income statement information of White Cliffs for the three months and six months ended June 30, 2019 and 2018, is shown below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	$ 41,962	$ 44,209	$ 87,586	$ 84,600
Costs of products sold, exclusive of depreciation and amortization	$ (228)	$ (415)	$ (7)	$ (31)
Operating, general and administrative expenses	$ 8,047	$ 6,594	$ 16,859	$ 11,997
Depreciation and amortization expense	$ 9,265	$ 9,606	$ 18,528	$ 19,197
Net income	$ 24,878	$ 28,423	$ 52,206	$ 53,437

We received cash distributions from White Cliffs of $16.0 million and $19.4 million for the three months ended June 30, 2019 and 2018, respectively. We received cash distributions from White Cliffs of $36.5 million and $38.6 million for the six months ended June 30, 2019 and 2018, respectively.

The members of White Cliffs are required to contribute capital to White Cliffs to fund various projects. In 2018, we announced that we will convert one of the White Cliffs 12-inch carrier pipelines from crude service to natural gas liquids service. For the three months and six months ended June 30, 2019, we contributed $10.6 million and $20.0 million, respectively, to fund the conversion project. For the three months and six months ended June 30, 2018, we contributed $1.8 million and $1.8 million, respectively, to fund the conversion project. Remaining contributions related to the conversion project will be paid in 2019 and are expected to total $8.7 million. The project is expected to be completed during the fourth quarter of 2019.

4. EQUITY METHOD INVESTMENTS, Continued

NGL Energy Partners LP

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

5. FINANCIAL INSTRUMENTS

Fair value of financial instruments

We record certain financial assets and liabilities at fair value at each balance sheet date. The tables below summarize the balances of derivative assets and liabilities at June 30, 2019 and December 31, 2018 (in thousands):

	June 30, 2019				
	Level 1	Level 2	Level 3	Netting [1]	Total - Net
Assets:					
Commodity derivatives [2]	$ 87	$ —	$ —	$ (87)	$ —
Total assets	87	—	—	(87)	—
Liabilities:					
Commodity derivatives [2]	6,123	—	—	(87)	6,036
Foreign currency forwards	—	158	—	—	158
Interest rate swaps	—	—	3,676	—	3,676
Total liabilities	6,123	158	3,676	(87)	9,870
Net assets (liabilities) at fair value	$ (6,036)	$ (158)	$ (3,676)	$ —	$ (9,870)

	December 31, 2018				
	Level 1	Level 2	Level 3	Netting [1]	Total - Net
Assets:					
Commodity derivatives [2]	$ 4,658	$ —	$ —	$ (973)	$ 3,685
Total assets	4,658	—	—	(973)	3,685
Liabilities:					
Commodity derivatives [2]	973	—	—	(973)	—
Foreign currency forwards	—	2,985	—	—	2,985
Interest rate swaps	—	—	1,482	—	1,482
Total liabilities	973	2,985	1,482	(973)	4,467
Net assets (liabilities) at fair value	$ 3,685	$ (2,985)	$ (1,482)	$ —	$ (782)

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

“Level 1” measurements are based on inputs consisting of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. These include commodity futures contracts that are traded on an exchange.

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

“Level 3” measurements are based on inputs from a pricing service and/or internal valuation models incorporating observable and unobservable market data. These could include commodity derivatives, such as forwards and swaps for

5. FINANCIAL INSTRUMENTS, Continued

which there is not a highly liquid market and therefore are not included in Level 2 above and interest rate swaps for which certain unobservable inputs are used in the valuation.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value levels. At June 30, 2019 and December 31, 2018, all of our physical fixed price forward purchases and sales commodity contracts were being accounted for as normal purchases and normal sales.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net assets (liabilities) at beginning of the period	$ (2,175)	$ 130	$ (1,482)	$ (1,228)
Transfers out of Level 3	—	—	—	—
Realized/Unrealized gain (loss) included in earnings*	(1,501)	(84)	(2,194)	1,219
Settlements	—	64	—	119
Net assets (liabilities) at end of period	$ (3,676)	$ 110	$ (3,676)	$ 110

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

See Note 7 for fair value of debt instruments. The approximate fair value of cash and cash equivalents, accounts receivable and accounts payable is equal to book value due to the short-term nature of these items.

Commodity derivative contracts

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

We seek to manage the price risk associated with our marketing operations by limiting our net open positions through (i) the concurrent purchase and sale of like quantities of petroleum products to create back-to-back transactions that are intended to lock in positive margins based on the timing, location or quality of the petroleum products purchased and delivered or (ii) derivative contracts. Our storage and transportation assets can also be used to mitigate time and location basis risks, respectively. All marketing activities are subject to our Comprehensive Risk Management Policy, Delegation of Authority policy and their supporting policies and procedures, which establish limits in order to manage risk and mitigate financial exposure.

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

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Sales	4,374	3,624	9,108	7,763
Purchases	4,121	3,816	9,025	7,191

5. FINANCIAL INSTRUMENTS, Continued

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

	June 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Commodity contracts	$ —	$ 6,036	$ 3,685	$ —

We have posted margin deposits as collateral with brokers who have the right of set off associated with these funds. At June 30, 2019 and December 31, 2018, our margin deposit balances were $10.6 million and $0.1 million, respectively. These margin account balances have not been offset against our net commodity derivative instrument (contract) positions. Had these margin deposits been netted against our net commodity derivative instrument (contract) positions as of June 30, 2019 and December 31, 2018, we would have had asset positions of $4.6 million and $3.8 million, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Commodity contracts	$ 2,865	$ (9,094)	$ (7,720)	$ (12,230)

Interest rate swaps

We have interest rate swaps which allow us to limit exposure to interest rate fluctuations. The swaps only apply to a portion of our outstanding debt and provide only partial mitigation of interest rate fluctuations. We have not designated the swaps as hedges, as such, and changes in the fair value of the swaps are recorded through current period earnings as a component of interest expense. At June 30, 2019 and December 31, 2018, we had interest rate swaps with notional values of $422.0 million and $524.3 million, respectively. At June 30, 2019, the fair value of our interest rate swaps was $3.7 million, which was reported within “other current liabilities” and “other noncurrent liabilities” in our condensed consolidated balance sheet. At December 31, 2018, the fair value of our interest rate swaps was $1.5 million, which was reported within “other current liabilities” and “other noncurrent liabilities” in our condensed consolidated balance sheet. For the three months ended June 30, 2019 and 2018, we recognized realized and unrealized losses of $1.5 million and $0.1 million related to interest rate swaps, respectively. For the six months ended June 30, 2019 and 2018, we recognized realized and unrealized losses of $2.2 million and realized and unrealized gains of $1.2 million related to interest rate swaps, respectively.

Foreign currency forwards

We have foreign currency forwards primarily to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canada segment primarily to fund capital projects. We have not designated the forwards as hedges; therefore, changes in the fair value of the forwards are recorded through current period earnings as a component of foreign currency transaction gains and losses. At June 30, 2019 and December 31, 2018, we had foreign currency forwards with notional values of $6.0 million and $56.1 million, respectively. At June 30, 2019 and December 31, 2018, the fair value of our foreign currency forwards was $0.2 million and $3.0 million, respectively, which is reported within "other current liabilities" in our condensed consolidated balance sheet. For the three months ended June 30, 2019 and 2018, we recognized realized and unrealized gains of $1.0 million and realized and unrealized losses of $2.1 million related to foreign currency forwards, respectively. For the six months ended June 30, 2019 and 2018, we recognized realized and unrealized gains of $1.3 million and realized and unrealized losses of $6.5 million related to foreign currency forwards, respectively.

Concentrations of risk

During the three months ended June 30, 2019, two customers, primarily of our U.S. Liquids segment, accounted for more than 10% of our consolidated revenue with revenues of $222.4 million. Three third-party suppliers, primarily of our U.S. Liquids segment, accounted for more than 10% of our consolidated costs of products sold with purchases of $165.3 million.

5. FINANCIAL INSTRUMENTS, Continued

During the six months ended June 30, 2019, two customers, primarily of our U.S. Liquids segment, accounted for more than 10% of our consolidated revenue with revenues of $415.0 million. One third-party supplier, primarily of our U.S. Liquids segment, accounted for more than 10% of our consolidated costs of products sold with purchases of $110.7 million.

At June 30, 2019, one third-party customer, primarily of our U.S. Liquids segment, accounted for approximately 12% of our consolidated accounts receivable.

6. INCOME TAXES

The effective tax rate was 32% and 57% for the three months ended June 30, 2019 and 2018, respectively. The effective tax rate was 40% and (120)% for the six months ended June 30, 2019 and 2018, respectively. The rate for the six months ended June 30, 2019, is impacted by $1.1 million Canadian withholding tax paid on remittances to the U.S., non-controlling interests in Maurepas Pipeline, LLC and SemCAMS Midstream ULC for which taxes are not provided and a discrete tax benefit of $12.1 million on a statutory rate reduction enacted in Alberta, Canada. The rate for the six months ended June 30, 2018, is impacted by a discrete tax expense related to the vesting of restricted stock in the amount of $1.7 million, a discrete tax expense of $10.0 million in Mexico on the sale of the 100% equity interest in our Mexican asphalt business and a discrete tax expense of $2.7 million on the foreign tax deduction offset to branch deferreds on the sale of our U.K. operations. Significant items that impacted the effective tax rate for each period, as compared to the U.S. federal statutory rate of 21%, include earnings in foreign jurisdictions taxed at different rates, foreign earnings taxed in foreign jurisdictions as well as in the U.S., since they are disregarded entities for U.S. federal income tax purposes, and the U.S. deduction for foreign taxes. These combined factors, and the magnitude of the permanent items impacting the tax rate relative to income from continuing operations before income taxes, result in rates that are not comparable between the periods.

We have a valuation allowance on a small portion of our state net operating loss carryovers with shorter carryover periods and a foreign tax credit carryover generated in tax years prior to 2014. We have not released the valuation allowance on the foreign tax credits due to the foreign tax credit limitation and the relative subjectivity of forecasts of the relational magnitude of U.S. and foreign taxable income in future periods, as well as the shorter carryover period available for the credits. Deferred tax assets are reduced by a valuation allowance when a determination is made that it is more likely than not that some, or all, of the deferred tax assets will not be realized based on the weight of all available evidence. Evidence which is objectively verifiable carries a higher weight in the analysis. The ultimate realization of deferred tax assets is dependent upon the existence of sufficient taxable income of the appropriate character within the carryback and carryforward period available under the tax law. Sources of taxable income include future reversals of existing taxable temporary differences, future earnings and available tax planning strategies.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns and determined that no accruals related to uncertainty in tax positions are required. All income tax years of the Company ending after the emergence from bankruptcy remain open for examination in U.S. jurisdictions under general operation of the statute of limitations, including special provisions with regard to net operating loss carryovers. In foreign jurisdictions, all tax periods prior to the emergence from bankruptcy are closed. The statute of limitations has not been waived with respect to any foreign jurisdictions post emergence and tax periods are open for examination in accordance with the general statutes of each foreign jurisdiction. Currently, there are no examinations in progress for our federal, state or foreign jurisdictions.

7. LONG-TERM DEBT

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

	Interest rate at June 30, 2019	June 30, 2019	December 31, 2018
Senior unsecured notes due 2022	5.6250%	$ 400,000	$ 400,000
Senior unsecured notes due 2023	5.6250%	350,000	350,000
Senior unsecured notes due 2025	6.3750%	325,000	325,000

7. LONG-TERM DEBT, Continued

Senior unsecured notes due 2026	7.2500%	300,000	300,000
SemGroup $1.0 billion corporate revolving credit facility [(1)]			
Alternate base rate borrowings	—	—	24,500
Eurodollar borrowings	—	—	95,000
HFOTCO term loan B [(2)]	5.1600%	594,000	597,000
HFOTCO tax exempt notes payable due 2050	3.3259%	225,000	225,000
SemCAMS Midstream term loan A[(3)]			
Banker's acceptance borrowings	4.5162%	267,262	—
Prime rate borrowings	5.2000%	5	—
SemCAMS Midstream C$525 million revolving credit facility [(4)]			
Banker's acceptance borrowings	4.5016%	61,090	—
Prime rate borrowings	5.2000%	33,599	—
SemCAMS Midstream KAPS Facility[(5)]	—	—	—
Unamortized premium (discount) and debt issuance costs, net		(32,377)	(31,666)
Total long-term debt, net		2,523,579	2,284,834
Less: current portion of long-term debt		12,682	6,000
Noncurrent portion of long-term debt, net		$ 2,510,897	$ 2,278,834

(1) SemGroup $1.0 billion corporate revolving credit facility matures on March 15, 2021.
(2) HFOTCO term loan B is due in quarterly installments of $1.5 million with a final payment due on June 26, 2025.
(3) SemCAMS Midstream term loan A is due in quarterly installments of C$4.4 million beginning March 31, 2020 and increasing to C$6.6 million on March 31, 2022 with a final payment on February 25, 2024.
(4) SemCAMS Midstream C$525 million (US$400.9 million at the June 30, 2019 exchange rate) revolving credit facility matures on February 25, 2024.
(5) SemCAMS Midstream KAPS Facility matures on June 13, 2024.

SemCAMS Midstream Credit Agreement

On February 25, 2019, SemCAMS Midstream entered into a credit agreement, together with The Toronto-Dominion Bank, as administrative agent, providing for a C$350 million (US$267.3 million at the June 30, 2019 exchange rate) senior secured term loan facility and a C$450 million (US$343.6 million at the June 30, 2019 exchange rate) senior secured revolving credit facility. On June 13, 2019, SemCAMS Midstream entered into an amended and restated credit agreement (the "Credit Agreement"), which increased the senior secured revolving credit facility capacity to C$525 million (US$400.9 million at the June 30, 2019 exchange rate) and added a C$300 million (US$229.1 million at the June 30, 2019 exchange rate) senior secured construction loan facility (the "KAPS Facility"). The term loan facility and the revolving credit facility mature on February 25, 2024. The KAPS Facility matures on June 13, 2024. SemCAMS Midstream may incur additional term loans and revolving commitments in an aggregate amount not to exceed C$250 million (US$190.9 million at the June 30, 2019 exchange rate), subject to receiving commitments for such additional term loans or revolving commitments from either new lenders or increased commitments from existing lenders.

Pledges and guarantees

Our senior unsecured notes are guaranteed by certain subsidiaries. See Note 18 for additional information.

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

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

The SemCAMS Midstream Credit Agreement is guaranteed on a non-recourse basis by each of SemGroup and KKR, limited to each respective entity's equity interests in SemCAMS Midstream, and fully guaranteed by any future material

7. LONG-TERM DEBT, Continued

subsidiary of SemCAMS Midstream. The obligations under the Credit Agreement and related lender hedge instruments and cash management instruments are secured by a lien on substantially all of the property and assets of SemCAMS Midstream and the other loan parties, subject to customary exceptions.

Letters of credit

We had the following outstanding letters of credit at June 30, 2019 (dollars in thousands):

SemGroup $1.0 billion revolving credit facility	1.75%	$	27,335
SemGroup secured bi-lateral (1)	1.75%	$	46,125
SemCAMS Midstream revolving credit facility	2.25%	$	22,909
SemCAMS Midstream secured bi-lateral (1)	1.75%	$	3,734

(1) Secured bi-lateral letters of credit are external to the SemGroup $1.0 billion revolving credit facility and the SemCAMS Midstream C$525 million (US$400.9 million at the June 30, 2019 exchange rate) revolving credit facility and do not reduce availability for borrowing on the credit facilities.

Capitalized interest

During the six months ended June 30, 2019 and 2018, we capitalized interest of $3.5 million and $6.5 million, respectively.

Fair value

We estimate the fair value of our senior unsecured notes based on unadjusted, transacted market prices near the measurement date. Our other long-term debts are estimated to be carried at fair value as a result of the recent timing of borrowings or rate resets. We estimate the fair value of our consolidated long-term debt, including current maturities, to be approximately $2.5 billion at June 30, 2019, which is categorized as a Level 2 measurement.

8. COMMITMENTS AND CONTINGENCIES

QPSE

On June 7, 2019, QPS Engineering LLC (“QPSE”) filed an Original Petition against SemGroup Corporation in the District Court of Tulsa County in Tulsa, Oklahoma (the “Lawsuit”). QPSE claims it is entitled to payment of $22 million in fees, which are being withheld by Maurepas Pipeline, LLC as liquidated damages as allowed by the terms of an engineering, procurement and construction contract (“EPC Contract”) between QPSE and Maurepas Pipeline, LLC for the construction of the Maurepas Pipeline. SemGroup Corporation is the guarantor of Maurepas Pipeline’s obligations under the EPC Contract. QPSE also claims additional damages including attorney’s fees and costs incurred in unspecified amounts. On July 5, 2019, SemGroup filed an answer and affirmative defenses denying QPSE’s claims. Because of the uncertainties inherent in litigation, we cannot predict the outcome of the Lawsuit, nor can we predict the amount of time and expense that will be required to resolve it. We believe QPSE’s claims are without merit and intend to defend vigorously against the Lawsuit. Withheld amounts are reflected as retainage payable, which is included in accounts payable on our condensed consolidated balance sheet, and the disposition of such amounts will ultimately impact the carrying value of the asset.

Environmental

We may, from time to time, experience leaks of petroleum products from our facilities and, as a result of which, we may incur remediation obligations or property damage claims. In addition, we are subject to numerous environmental regulations. Failure to comply with these regulations could result in the assessment of fines or penalties by regulatory authorities.

The Kansas Department of Health and Environment (the “KDHE”) initiated discussions during our bankruptcy proceeding regarding six of our sites in Kansas (five owned by U.S. Liquids and one owned by U.S. Gas) that KDHE believed, based on their historical use, may have had soil or groundwater contamination in excess of state standards. KDHE sought our agreement to undertake assessments of these sites to determine whether they are contaminated. We reached an agreement with KDHE on this matter and entered into a Consent Agreement and Final Order with KDHE to

8. COMMITMENTS AND CONTINGENCIES, Continued

conduct environmental assessments on the sites and to pay KDHE’s costs associated with their oversight of this matter. We have conducted Phase II investigations at all sites. Four sites are in various stages of follow-up investigation, remediation, monitoring, or closure under KDHE oversight. The environmental work at these sites is being completed under consent orders between Rose Rock Midstream Crude, L.P. and the KDHE. Two of the remaining sites have limited impacts to shallow soil and groundwater and the groundwater is currently being monitored on a semi-annual basis until such time that closure can be granted by the KDHE. No active remediation is anticipated for these two sites. The final two sites have required additional investigation and soil and groundwater remediation may be necessary to achieve KDHE closure. We do not anticipate any penalties or fines for these historical sites.

Other matters

We are party to various other claims, legal actions and complaints arising in the ordinary course of business. In the opinion of our management, the ultimate resolution of these claims, legal actions and complaints, after consideration of amounts accrued, insurance coverage and other arrangements, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, the outcome of such matters is inherently uncertain, and estimates of our consolidated liabilities may change materially as circumstances develop.

Asset retirement obligations

We will be required to incur significant removal and restoration costs when we retire our natural gas gathering and processing facilities in Canada. At June 30, 2019, we have an asset retirement obligation liability of $25.8 million, which is included within “other noncurrent liabilities” on our condensed consolidated balance sheets. This amount was calculated using the $141.7 million cost we estimate we would incur to retire these facilities, discounted based on our risk-adjusted cost of borrowing and the estimated timing of remediation.

The calculation of the liability for an asset retirement obligation requires the use of significant estimates, including those related to the length of time before the assets will be retired, cost inflation over the assumed life of the assets, actual remediation activities to be required, and the rate at which such obligations should be discounted. Future changes in these estimates could result in material changes in the value of the recorded liability. In addition, future changes in laws or regulations could require us to record additional asset retirement obligations.

Our other segments may also be subject to removal and restoration costs upon retirement of their facilities. However, we are unable to predict when, or if, our pipelines, storage tanks and other facilities would become completely obsolete and require decommissioning. Accordingly, we have not recorded a liability or corresponding asset, as both the amount and timing of such potential future costs are indeterminable.

Purchase and sale commitments

We routinely enter into agreements to purchase and sell petroleum products at specified future dates. We account for derivatives at fair value with the exception of commitments that have been designated as normal purchases and sales for which we do not record assets or liabilities related to these agreements until the product is purchased or sold. At June 30, 2019, such commitments included the following (in thousands):

	Volume (Barrels)	Value
Fixed price purchases	2,634	$ 144,008
Fixed price sales	2,853	$ 157,506
Floating price purchases	13,197	$ 751,703
Floating price sales	16,001	$ 797,728

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

Our U.S. Gas segment has a take-or-pay contractual obligation related to the fractionation of natural gas liquids through June 2023. The approximate amount of future obligation is as follows (in thousands):

8. COMMITMENTS AND CONTINGENCIES, Continued

For year ending:		
December 31, 2019	$	4,932
December 31, 2020		9,063
December 31, 2021		7,337
December 31, 2022		6,905
December 31, 2023		2,854
Thereafter		—
Total expected future payments	$	31,091

Our U.S. Gas segment also enters into contracts under which we are responsible for marketing the majority of the gas and natural gas liquids produced by the counterparties to the agreements. The majority of U.S. Gas's revenues were generated from such contracts.

Our U.S. Liquids segment has minimum volume commitments for pipeline transportation of crude oil. The approximate amount of future obligations is as follows (in thousands):

For year ending:		
December 31, 2019	$	11,022
December 31, 2020		19,751
December 31, 2021		12,976
December 31, 2022		13,231
December 31, 2023		13,496
Thereafter		6,817
Total expected future payments	$	77,293

On May 14, 2019, SemCAMS Midstream announced a new asset joint venture with Keyera Corp. to construct a natural gas liquids (NGL) and condensate pipeline system to connect the liquids-rich Montney and Duvernay production areas of northwestern Alberta to the fractionation and condensate hubs in Fort Saskatchewan, Alberta. The total cost for the project is estimated to be C$1.3 billion (US$992.7 million at June 30, 2019 exchange rate) for which SemCAMS Midstream will be responsible for 50%. SemCAMS Midstream's noncontrolling interest holder is expected to contribute 49% of SemCAMS Midstream's construction costs. Construction is expected to begin in mid-2020 and be completed by the first half of 2022.

9. EQUITY

Equity issuances

During the six months ended June 30, 2019, 32,468 shares under the Employee Stock Purchase Plan were issued and 345,239 shares related to our equity-based compensation awards vested.

Equity-based compensation

At June 30, 2019, there were 1,638,887 unvested shares that have been granted under our director and employee compensation programs. The par value of these shares is not reflected in common stock on the condensed consolidated balance sheets, as these shares have not yet vested. For certain of the awards, the number of shares that will vest is contingent upon our achievement of certain specified targets. If we meet the specified maximum targets, approximately 538,000 additional shares could vest.

The holders of certain restricted stock awards are entitled to equivalent dividends ("UDs") to be received upon vesting of the related restricted stock awards and will be settled in cash. At June 30, 2019, the value of the UDs related to unvested restricted stock awards was approximately $2.1 million.

During the six months ended June 30, 2019, we granted 818,603 restricted stock awards with a weighted average grant date fair value of $14.80 per award.

9. **EQUITY,** Continued

Noncontrolling interests

A 49% interest in our consolidated subsidiary, SemCAMS Midstream, in the form of common shares, is reported as a noncontrolling interest in our condensed consolidated financial statements.

A 49% interest in our consolidated subsidiary, Maurepas Pipeline, LLC, in the form of Class B shares of Maurepas Pipeline, LLC is reported as a noncontrolling interest in our condensed consolidated financial statements. The Class B shares provide for a monthly preference on Maurepas Pipeline, LLC distributions for the owners.

Common stock dividends

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

Quarter Ending	Dividend Per Share		Date of Record	Date Paid
March 31, 2018	$	0.4725	March 9, 2018	March 19, 2018
June 30, 2018	$	0.4725	May 16, 2018	May 25, 2018
September 30, 2018	$	0.4725	August 20, 2018	August 29, 2018
December 31, 2018	$	0.4725	November 16, 2018	November 26, 2018
March 31, 2019	$	0.4725	March 4, 2019	March 14, 2019
June 30, 2019	$	0.4725	May 10, 2019	May 20, 2019
September 30, 2019	$	0.4725	August 15, 2019	August 26, 2019

10. REDEEMABLE PREFERRED STOCK

SemGroup redeemable preferred stock

The following table sets forth the preferred stock dividends declared or paid-in-kind for the periods indicated (in thousands):

Quarter Ended	Dividend Paid-In-Kind		Date Paid
March 31, 2018*	$	4,832	May 25, 2018
June 30, 2018	$	6,211	August 29, 2018
September 30, 2018	$	6,317	November 26, 2018
December 31, 2018	$	6,430	March 1, 2019
March 31, 2019	$	6,541	May 20, 2019
June 30, 2019	$	6,657	August 26, 2019

*Prorated from January 19, 2018 to March 31, 2018

These dividends paid-in-kind increased the liquidation preference such that as of June 30, 2019, the preferred stock was convertible into 11,525,181 shares.

Subsidiary redeemable preferred stock

In conjunction with the formation of our SemCAMS Midstream joint venture, SemCAMS Midstream issued 300,000 shares of cumulative preferred stock with a C$1,000 (US$764 at the June 30, 2019 exchange rate) notional value which pay annual dividends of C$87.50 per share. The preferred stock is redeemable at SemCAMS Midstream's option subsequent to the third anniversary of issuance at a redemption price of C$1,100 (US$840 at the June 30, 2019 exchange rate) per share. The preferred stock is redeemable by the holder contingent upon a change of control or liquidation of SemCAMS Midstream. The preferred stock is convertible to SemCAMS Midstream common shares in the event of an initial public offering by SemCAMS Midstream.

10. REDEEMABLE PREFERRED STOCK, Continued

The preferred stock was issued for proceeds of C$293.7 million (US$223.8 million at the historical rate) which is net of C$6.3 million (US$4.8 million at the historical rate) of costs. As the preferred stock is redeemable after three years, we have made a policy election to record the preferred stock at the redemption amount. The accretion to redemption amount is treated as a reduction to SemCAMS common equity held by SemGroup and the noncontrolling interest holders.

Dividends on the preferred stock are payable in-kind for the first ten quarters subsequent to issuance. SemCAMS elected to pay in-kind dividends for the first quarter of 2019 in the amount of C$2.5 million (US$1.9 million at the March 31, 2019 exchange rate), which is prorated for the period from February 25, 2019 to March 31, 2019. The dividend paid-in-kind increased the Liquidation Preference such that as of June 30, 2019, the preferred stock was convertible into 302,480 shares.

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the changes in the components of accumulated other comprehensive loss for the periods shown (in thousands):

	Three Months Ended June 30, 2019				
	Currency Translation	Employee Benefit Plans	Total	Attributable to Noncontrolling Interest	Attributable to SemGroup
March 31, 2019	$ (60,435)	$ (5,045)	$ (65,480)	$ 5,580	$ (71,060)
Currency translation adjustment, net of income tax expense of $8,481	27,287	—	27,287	7,969	19,318
Changes related to benefit plans, net of income tax expense of $37	—	100	100	49	51
June 30, 2019	$ (33,148)	$ (4,945)	$ (38,093)	$ 13,598	$ (51,691)

	Three Months Ended June 30, 2018		
	Currency Translation	Employee Benefit Plans	Total
March 31, 2018	$ (32,846)	$ (2,784)	$ (35,630)
Currency translation adjustment, net of income tax benefit of $5,123	(15,863)	—	(15,863)
Currency translation adjustment reclassified to gain on disposal, net of income tax expense of $7,117	22,041	—	22,041
Changes related to benefit plans, net of income tax expense of $0	—	2	2
June 30, 2018	$ (26,668)	$ (2,782)	$ (29,450)

	Six Months Ended June 30, 2019				
	Currency Translation	Employee Benefit Plans	Total	Attributable to Noncontrolling Interest	Attributable to SemGroup
December 31, 2018	$ (45,816)	$ (5,431)	$ (51,247)	$ —	$ (51,247)
Currency translation adjustment, net of income tax expense of $7,311	23,552	—	23,552	13,581	9,971
Reclassification of certain tax effects from adoption of ASU 2018-02	(10,884)	—	(10,884)	—	(10,884)
Changes related to benefit plans, net of income tax expense of $180	—	486	486	17	469
June 30, 2019	$ (33,148)	$ (4,945)	$ (38,093)	$ 13,598	$ (51,691)

11. ACCUMULATED OTHER COMPREHENSIVE LOSS, Continued

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

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
U.S. Liquids				
Product sales	$ 492,084	$ 381,721	$ 877,114	$ 825,118
Pipeline transportation	21,236	21,602	42,357	41,941
Truck transportation	3,175	7,046	7,117	12,774
Storage fees	41,113	38,812	82,857	76,933
Facility service fees	13,391	12,701	31,140	23,732
Lease revenue	4,034	4,251	7,916	8,580
U.S. Gas				
Product sales	28,901	44,775	68,393	84,484
Service fees	12,149	17,598	25,816	33,785
Other revenue	16	—	83	—
Canada				
Service fees	42,139	50,402	73,615	80,944
Other revenue	20,685	19,229	34,036	33,832
Corporate and Other				
Product sales	—	—	—	31,319
Storage fees	—	651	—	7,754
Service fees	—	211	—	3,052
Intersegment eliminations	(3,983)	(3,205)	(8,272)	(6,845)
Total revenue	$ 674,940	$ 595,794	$ 1,242,172	$ 1,257,403

12. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

Remaining performance obligations

Most of our service contracts are such that we have the right to consideration from a customer in an amount that corresponds directly with the value to the customer of our performance completed to date. Therefore, we utilized the practical expedient in ASC 606-10-55-18 under which we recognize revenue in the amount to which we have the right to invoice. Applying this practical expedient, we are not required to disclose the transaction price allocated to remaining performance obligations under these agreements. However, certain of our agreements, such as "take-or-pay" agreements, do not qualify for the practical expedient. At June 30, 2019, the amount and timing of revenue recognition for such contracts is as follows (in thousands):

	2019	2020	2021	2022	2023	Thereafter
Expected timing of revenue recognized for remaining performance obligations	$ 188,220	$ 269,397	$ 222,702	$ 225,308	$ 226,892	$ 2,008,649

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

Receivables from contracts with customers

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

	June 30, 2019	December 31, 2018
Noncurrent receivables	$ 14,036	$ 11,496

Deferred revenue

We record deferred revenue when we have received a payment in advance of delivering a product or performing a service. For the three months ended June 30, 2019 and 2018, we recognized $0.3 million and $0.4 million, respectively, of revenue which was included in deferred revenue at the beginning of the period. For the six months ended June 30, 2019 and 2018, we recognized $0.6 million and $3.3 million, respectively, of revenue which was included in deferred revenue at the beginning of the period.

Costs to obtain or fulfill a contract

Unless material, we expense costs to obtain or fulfill a contract in the period incurred. At June 30, 2019 and December 31, 2018, we had contract assets of $9.2 million and $9.4 million, respectively, related to costs incurred to obtain contracts which had been expensed as incurred under previous guidance. These costs are reported within “other noncurrent assets” on the condensed consolidated balance sheets and are being amortized straight-line over 25 years, the life of the related contracts. We recognized $0.1 million and $0.1 million of amortization of these assets for the three months ended June 30, 2019 and 2018, respectively. We recognized $0.2 million and $0.2 million of amortization of these assets for the six months ended June 30, 2019 and 2018, respectively.

13. LEASES

SemGroup is a lessee of buildings, land, compressors, vehicles, office equipment and other small equipment under operating leases of varying durations. These leases have fixed and variable payments with variable payments generally being based on usage or the pass through of ownership costs from the lessors. Generally, these leases contain the right to extend the lease for a limited term or on a month to month basis subsequent to expiration of the initial term. Lease renewal periods have been accounted for where we have the right to extend the term and the renewal is reasonably assured at lease inception.

SemGroup is a lessor of certain land, storage tanks and a barge dock located on the Gulf Coast. Based on the terms of the agreement, these assets are accounted for as a direct financing lease. This lease has fixed and variable payments with variable payments generally being based on usage. The agreement has a 10 year initial term and the customer has the right to renew for two successive five year periods. Subsequent to those periods, either party may cancel the agreement, otherwise it will continue to renew for five year periods. Risks related to unguaranteed residual values are mitigated through insurance and regular maintenance.

We have elected the practical expedients offered by ASC 842 which do not require a reassessment of whether existing or completed contracts at adoption contain a lease, the lease classification or initial direct costs. Additionally, we have elected the practical expedient not to reassess certain land easements at adoption. As such, certain storage tank, pipeline leases and land easements, which are not currently treated as leases, may become leases if these agreements are renewed or modified depending on the terms of the renewal or modification. Additionally, the classification for existing leases may change as agreements are renewed or modified.

Lessee

We have elected the practical expedient to not separate lease and non-lease components for agreements where we lease land, buildings, storage tanks, compressors, and small machinery and equipment. Financing and operating lease liabilities are reported within “Other current liabilities” and “Other noncurrent liabilities” in our condensed consolidated balance sheet.

At June 30, 2019, we have recorded the following right-of-use assets and lease liabilities (in thousands):

	June 30, 2019
Right of use assets	
Financing	$ 2,909
Operating	$ 90,180
Lease liabilities	
Financing	$ 2,945
Operating	$ 92,855

During the three months and six months ended June 30, 2019, we have recorded the following (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Finance lease cost:		
Amortization of right-of-use assets	$ 161	$ 323
Interest expense on lease liabilities	$ 39	$ 79
Operating lease costs	$ 2,263	$ 4,500
Variable lease costs	$ 478	$ 1,068
Cash paid for amounts included in the measurement of lease liabilities:		
Financing	$ 144	$ 239
Operating	$ 990	$ 1,623
Noncash information on lease liabilities arising from obtaining right-of-use assets:		
Financing	$ —	$ 3,232

13. LEASES, Continued

Weighted average remaining lease term (in years):	
Financing	4.5 years
Operating	40.5 years
Weighted average discount rate:	
Financing	5.16%
Operating	5.16%

Undiscounted cash flows for the remainder of the year and on an annual basis for the following years are as follows (in thousands):

	Financing	Operating
2019	$ 366	$ 3,280
2020	732	6,793
2021	732	7,041
2022	732	6,446
2023	732	5,900
Thereafter	—	206,312
Total undiscounted cash flows	$ 3,294	$ 235,772
Short-term lease liabilities	$ 607	$ 5,057
Long-term lease liabilities	2,338	87,798
Total lease liabilities	$ 2,945	$ 92,855
Difference	$ 349	$ 142,917

Lessor

At June 30, 2019, the components of our net investment in direct financing leases are as follows (in thousands):

	June 30, 2019
Carrying amount of receivable	$ 76,461
Unguaranteed residual value	69,222
Deferred selling profit on direct financing leases	(76,461)
Net investment in sales-type and direct financing leases	$ 69,222

For the three months and six months ended June 30, 2019, we have recognized the following amounts of income from our direct financing leases as follows (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Interest income	$ 3,432	$ 6,865
Income related to variable lease payments not included in the lease receivable	602	1,051
Total direct financing lease revenue	$ 4,034	$ 7,916

13. LEASES, Continued

Undiscounted cash flows on an annual basis are as follows (in thousands):

	Direct financing leases
2019	$ 6,867
2020	13,031
2021	12,800
2022	12,804
2023	12,808
Thereafter	18,151
Total undiscounted cash flows	$ 76,461

14. SEGMENTS

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

In the fourth quarter of 2018, due to recent changes in our asset portfolio, the company elected to reorganize its business structure and reporting relationships to enhance execution and capture operating efficiencies. In conjunction with the reorganization, our reportable segments have changed. Prior period segment disclosures have been recast to reflect the new segments. U.S. Liquids includes the results of our U.S. crude oil operations, including the results of our historical HFOTCO segment. U.S. Gas contains the results of our historical SemGas segment. Canada includes the operations of our historical SemCAMS segment. Our prior SemMexico and SemLogistics segments are included within Corporate and Other, as these businesses were disposed of in 2018. Eliminations of transactions between segments are also included within Corporate and Other in the tables below.

The accounting policies of each segment are the same as the accounting policies of the consolidated Company. Transactions between segments are generally recorded based on prices negotiated between the segments.

Segment Profit is defined as revenue, less cost of products sold (exclusive of depreciation and amortization) and operating expenses, plus equity earnings and is adjusted to remove unrealized gains and losses on commodity derivatives and to reflect equity earnings on an EBITDA basis. Reflecting equity earnings on an EBITDA basis is achieved by adjusting equity earnings to exclude our percentage of interest, taxes, depreciation and amortization from equity earnings for operated equity method investees. For our investment in NGL Energy, we exclude equity earnings and include cash distributions received.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
U.S. Liquids				
External	$ 575,033	$ 466,133	$ 1,048,501	$ 989,078
U.S. Gas				
External	37,083	59,167	86,020	111,406
Intersegment	3,983	3,206	8,272	6,863
Canada				
External	62,824	69,631	107,651	114,776
Corporate and Other				
External	—	863	—	42,143
Intersegment	(3,983)	(3,206)	(8,272)	(6,863)
Total Revenues	$ 674,940	$ 595,794	$ 1,242,172	$ 1,257,403

14. SEGMENTS, Continued

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Earnings from equity method investments:				
U.S. Liquids	$ 12,688	$ 14,338	$ 26,625	$ 26,943
Corporate and Other	7	13	21	22
Total earnings from equity method investments	$ 12,695	$ 14,351	$ 26,646	$ 26,965

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Depreciation and amortization:				
U.S. Liquids	$ 39,824	$ 34,922	$ 79,311	$ 69,045
U.S. Gas	11,112	10,822	22,207	21,271
Canada	12,336	5,264	20,119	10,502
Corporate and Other	739	747	1,410	1,473
Total depreciation and amortization	$ 64,011	$ 51,755	$ 123,047	$ 102,291

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Income tax expense (benefit):				
U.S. Liquids	$ 149	$ 181	$ 296	$ 390
Canada	(10,999)	3,136	(10,792)	6,106
Corporate and Other	4,765	(6,930)	(195)	12,974
Total income tax expense (benefit)	$ (6,085)	$ (3,613)	$ (10,691)	$ 19,470

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Segment profit:				
U.S. Liquids	$ 85,189	$ 80,393	$ 174,700	$ 148,449
U.S. Gas	11,040	15,437	23,205	29,714
Canada	29,669	21,448	52,362	43,561
Corporate and Other	(219)	(172)	(456)	10,791
Total segment profit	$ 125,679	$ 117,106	$ 249,811	$ 232,515

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Reconciliation of segment profit to net income (loss):				
Total segment profit	$ 125,679	$ 117,106	$ 249,811	$ 232,515
Less:				
Adjustment to reflect equity earnings on an EBITDA basis	4,718	4,886	9,428	9,769
Net unrealized loss related to commodity derivative instruments	4,903	4,409	9,721	6,635
General and administrative expense	25,520	22,886	55,067	49,363
Depreciation and amortization	64,011	51,755	123,047	102,291
Loss (gain) on disposal or impairment, net	8,936	1,824	7,492	(1,742)

14. SEGMENTS, Continued

Interest expense	38,910	35,904	75,562	78,365
Foreign currency transaction loss (gain)	(989)	2,314	(1,277)	5,608
Other income, net	(1,347)	(533)	(2,326)	(1,483)
Income tax expense (benefit)	(6,085)	(3,613)	(10,691)	19,470
Net income (loss)	$ (12,898)	$ (2,726)	$ (16,212)	$ (35,761)

	June 30, 2019	December 31, 2018
Total assets (excluding intersegment receivables):		
U.S. Liquids	$ 3,882,840	$ 3,689,384
U.S. Gas	686,633	716,837
Canada	1,380,654	684,418
Corporate and Other	307,813	119,668
Total assets	$ 6,257,940	$ 5,210,307

	June 30, 2019	December 31, 2018
Equity investments:		
U.S. Liquids	$ 265,200	$ 255,043
Corporate and Other	18,986	18,966
Total equity investments	$ 284,186	$ 274,009

15. EARNINGS PER SHARE

Earnings per share is calculated based on income less any income attributable to noncontrolling interests, cumulative preferred stock dividends and accretion of subsidiary preferred stock to redemption value. Basic earnings (loss) per share is calculated based on the weighted average shares outstanding during the period. Diluted earnings (loss) per share includes the dilutive effect of unvested equity compensation awards and the potential conversion of preferred stock, if dilutive.

The following summarizes the calculation of basic earnings per share for the three months and six months ended June 30, 2019 and 2018 (in thousands, except per share amounts):

	Three Months Ended June 30,	
	2019	2018
Loss	$ (12,898)	$ (2,726)
less: income attributable to noncontrolling interest	12,689	—
Loss attributable to SemGroup	(25,587)	(2,726)
less: cumulative preferred stock dividends	6,657	6,211
less: cumulative subsidiary preferred stock dividends	2,577	—
less: accretion of subsidiary preferred stock to redemption value	237	—
Net income (loss) attributable to common shareholders	$ (35,058)	$ (8,937)
Weighted average common stock outstanding	78,668	78,319
Basic income (loss) per share	$ (0.45)	$ (0.11)

15. EARNINGS PER SHARE, Continued

	Six Months Ended June 30,	
	2019	2018
Loss	$ (16,212)	$ (35,761)
less: income attributable to noncontrolling interest	16,214	—
Loss attributable to SemGroup	(32,426)	(35,761)
less: cumulative preferred stock dividends	13,198	11,043
less: cumulative subsidiary preferred stock dividends	3,684	—
less: accretion of subsidiary preferred stock to redemption value	13,986	—
Net income (loss) attributable to common shareholders	$ (63,294)	$ (46,804)
Weighted average common stock outstanding	78,580	78,259
Basic income (loss) per share	$ (0.81)	$ (0.60)

The following summarizes the calculation of diluted earnings per share for the three months and six months ended June 30, 2019 and 2018 (in thousands, except per share amounts):

	Three Months Ended June 30,	
	2019	2018
Loss	$ (12,898)	$ (2,726)
less: income attributable to noncontrolling interest	12,689	—
Loss attributable to SemGroup	(25,587)	(2,726)
less: cumulative preferred stock dividends	6,657	6,211
less: cumulative subsidiary preferred stock dividends	2,577	—
less: accretion of subsidiary preferred stock to redemption value	237	—
Net income (loss) attributable to common shareholders	$ (35,058)	$ (8,937)
Weighted average common stock outstanding	78,668	78,319
Effect of dilutive securities	—	—
Diluted weighted average common stock outstanding	78,668	78,319
Diluted income (loss) per share	$ (0.45)	$ (0.11)

	Six Months Ended June 30,	
	2019	2018
Loss	$ (16,212)	$ (35,761)
less: income attributable to noncontrolling interest	16,214	—
Loss attributable to SemGroup	(32,426)	(35,761)
less: cumulative preferred stock dividends	13,198	11,043
less: cumulative subsidiary preferred stock dividends	3,684	—
less: accretion of subsidiary preferred stock to redemption value	13,986	—
Net income (loss) attributable to common shareholders	$ (63,294)	$ (46,804)
Weighted average common stock outstanding	78,580	78,259
Effect of dilutive securities	—	—
Diluted weighted average common stock outstanding	78,580	78,259
Diluted income (loss) per share	$ (0.81)	$ (0.60)

15. EARNINGS PER SHARE, Continued

For the three and six months ended June 30, 2019 and 2018, the preferred stock would have been antidilutive and, therefore, was not included in the computation of diluted earnings. For the three and six months ended June 30, 2019 and 2018, we experienced net losses attributable to SemGroup. The unvested equity compensation awards would have been antidilutive and, therefore, were not included in the computation of diluted earnings per share.

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six Months Ended June 30,	
	2019	2018
Decrease (increase) in restricted cash	$ —	$ 33
Decrease (increase) in accounts receivable	(100,365)	99,923
Decrease (increase) in receivable from affiliates	(887)	(92)
Decrease (increase) in inventories	(12,515)	40,051
Decrease (increase) in other current assets	(6,982)	(7,338)
Decrease (increase) in other assets	1,027	(3,702)
Increase (decrease) in accounts payable and accrued liabilities	35,487	(111,712)
Increase (decrease) in payable to affiliates	(473)	(6,088)
Increase (decrease) in other noncurrent liabilities	8,765	424
	$ (75,943)	$ 11,499

Other supplemental disclosures

We paid cash interest of $66.9 million and $82.9 million for the six months ended June 30, 2019 and 2018, respectively.

We paid cash income taxes, net of refunds, of $1.7 million and $14.7 million for the six months ended June 30, 2019 and 2018, respectively.

We incurred liabilities for capital expenditures that had not been paid of $49.9 million and $54.5 million as of June 30, 2019 and 2018, respectively. Such amounts are not included in capital expenditures on the condensed consolidated statements of cash flows.

17. RELATED PARTY TRANSACTIONS

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

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

During the three months and six months ended June 30, 2019 and 2018, we generated the following transactions with related parties (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
NGL Energy				
Revenues	$ —	$ 998	$ 3,058	$ 7,178
Purchases	$ 193	$ 144	$ 404	$ 380
White Cliffs				

17. RELATED PARTY TRANSACTIONS, Continued

Storage revenues	$	1,200	$	1,088	$	2,288	$	2,176
Transportation fees	$	2,714	$	2,697	$	5,732	$	6,320
Management fees	$	139	$	133	$	279	$	266
Crude oil purchases	$	—	$	—	$	—	$	895

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS

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

Each of the Guarantors is 100% owned by SemGroup Corporation (the “Parent”). Such guarantees of our senior unsecured notes are full and unconditional and constitute the joint and several obligations of the Guarantors. There are no significant restrictions upon the ability of the Parent or any of the Guarantors to obtain funds from its respective subsidiaries by dividend or loan. None of the assets of the Guarantors represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act.

Unaudited condensed consolidating financial statements for the Parent, the Guarantors and non-guarantors as of June 30, 2019 and December 31, 2018, and for the three months and six months ended June 30, 2019 and 2018, are presented on an equity method basis in the tables below (in thousands).

Intercompany receivable and payable balances, including notes receivable and payable, are capital transactions primarily to facilitate the capital needs of our subsidiaries. As such, subsidiary intercompany balances have been reported as a reduction to equity on the condensed consolidating Guarantor balance sheets. The Parent’s net intercompany balance, including notes receivable, and investments in subsidiaries have been reported in equity method investments on the condensed consolidating Guarantor balance sheets. Intercompany transactions, such as daily cash management activities, have been reported as financing activities within the condensed consolidating Guarantor statements of cash flows. The Parent's investing activities with subsidiaries have been reflected as cash flows from investing activities. These balances are eliminated through consolidating adjustments below.

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Balance Sheets

	June 30, 2019				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 220,203	$ —	$ 33,238	$ (514)	$ 252,927
Accounts receivable, net	—	555,927	134,805	(27)	690,705
Receivable from affiliates	1,056	2	124	—	1,182
Inventories	—	63,539	—	—	63,539
Current assets held for sale	—	—	1,025	—	1,025
Other current assets	7,314	15,581	11,089	—	33,984
Total current assets	228,573	635,049	180,281	(541)	1,043,362
Property, plant and equipment, net	6,930	959,909	2,919,599	—	3,886,438
Equity method investments	2,857,808	1,543,568	—	(4,117,190)	284,186
Goodwill	—	—	338,931	—	338,931
Other intangible assets, net	2	115,483	340,373	—	455,858
Other noncurrent assets	41,822	4,046	104,671	—	150,539
Right of use assets, net	6,706	6,174	80,209	—	93,089
Noncurrent assets held for sale	—	—	5,537	—	5,537
Total assets	$ 3,141,841	$ 3,264,229	$ 3,969,601	$ (4,117,731)	$ 6,257,940
LIABILITIES, PREFERRED STOCK AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 237	$ 532,231	$ 47,813	$ (27)	$ 580,254
Payable to affiliates	—	3,242	—	—	3,242
Accrued liabilities	34,268	14,529	56,038	(5)	104,830
Current liabilities held for sale	—	—	1,935	—	1,935
Other current liabilities	3,960	9,431	16,992	—	30,383
Total current liabilities	38,465	559,433	122,778	(32)	720,644
Long-term debt	1,349,907	6,293	1,160,990	(6,293)	2,510,897
Deferred income taxes	68,351	—	69,495	—	137,846
Other noncurrent liabilities	6,484	6,190	133,029	—	145,703
Commitments and contingencies					
Redeemable preferred stock	372,628	—	—	—	372,628
Subsidiary redeemable preferred stock	—	—	252,876	—	252,876
Owners' equity excluding noncontrolling interests in consolidated subsidiaries	1,306,006	2,692,313	1,419,093	(4,111,406)	1,306,006
Noncontrolling interests in consolidated subsidiaries	—	—	811,340	—	811,340
Total owners' equity	1,306,006	2,692,313	2,230,433	(4,111,406)	2,117,346
Total liabilities, preferred stock and owners' equity	$ 3,141,841	$ 3,264,229	$ 3,969,601	$ (4,117,731)	$ 6,257,940

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	December 31, 2018				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 40,064	$ —	$ 50,742	$ (4,151)	$ 86,655
Accounts receivable, net	83	461,980	100,151	—	562,214
Receivable from affiliates	120	18	157	—	295
Inventories	—	49,397	—	—	49,397
Other current assets	6,682	6,711	3,871	—	17,264
Total current assets	46,949	518,106	154,921	(4,151)	715,825
Property, plant and equipment, net	6,732	992,974	2,457,620	—	3,457,326
Equity method investments	3,267,581	1,553,360	—	(4,546,932)	274,009
Goodwill	—	—	257,302	—	257,302
Other intangible assets, net	5	119,583	245,450	—	365,038
Other noncurrent assets	41,981	4,788	94,038	—	140,807
Total assets	$ 3,363,248	$ 3,188,811	$ 3,209,331	$ (4,551,083)	$ 5,210,307
LIABILITIES, PREFERRED STOCK AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 38	$ 444,984	$ 49,770	$ —	$ 494,792
Payable to affiliates	1	3,714	—	—	3,715
Accrued liabilities	33,239	18,424	63,430	2	115,095
Other current liabilities	5,723	3,409	14,423	—	23,555
Total current liabilities	39,001	470,531	127,623	2	637,157
Long-term debt	1,467,083	6,315	811,751	(6,315)	2,278,834
Deferred income taxes	4,882	—	50,907	—	55,789
Other noncurrent liabilities	1,792	—	36,756	—	38,548
Commitments and contingencies					
Redeemable preferred stock	359,658	—	—	—	359,658
Owners' equity excluding noncontrolling interest in consolidated subsidiary	1,490,832	2,711,965	1,832,805	(4,544,770)	1,490,832
Noncontrolling interest in consolidated subsidiary	—	—	349,489	—	349,489
Total owners' equity	1,490,832	2,711,965	2,182,294	(4,544,770)	1,840,321
Total liabilities, preferred stock and owners' equity	$ 3,363,248	$ 3,188,811	$ 3,209,331	$ (4,551,083)	$ 5,210,307

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Operations

	Three Months Ended June 30, 2019				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 516,041	$ 961	$ —	$ 517,002
Service	—	26,202	66,585	(151)	92,636
Storage	—	4,651	38,874	(2,976)	40,549
Lease	—	—	4,034	—	4,034
Other	—	16	20,703	—	20,719
Total revenues	—	546,910	131,157	(3,127)	674,940
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	496,022	685	(3,127)	493,580
Operating	—	24,638	53,359	—	77,997
General and administrative	12,025	3,608	9,887	—	25,520
Depreciation and amortization	739	19,148	44,124	—	64,011
Loss (gain) on disposal of long-lived assets, net	—	3,737	5,199	—	8,936
Total expenses	12,764	547,153	113,254	(3,127)	670,044
Earnings from equity method investments	14,132	4,436	—	(5,873)	12,695
Operating income	1,368	4,193	17,903	(5,873)	17,591
Other expenses (income), net:					
Interest expense	24,223	350	14,485	(148)	38,910
Foreign currency transaction gain	(970)	—	(19)	—	(989)
Other income, net	(1,063)	(11)	(421)	148	(1,347)
Total other expenses, net	22,190	339	14,045	—	36,574
Income (loss) before income taxes	(20,822)	3,854	3,858	(5,873)	(18,983)
Income tax expense (benefit)	4,765	—	(10,850)	—	(6,085)
Net income (loss)	(25,587)	3,854	14,708	(5,873)	(12,898)
Less: net income attributable to noncontrolling interests	—	—	12,689	—	12,689
Net income (loss) attributable to SemGroup	$ (25,587)	$ 3,854	$ 2,019	$ (5,873)	$ (25,587)
Net income (loss)	$ (25,587)	$ 3,854	$ 14,708	$ (5,873)	$ (12,898)
Other comprehensive income, net of income tax	10,794	166	16,427	—	27,387
Comprehensive income (loss)	(14,793)	4,020	31,135	(5,873)	14,489
Less: net income attributable to noncontrolling interests	—	—	12,689	—	12,689
Less: other comprehensive income attributable to noncontrolling interests	—	—	8,018	—	8,018
Comprehensive income (loss) attributable to SemGroup	$ (14,793)	$ 4,020	$ 10,428	$ (5,873)	$ (6,218)

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Three Months Ended June 30, 2018				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 423,290	$ —	$ —	$ 423,290
Service	—	35,172	74,332	—	109,504
Storage	—	5,933	33,530	—	39,463
Lease	—	—	4,251	—	4,251
Other	—	—	19,286	—	19,286
Total revenues	—	464,395	131,399	—	595,794
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	411,982	107	—	412,089
Operating	—	28,632	61,613	—	90,245
General and administrative	6,489	6,091	10,306	—	22,886
Depreciation and amortization	770	19,622	31,363	—	51,755
Loss (gain) on disposal of long-lived assets, net	83,322	(72,324)	(9,174)	—	1,824
Total expenses	90,581	394,003	94,215	—	578,799
Earnings from equity method investments	100,135	28,424	—	(114,208)	14,351
Operating income	9,554	98,816	37,184	(114,208)	31,346
Other expenses (income), net:					
Interest expense	17,862	11,966	6,076	—	35,904
Foreign currency transaction loss (gain)	2,063	344	(93)	—	2,314
Other income, net	(121)	(3)	(409)	—	(533)
Total other expenses, net	19,804	12,307	5,574	—	37,685
Income (loss) before income taxes	(10,250)	86,509	31,610	(114,208)	(6,339)
Income tax expense (benefit)	(7,524)	—	3,911	—	(3,613)
Net income (loss)	(2,726)	86,509	27,699	(114,208)	(2,726)
Other comprehensive income (loss), net of income taxes	(4,479)	411	10,248	—	6,180
Comprehensive income (loss)	$ (7,205)	$ 86,920	$ 37,947	$ (114,208)	$ 3,454

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Six Months Ended June 30, 2019				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 936,274	$ 961	$ —	$ 937,235
Service	—	54,244	125,970	(205)	180,009
Storage	—	10,044	78,765	(5,952)	82,857
Lease	—	—	7,916	—	7,916
Other	—	83	34,072	—	34,155
Total revenues	—	1,000,645	247,684	(6,157)	1,242,172
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	902,028	1,081	(6,157)	896,952
Operating	—	48,555	92,649	—	141,204
General and administrative	28,349	7,264	19,454	—	55,067
Depreciation and amortization	1,410	38,145	83,492	—	123,047
Loss (gain) on disposal of long-lived assets, net	—	3,118	4,374	—	7,492
Total expenses	29,759	999,110	201,050	(6,157)	1,223,762
Earnings from equity method investments	43,487	23,431	—	(40,272)	26,646
Operating income	13,728	24,966	46,634	(40,272)	45,056
Other expenses (income), net:					
Interest expense	49,732	636	25,342	(148)	75,562
Foreign currency transaction gain	(1,256)	—	(21)	—	(1,277)
Other income, net	(1,654)	(51)	(769)	148	(2,326)
Total other expenses, net	46,822	585	24,552	—	71,959
Income (loss) before income taxes	(33,094)	24,381	22,082	(40,272)	(26,903)
Income tax benefit	(668)	—	(10,023)	—	(10,691)
Net income (loss)	(32,426)	24,381	32,105	(40,272)	(16,212)
Less: net income attributable to noncontrolling interests	—	—	16,214	—	16,214
Net income (loss) attributable to SemGroup	$ (32,426)	$ 24,381	$ 15,891	$ (40,272)	$ (32,426)
Net income (loss)	$ (32,426)	$ 24,381	$ 32,105	$ (40,272)	$ (16,212)
Other comprehensive income (loss), net of income taxes	(9,623)	22	22,755	—	13,154
Comprehensive income (loss)	(42,049)	24,403	54,860	(40,272)	(3,058)
Less: net income attributable to noncontrolling interests	—	—	16,214	—	16,214
Less: other comprehensive income attributable to noncontrolling interests	—	—	13,598	—	13,598
Comprehensive income (loss) attributable to SemGroup	$ (42,049)	$ 24,403	$ 25,048	$ (40,272)	$ (32,870)

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Six Months Ended June 30, 2018				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 902,739	$ 31,319	$ —	$ 934,058
Service	—	66,662	129,510	—	196,172
Storage	—	11,950	72,737	—	84,687
Lease	—	—	8,580	—	8,580
Other	—	—	33,906	—	33,906
Total revenues	—	981,351	276,052	—	1,257,403
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	881,980	26,241	—	908,221
Operating	—	56,173	103,863	—	160,036
General and administrative	12,975	11,859	24,529	—	49,363
Depreciation and amortization	1,494	38,353	62,444	—	102,291
Loss (gain) on disposal of long-lived assets, net	132,610	(151,052)	16,700	—	(1,742)
Total expenses	147,079	837,313	233,777	—	1,218,169
Earnings from equity method investments	159,581	28,981	—	(161,597)	26,965
Operating income	12,502	173,019	42,275	(161,597)	66,199
Other expenses (income), net:					
Interest expense	31,241	35,530	11,834	(240)	78,365
Foreign currency transaction loss (gain)	6,466	147	(1,005)	—	5,608
Other income, net	(856)	(8)	(859)	240	(1,483)
Total other expenses, net	36,851	35,669	9,970	—	82,490
Income (loss) before income taxes	(24,349)	137,350	32,305	(161,597)	(16,291)
Income tax expense	11,412	—	8,058	—	19,470
Net income (loss)	(35,761)	137,350	24,247	(161,597)	(35,761)
Other comprehensive income (loss), net of income taxes	(10,091)	155	34,287	—	24,351
Comprehensive income (loss)	(45,852)	137,505	58,534	(161,597)	(11,410)

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Cash Flows

	Six Months Ended June 30, 2019				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ (69,813)	$ 43,647	$ 56,055	$ (3)	$ 29,886
Cash flows from investing activities:					
Capital expenditures	(1,606)	(6,489)	(176,156)	—	(184,251)
Proceeds from sale of long-lived assets	—	598	1,081	—	1,679
Contributions to equity method investments	—	(20,017)	—	—	(20,017)
Payments to acquire businesses	—	—	(488,297)	—	(488,297)
Distributions in excess of equity in earnings of affiliates	—	9,861	—	—	9,861
Net cash provided (used in) investing activities	(1,606)	(16,047)	(663,372)	—	(681,025)
Cash flows from financing activities:					
Debt issuance costs	—	—	(13,193)	—	(13,193)
Borrowings on credit facilities and issuance of senior notes, net of discount	95,500	—	460,522	—	556,022
Principal payments on credit facilities and other obligations	(217,628)	—	(104,925)	—	(322,553)
Proceeds from issuance of common stock, net of offering costs	—	—	448,443	—	448,443
Proceeds from issuance of preferred stock, net of offering costs	—	—	223,280	—	223,280
Contributions from noncontrolling interests	—	—	70,521	—	70,521
Distributions to noncontrolling interests	(14,175)	—	(58,248)	—	(72,423)
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(716)	—	—	—	(716)
Dividends paid	(75,736)	—	—	—	(75,736)
Proceeds from issuance of common stock under employee stock purchase plan	218	—	148	—	366
Intercompany borrowings (advances), net	464,095	(27,600)	(440,135)	3,640	—
Net cash provided by (used in) financing activities	251,558	(27,600)	586,413	3,640	814,011
Effect of exchange rate changes on cash and cash equivalents	—	—	3,400	—	3,400
Change in cash and cash equivalents	180,139	—	(17,504)	3,637	166,272
Cash and cash equivalents at beginning of period	40,064	—	50,742	(4,151)	86,655
Cash and cash equivalents at end of period	$ 220,203	$ —	$ 33,238	$ (514)	$ 252,927

18. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC.

Overview of Business

We provide gathering, transportation, storage, distribution, marketing and other midstream services primarily to producers, refiners of petroleum products and other market participants located in the Gulf Coast, Midwest and Rocky Mountain regions of the United States of America (the "U.S.") and Canada. We, or our significant equity method investee, have an asset base consisting of pipelines, gathering systems, storage facilities, terminals, processing plants and other distribution assets located in North American production and supply areas, including the Gulf Coast, Midwest, Rocky Mountain and Western Canadian regions. Our U.K. and Mexican operations were disposed of during 2018.

Our operations are conducted directly and indirectly through our primary operating segments: U.S. Liquids, U.S. Gas and Canada.

In the fourth quarter of 2018, due to recent changes in our asset portfolio, we elected to reorganize our business structure and reporting relationships to enhance execution and capture operating efficiencies. In conjunction with the reorganization, our reportable segments have changed. Prior period segment disclosures have been recast to reflect the new segments. U.S. Liquids includes the results of both our U.S. crude oil operations and the results of Houston Fuel Oil Terminal Company ("HFOTCO") subsequent to its acquisition in 2017. U.S. Gas contains the results of our historical SemGas segment. Canada includes the operations of our historical SemCAMS segment. Our prior Mexican and U.K. operating segments are included within Corporate and Other, as these businesses were disposed of in 2018.

Results of Operations

Consolidated Results of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2019	2018	2019	2018
Revenues	$ 674,940	$ 595,794	$ 1,242,172	$ 1,257,403
Expenses:				
Costs of products sold, exclusive of depreciation and amortization shown below	493,580	412,089	896,952	908,221
Operating	77,997	90,245	141,204	160,036
General and administrative	25,520	22,886	55,067	49,363
Depreciation and amortization	64,011	51,755	123,047	102,291
Loss (gain) on disposal or impairment, net	8,936	1,824	7,492	(1,742)
Total expenses	670,044	578,799	1,223,762	1,218,169
Earnings from equity method investments	12,695	14,351	26,646	26,965
Operating income	17,591	31,346	45,056	66,199
Other expenses (income), net:				
Interest expense	38,910	35,904	75,562	78,365
Foreign currency transaction loss (gain)	(989)	2,314	(1,277)	5,608
Other income, net	(1,347)	(533)	(2,326)	(1,483)
Total other expenses, net	36,574	37,685	71,959	82,490
Loss before income taxes	(18,983)	(6,339)	(26,903)	(16,291)
Income tax expense (benefit)	(6,085)	(3,613)	(10,691)	19,470
Net loss	$ (12,898)	$ (2,726)	$ (16,212)	$ (35,761)

Revenues and Expenses

Revenues, costs of products sold and operating expenses are analyzed by operating segment below.

General and administrative expense

General and administrative expense increased in the three months ended June 30, 2019, to $25.5 million from $22.9 million in the three months ended June 30, 2018. The increase is primarily due to costs related to the formation of SemCAMS Midstream and the acquisition of Meritage Midstream ULC. General and administrative expense increased in the six months ended June 30, 2019, to $55.1 million from $49.4 million in the six months ended June 30, 2018. The increase is primarily due to costs related to the formation of SemCAMS Midstream and the acquisition of Meritage Midstream ULC.

Depreciation and amortization expense

Depreciation and amortization expense increased in the three months ended June 30, 2019, to $64.0 million from $51.8 million in the three months ended June 30, 2018. The increase is primarily due to additional assets placed in service by our Gulf Coast terminal and Canadian business and increased amortization of intangibles related to our Gulf Coast terminal and the acquisition of Meritage Midstream ULC. Depreciation and amortization expense increased in the six months ended June 30, 2019, to $123.0 million from $102.3 million in the six months ended June 30, 2018. The increase is primarily due to additional assets placed in service by our Gulf Coast terminal and Canadian business and increased amortization of intangibles related to our Gulf Coast terminal and the acquisition of Meritage Midstream ULC.

Gain on disposal or impairment of long-lived assets, net

We incurred a net loss on disposal or impairment of long-lived assets, net for the three months ended June 30, 2019, of $8.9 million compared to a net loss of $1.8 million on disposal or impairment of long-lived assets, net for the three months ended June 30, 2018. We incurred a net loss on disposal or impairment of long-lived assets, net for the six months ended June 30, 2019, of $7.5 million compared to a net gain of $1.7 million on disposal or impairment of long-lived assets, net for the six months ended June 30, 2018. Current year net losses on disposals or impairments of long-lived assets are due to a $5.2 million impairment to net realizable value recorded on our Sherman, Texas natural gas gathering and processing assets which are held for sale at June 30, 2019, and a $3.4 million impairment of our Nash, Oklahoma natural gas processing plant of our U.S. Gas segment. Prior year gains and losses on disposals or impairments of long-lived assets related to the disposal of our U.K. and Mexican operations and a post-closing adjustment to our disposal of Glass Mountain Pipeline.

Interest expense

Interest expense increased in the three months ended June 30, 2019, to $38.9 million from $35.9 million in the three months ended June 30, 2018. The increase in interest expense in the three months ended June 30, 2019, is primarily due to Canadian debt interest, reduced capitalized interest and Canadian debt issuance cost amortization of $3.7 million, $1.7 million and $0.6 million, respectively. These increases were offset by lower LIBOR and revolver daily balances resulting in decreases of $2.1 million and $0.8 million, respectively.

Interest expense decreased in the six months ended June 30, 2019, to $75.6 million from $78.4 million in the six months ended June 30, 2018. The decrease in interest expense was primarily due to a reduction in HFOTCO accretion and lower LIBOR average daily balances resulting in decreases of $13.8 million and $1.6 million, respectively. The decrease was offset, in part, by increases in Canadian debt interest, higher bank interest and swaps for HFOTCO, reduced capitalized interest and Canadian debt issuance cost amortization of $5.3 million, $3.9 million, $3.1 million and $0.6 million, respectively.

Foreign currency transaction loss (gain)

We incurred a foreign currency transaction gain in the three months ended June 30, 2019, of $1.0 million compared to a net loss of $2.3 million in the three months ended June 30, 2018. We incurred a foreign currency transaction gain in the six months ended June 30, 2019, of $1.3 million compared to a net loss of $5.6 million in the six months ended June 30, 2018. The change is primarily due to realized and unrealized gains for the three and six months ended June 30, 2019, of $1.0 million and $1.3 million, respectively, on foreign currency forwards for purchases of Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canadian operations compared with realized and unrealized losses for the three and six months ended June 30, 2018, of $2.3 million and $5.6 million, respectively. The six months ended June 30, 2018, is also impacted by foreign currency changes related to U.S. dollar denominated payables of our Mexican asphalt and U.K. businesses which were sold in early 2018.

Income tax expense (benefit)

We reported an income tax benefit of $10.7 million for the six months ended June 30, 2019, compared to an expense of $19.5 million for the six months ended June 30, 2018. The effective tax rate was 40% and (120)% for the six months ended June 30, 2019 and 2018, respectively. The rate for the six months ended June 30, 2019, is impacted by $1.1 million Canadian withholding tax paid on remittances to the U.S., non-controlling interests in Maurepas Pipeline, LLC and SemCAMS

Midstream ULC for which taxes are not provided and a discrete tax benefit of $12.1 million on a statutory rate reduction enacted in Alberta, Canada. The rate for the six months ended June 30, 2018 is impacted by a discrete tax expense related to the vesting of restricted stock in the amount of $1.7 million, a discrete tax expense of $10.0 million in Mexico on the sale of the 100% equity interest in our Mexican asphalt business and a discrete tax expense of $2.7 million on the foreign tax deduction offset to branch deferreds on the sale of our U.K. operations. Significant items that impacted the effective tax rate for each period, as compared to the U.S. federal statutory rate of 21%, include earnings in foreign jurisdictions taxed at different rates, foreign earnings taxed in foreign jurisdictions as well as in the U.S., since they are disregarded entities for U.S. federal income tax purposes, and the U.S. deduction for foreign taxes. These combined factors, and the magnitude of the permanent items impacting the tax rate relative to income from continuing operations before income taxes, result in rates that are not comparable between the periods.

Results of Operations by Reporting Segment

U.S. Liquids

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Revenues				
Product sales	$ 492,084	$ 381,721	$ 877,114	$ 825,118
Pipeline transportation	21,236	21,602	42,357	41,941
Truck transportation	3,175	7,046	7,117	12,774
Storage fees	41,113	38,812	82,857	76,933
Facility service fees	13,391	12,701	31,140	23,732
Lease revenue	4,034	4,251	7,916	8,580
Total revenues	575,033	466,133	1,048,501	989,078
Less:				
Costs of products sold	474,727	377,184	849,328	816,913
Operating expense	37,433	32,202	70,268	67,085
Unrealized gain (loss) on commodity derivatives, net	(4,903)	(4,409)	(9,721)	(6,635)
Plus:				
Earnings from equity method investments	12,688	14,338	26,625	26,943
Adjustments to reflect equity earnings on an EBITDA basis	4,725	4,899	9,449	9,791
Segment profit	$ 85,189	$ 80,393	$ 174,700	$ 148,449

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Gross product sales	$ 1,811,375	$ 1,242,290	$ 3,315,980	$ 2,452,476
Nonmonetary transaction adjustment	(1,314,388)	(856,160)	(2,429,145)	(1,620,723)
Unrealized gain (loss) on commodity derivatives, net	(4,903)	(4,409)	(9,721)	(6,635)
Product sales	$ 492,084	$ 381,721	$ 877,114	$ 825,118

Three months ended June 30, 2019 versus three months ended June 30, 2018

Revenues

Product sales increased in the three months ended June 30, 2019, to $492.1 million from $381.7 million in the three months ended June 30, 2018.

Gross product revenues increased in the three months ended June 30, 2019, to $1.8 billion from $1.2 billion in the three months ended June 30, 2018. The increase was primarily due to an increase in the volume sold to 30 million barrels in the three months ended June 30, 2019, from 18 million barrels in the three months ended June 30, 2018, partially offset by a decrease in the average sales price to $60 per barrel in the three months ended June 30, 2019, from an average sales price of $67 per barrel in the three months ended June 30, 2018. Volumes increased as compared to prior year due to more location trades.

Gross product revenues were reduced by $1.3 billion and $0.9 billion in the three months ended June 30, 2019 and 2018, respectively, in accordance with Accounting Standards Codification (ASC) 845-10-15, "*Nonmonetary Transactions,"* ("ASC 845-10-15"). ASC 845-10-15 requires that certain transactions -- those where inventory is purchased from a customer then resold to the same customer -- to be presented in the income statement on a net basis, resulting in a reduction of revenue and costs of products sold by the same amount.

Pipeline transportation revenues decreased slightly to $21.2 million in the three months ended June 30, 2019, from $21.6 million in the three months ended June 30, 2018, primarily due to lower transportation volumes.

Truck transportation revenues decreased to $3.2 million in the three months ended June 30, 2019, from $7.0 million in the three months ended June 30, 2018, due to lower transportation volumes and the refocusing of trucking to primarily support U.S. Liquids marketing operations.

Storage revenues increased slightly to $41.1 million in the three months ended June 30, 2019, from $38.8 million in the three months ended June 30, 2018, primarily due to new storage tanks at the Gulf Coast terminal.

Facility service fees increased to $13.4 million in the three months ended June 30, 2019, from $12.7 million in the three months ended June 30, 2018, primarily due to higher operating cost recoveries at our Gulf Coast terminal.

Lease revenue decreased slightly to $4.0 million in the three months ended June 30, 2019, from $4.3 million in the three months ended June 30, 2018.

Costs of Products Sold

Costs of products sold increased in the three months ended June 30, 2019 to $474.7 million from $377.2 million in the three months ended June 30, 2018. The costs of products sold reflect reductions of $1.3 billion and $0.9 billion in the three months ended June 30, 2019 and 2018, respectively, in accordance with ASC 845-10-15. There was an increase in the barrels sold, as described above, combined with a decrease in the average per barrel cost of crude oil to $60 in the three months ended June 30, 2019, from $67 in the three months ended June 30, 2018.

Operating Expense

Operating expense increased in the three months ended June 30, 2019, to $37.4 million from $32.2 million in the three months ended June 30, 2018, primarily due to higher property taxes, partially offset by lower employment costs and field expenses.

Unrealized Loss on Commodity Derivatives, net

Unrealized loss on commodity derivatives, net increased in the three months ended June 30, 2019, to a loss of $4.9 million from a loss of $4.4 million in the three months ended June 30, 2018. The increase in losses is due to open positions and changes in market prices in the respective periods.

Earnings from Equity Method Investments

Earnings from equity method investments decreased in the three months ended June 30, 2019, to $12.7 million from $14.3 million in the three months ended June 30, 2018, due to decreased earnings by White Cliffs primarily due to lower volumes as one crude line was taken out of service in May 2019 for NGL conversion with an estimated fourth quarter 2019 project in-service date.

Six months ended June 30, 2019 versus six months ended June 30, 2018

Revenues

Product sales increased in the six months ended June 30, 2019, to $877.1 million from $825.1 million in the six months ended June 30, 2018.

Gross product revenues increased in the six months ended June 30, 2019, to $3.3 billion from $2.5 billion in the six months ended June 30, 2018. The increase was primarily due to an increase in the volume sold to 58 million barrels in the six months ended June 30, 2019, from 38 million barrels in the six months ended June 30, 2018, partially offset by a decrease in the average sales price to $57 per barrel in the six months ended June 30, 2019, from an average sales price of $64 per barrel in the six months ended June 30, 2018. Volumes increased as compared to prior year due to more location trades.

Gross product revenues were reduced by $2.4 billion and $1.6 billion in the six months ended June 30, 2019 and 2018, respectively, in accordance with ASC 845-10-15.

Pipeline transportation revenues increased slightly to $42.4 million in the six months ended June 30, 2019, from $41.9 million in the six months ended June 30, 2018, primarily due to contractual increases in transportation fees.

Truck transportation revenues decreased to $7.1 million in the six months ended June 30, 2019, from $12.8 million in the six months ended June 30, 2018, due to lower transportation volumes and the refocusing of trucking to primarily support U.S. Liquids marketing operations.

Storage revenues increased to $82.9 million in the six months ended June 30, 2019, from $76.9 million in the six months ended June 30, 2018, primarily due to new storage tanks at the Gulf Coast terminal.

Facility service fees increased to $31.1 million in the six months ended June 30, 2019, from $23.7 million in the six months ended June 30, 2018, primarily due to higher operating cost recoveries at our Gulf Coast terminal.

Lease revenue decreased to $7.9 million in the six months ended June 30, 2019, from $8.6 million in the six months ended June 30, 2018.

Costs of Products Sold

Costs of products sold increased in the six months ended June 30, 2019 to $849.3 million from $816.9 million in the six months ended June 30, 2018. The costs of products sold reflect reductions of $2.4 billion and $1.6 billion in the six months ended June 30, 2019 and 2018, respectively, in accordance with ASC 845-10-15. There was an increase in the barrels sold, as described above, combined with a decrease in the average per barrel cost of crude oil to $57 in the six months ended June 30, 2019, from $65 in the six months ended June 30 2018.

Operating Expense

Operating expense increased in the six months ended June 30, 2019, to $70.3 million from $67.1 million in the six months ended June 30, 2018, primarily due to higher property taxes, partially offset by lower employment costs and field expenses.

Unrealized Loss on Commodity Derivatives, net

Unrealized loss on commodity derivatives, net increased in the six months ended June 30, 2019, to a loss of $9.7 million from a loss of $6.6 million in the six months ended June 30, 2018. The increase in losses is due to open positions and changes in market prices in the respective periods.

Earnings from Equity Method Investments

Earnings from equity method investments decreased slightly in the six months ended June 30, 2019, to $26.6 million from $26.9 million in the six months ended June 30, 2018 due to decreased earnings by White Cliffs primarily due to lower volumes as one crude line was taken out of service in May 2019 for NGL conversion with an estimated fourth quarter 2019 project in-service date.

U.S. Gas

(in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues				
Product sales	$ 28,901	$ 44,775	$ 68,393	$ 84,484
Service fees	12,149	17,598	25,816	33,785
Other revenues	16	—	83	—
Total revenues	41,066	62,373	94,292	118,269
Less:				
Costs of products sold	22,823	38,006	55,486	71,929
Operating expense	7,203	8,930	15,601	16,626
Segment profit	$ 11,040	$ 15,437	$ 23,205	$ 29,714

Three months ended June 30, 2019 versus three months ended June 30, 2018

Revenues

Product sales decreased in the three months ended June 30, 2019, to $28.9 million from $44.8 million in the three months ended June 30, 2018. The decrease is primarily due to lower volumes (29,087 MMcf in the three months ended June 30, 2019, compared to 34,103 MMcf for the same period in 2018), a lower average NGL basket price of $0.59/gallon in the three months ended June 30, 2019, versus $1.00/gallon for the same period in 2018 and a lower average natural gas NYMEX price of $2.64/MMbtu in the three months ended June 30, 2019, versus $2.80/MMbtu for the same period in 2018. Volume decreased due to reduced Mississippi Lime drilling, coupled with natural well production declines, partially offset by increased Stack production.

Gathering and processing fee revenues decreased in the three months ended June 30, 2019, to $12.1 million from $17.6 million in the three months ended June 30, 2018. Fee revenue decreased primarily due to lower volumes.

Costs of Products Sold

Costs of products sold decreased in the three months ended June 30, 2019 to $22.8 million from $38.0 million in the three months ended June 30, 2018. The decrease was primarily due to lower NGL prices, lower natural gas prices, and lower Mississippi Lime volumes.

Operating Expense

Operating expense decreased in the three months ended June 30, 2019, to $7.2 million from $8.9 million in the three months ended June 30, 2018. This decrease was primarily due to lower outside services and lower leased compression.

Six months ended June 30, 2019 versus six months ended June 30, 2018

Revenues

Product sales decreased in the six months ended June 30, 2019, to $68.4 million from $84.5 million in the six months ended June 30, 2018. The decrease is primarily due to lower volumes (56,978 MMcf in the six months ended June 30, 2019, compared to 62,263 MMcf for the same period in 2018) and a lower average NGL basket price of $0.63/gallon in the six months ended June 30, 2019, versus $0.92/gallon for the same period in 2018. The average natural gas NYMEX price remained flat at $2.90/MMbtu in the six months ended June 30, 2019 compared with the same period in 2018. Volume decreased due to reduced Mississippi Lime drilling, coupled with natural well production declines.

Gathering and processing fee revenues decreased in the six months ended June 30, 2019, to $25.8 million from $33.8 million in the six months ended June 30, 2018. Fee revenue decreased primarily due to lower volumes.

Costs of Products Sold

Costs of products sold decreased in the six months ended June 30, 2019 to $55.5 million from $71.9 million in the six months ended June 30, 2018. The decrease was primarily due to lower NGL prices and lower volumes.

Operating Expense

Operating expense decreased in the six months ended June 30, 2019, to $15.6 million from $16.6 million in the six months ended June 30, 2018. This decrease was primarily due to lower leased compression.

Canada

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2019	2018	2019	2018
Revenues				
Service fees	$ 42,139	$ 50,402	$ 73,615	$ 80,944
Other revenues	20,685	19,229	34,036	33,832
Total revenues	62,824	69,631	107,651	114,776
Less:				
Costs of products sold	13	107	410	209
Operating expense	33,142	48,076	54,879	71,006
Segment profit	$ 29,669	$ 21,448	$ 52,362	$ 43,561

Three months ended June 30, 2019 versus three months ended June 30, 2018

Revenues

Revenues decreased in the three months ended June 30, 2019, to $62.8 million from $69.6 million in the three months ended June 30, 2018. This decrease is primarily due to lower operating cost recoveries, changes in foreign currency exchange rates between periods and lower overhead recovery income of $16.6 million, $2.4 million, and $2.3 million, respectively. These decreases were offset, in part, by higher gathering and processing revenue of $11.9 million and the absence of a 2018 planned outage at the KA plant, which decreased prior year gathering and processing revenue by $2.3 million.

Operating Expense

Operating expense decreased in the three months ended June 30, 2019, to $33.1 million from $48.1 million in the three months ended June 30, 2018. This decrease is primarily due to turnaround costs in 2018 related to the KA plant outage, lower greenhouse gas credit purchases and changes in foreign currency exchange rates between periods of $24.4 million, $2.6 million and $1.3 million, respectively. These decreases were offset, in part, by higher contractor costs, higher material costs and higher labor costs of $10.3 million, $1.5 million and $0.8 million, respectively.

Six months ended June 30, 2019 versus six months ended June 30, 2018

Revenues

Revenues decreased in the six months ended June 30, 2019, to $107.7 million from $114.8 million in the six months ended June 30, 2018. This decrease is primarily due to lower operating cost recoveries, changes in foreign currency exchange rates between periods and lower overhead recovery income of $19.0 million, $4.6 million, and $2.5 million, respectively. These decreases were offset, in part, by higher gathering and processing revenue of $16.4 million and the absence of a 2018 planned outage at the KA plant, which decreased prior year gathering and processing revenue by $2.3 million.

Operating Expense

Operating expense decreased in the six months ended June 30, 2019, to $54.9 million from $71.0 million in the six months ended June 30, 2018. This decrease is primarily due to turnaround costs in 2018 related to the KA plant outage, lower greenhouse gas credit purchases and changes in foreign currency exchange rates between periods of $27.2 million, $2.5 million and $2.3 million, respectively. These decreases were offset, in part, by higher contractor costs, higher power costs, and higher material costs of $10.0 million, $3.4 million and $2.1 million, respectively.

Corporate and Other

(in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues	$ (3,983)	$ (2,343)	$ (8,272)	$ 35,280
Less:				
Costs of products sold	(3,983)	(3,207)	(8,272)	19,169
Operating expense	219	1,036	456	5,320
Plus:				
Earnings from equity method investments	7	13	21	22
Adjustments to reflect NGL Energy equity earnings on a cash basis	(7)	(13)	(21)	(22)
Segment profit	$ (219)	$ (172)	$ (456)	$ 10,791

Corporate and Other is not an operating segment. This table is included to permit the reconciliation of segment information to that of the consolidated Company. Earnings from equity method investments in the table above relates to our investments in NGL Energy.

Three months ended June 30, 2019 versus three months ended June 30, 2018

The decreases in revenues, costs of products sold and operating expense are due to the disposal of our U.K. operations in 2018.

Six months ended June 30, 2019 versus six months ended June 30, 2018

The decreases in revenues, costs of products sold and operating expense are due to the disposal of our U.K. operations and Mexican asphalt business in 2018.

Liquidity and Capital Resources

Sources and Uses of Cash

Our principal sources of short-term liquidity are cash generated from our operations and borrowings under our revolving credit facilities. The consolidated cash balance on June 30, 2019, was $252.9 million. Of this amount, $6.1 million was held in Canada and portions may be subject to tax if transferred to the U.S. Potential sources of long-term liquidity include issuances of debt securities and equity securities and the sale of assets. Our primary cash requirements currently are operating expenses, capital expenditures, debt payments and our quarterly dividends. In general, we expect to fund:

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

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

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

Cash Flows

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

	Six Months Ended June 30,	
(in thousands)	2019	2018
Statement of cash flow data:		
Cash flows provided by (used in):		
Operating activities	$ 29,886	$ 96,446
Investing activities	(681,025)	(78,222)
Financing activities	814,011	(55,345)
Subtotal	162,872	(37,121)
Effect of exchange rate on cash and cash equivalents	3,400	(1,254)
Change in cash and cash equivalents	166,272	(38,375)
Cash and cash equivalents at beginning of period	86,655	93,699
Cash and cash equivalents at end of period	$ 252,927	$ 55,324

Operating Activities

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

	Six Months Ended June 30,	
(in thousands)	2019	2018
Net loss	$ (16,212)	$ (35,761)
Non-cash expenses, net	122,041	120,708
Changes in operating assets and liabilities	(75,943)	11,499
Net cash flows provided by operating activities	$ 29,886	$ 96,446

Adjustments to net loss for non-cash expenses, net increased $1.3 million to $122.0 million for the six months ended June 30, 2019, from $120.7 million for the six months ended June 30, 2018. This change is primarily a result of:

- $20.8 million in depreciation and amortization expense, primarily as a result of additional assets placed in service by our Gulf Coast terminal and Canadian business and increased amortization of intangibles related to our HFOTCO acquisition and the acquisition of Meritage Midstream ULC;
- $9.2 million due to current year impairments recorded on certain U.S. Gas assets as compared with a prior year gain on the disposal of our Mexican asphalt business; and
- $1.1 million due to an increase in amortization of debt issuance costs.

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

- $23.1 million decrease in deferred income tax expense (benefit) primarily related to Canadian gain currently recognized on intercompany note settlement which was deferred at CCAA emergence and a statutory rate reduction in Alberta, Canada; and
- $6.9 million lower currency exchange losses in the current year primarily due to foreign currency forwards to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canadian operations.

All other adjustments to net loss for non-cash expenses, net for the six months ended June 30, 2019, remained relatively comparable to the six months ended June 30, 2018.

Changes in operating assets and liabilities for the six months ended June 30, 2019, generated a net decrease in operating cash flows of $75.9 million. The decrease to operating cash flows due to the changes in operating assets and liabilities was primarily a result of an increase in accounts receivable, inventories and other current assets of $100.4 million, $12.5 million and $7.0 million, respectively. Liabilities increased $35.5 million and $8.8 million in accounts payable and accrued liabilities and other noncurrent liabilities, respectively. Changes in receivables, inventory, payables and accrued liabilities are primarily due to our segments' operating activities and are subject to the timing of purchases and sales and fluctuations in commodity pricing.

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

Investing Activities

For the six months ended June 30, 2019, we had net cash outflows of $681.0 million from investing activities, due primarily to $184.3 million in capital expenditures, $488.3 million of payments to acquire businesses, and $20.0 million of contributions to equity method investments. These cash outflows were offset by investing cash inflows of $1.7 million of proceeds from the sale of assets and $9.9 million of distributions in excess of equity in earnings of affiliates. Capital expenditures primarily related to expansion projects at our Canada and U.S. Liquids segments. Acquisitions costs primarily related to the Meritage acquisition by our Canada segment. Distributions in excess of equity in earnings of affiliates represent cash distributions from White Cliffs in excess of our cumulative equity in earnings and are accounted for as a return of investment.

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

Financing Activities

For the six months ended June 30, 2019, we had net cash inflows of $814.0 million from financing activities, which related to borrowings on credit facilities of $556.0 million, proceeds from the issuance of subsidiary common stock of $448.4 million, proceeds from the issuance of subsidiary preferred stock, net of offering costs, of $223.3 million and contributions from noncontrolling interests of $70.5 million, offset by principal payments on credit facilities and other obligations of $322.6 million, dividends paid of $75.7 million, $72.4 million of distributions to noncontrolling interests and debt issuance costs of $13.2 million. Issuances of subsidiary common and preferred stock and contributions from noncontrolling interests related to SemCAMS Midstream. Distributions to noncontrolling interests related to distributions to noncontrolling interest holders of SemCAMS Midstream and Maurepas Pipeline.

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

Long-term Debt

Senior Unsecured Notes

At June 30, 2019, we had outstanding $400 million of 5.625% senior unsecured notes due 2022, $350 million of 5.625% senior unsecured notes due 2023, $325 million of 6.375% senior unsecured notes due 2025 and $300 million of 7.25% senior unsecured notes due 2026 (collectively, the "Notes"). The Notes are governed by indentures, as supplemented, between the Company and its subsidiary guarantors and Wilmington Trust, N.A., as trustee (the "Indentures"). The Indentures include customary covenants and events of default.

At June 30, 2019, we were in compliance with the terms of the Indentures.

SemGroup Revolving Credit Facility

At June 30, 2019, we had no cash borrowings outstanding under our $1.0 billion senior secured revolving credit facility. We had $27.3 million in outstanding letters of credit on that date. The maximum letter of credit capacity under this facility is $250 million. The facility can be increased up to $300 million. The credit agreement expires on March 15, 2021.

At June 30, 2019, we had available borrowing capacity of $972.7 million under this facility.

HFOTCO long-term debt

At June 30, 2019, HFOTCO had $594.0 million outstanding under its Term Loan B and $225.0 million outstanding of tax exempt notes payable due 2050. The term loan is due in quarterly installments of $1.5 million with a final payment due on June 26, 2025. In addition, HFOTCO may incur additional term loans in an aggregate amount not to exceed the greater of $120 million and a measure of HFOTCO's EBITDA, defined in the credit agreement, at the time of determination, plus additional amounts subject to satisfaction of certain leverage-based criteria, subject to receiving commitments for such additional term loans from either new lenders or increased commitments from existing lenders.

SemCAMS Midstream Credit Agreement

At June 30, 2019, SemCAMS Midstream has a Credit Agreement (the "Credit Agreement"), together with The Toronto-Dominion Bank, as administrative agent, providing for a C$350 million senior secured term loan facility, a C$525 million senior secured revolving credit facility and a C$300 million senior secured construction loan facility (the "KAPS Facility"). The term loan facility and the revolving credit facility mature on February 25, 2024. The KAPS Facility matures on June 13, 2024. SemCAMS Midstream may incur additional term loans and revolving commitments in an aggregate amount not to exceed C$250 million, subject to receiving commitments for such additional term loans or revolving commitments from either new lenders or increased commitments from existing lenders.

As of June 30, 2019, there was USD equivalent $267.3 million outstanding on the term loan and USD equivalent $94.7 million outstanding on the revolver. We had USD equivalent $22.9 million in outstanding letters of credit on that date.

Shelf Registration Statement

In July 2019, we filed a universal shelf registration statement which provides us the ability to offer and sell an unlimited amount of debt and equity securities, subject to market conditions and our capital needs. This shelf registration statement expires in July 2022.

Capital Requirements

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

- expansion capital expenditures, which are cash expenditures incurred for acquisitions or capital improvements that we expect will increase our operating income or operating capacity over the long-term; or
- maintenance capital expenditures, which are cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets or for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity.

Projected capital expenditures for 2019 are estimated at $262 million in expansion projects, including capital contributions to affiliates for funding growth projects and acquisitions, and $45 million in maintenance projects. These estimates may change as future events unfold. See "Cautionary Note Regarding Forward-Looking Statements." During the six months ended June 30, 2019, we spent $184.3 million (cash basis) on capital projects and $20.0 million in capital contributions to equity method investees.

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

Common Stock Dividends

The table below shows common dividends declared and/or paid by SemGroup on its common stock during 2018 and 2019.

Quarter Ended	Record Date	Payment Date	Dividend Per Share
March 31, 2018	March 9, 2018	March 19, 2018	$0.4725
June 30, 2018	May 16, 2018	May 25, 2018	$0.4725
September 30, 2018	August 20, 2018	August 29, 2018	$0.4725
December 31, 2018	November 16, 2018	November 26, 2018	$0.4725
March 31, 2019	March 4, 2019	March 14, 2019	$0.4725
June 30, 2019	May 10, 2019	May 20, 2019	$0.4725
September 30, 2019	August 15, 2019	August 26, 2019	$0.4725

Preferred Stock Dividends

On January 19, 2018, we sold to certain institutional investors, in a private placement, an aggregate of 350,000 shares of our Series A Cumulative Perpetual Convertible Preferred Stock, par value $0.01 per share (the "Preferred Stock), convertible into shares of our Class A common stock. Holders of the Preferred Stock will receive quarterly distributions equal to an annual rate of 7.0% ($70.00 per share annualized) of $1,000 per share of Preferred Stock, subject to certain adjustments. With respect to any quarter ending on or prior to June 30, 2020, we may elect, in lieu of paying a distribution in cash, to have the amount that would have been payable if such dividend had been paid in cash added to the Liquidation Preference. Paid-in-kind dividends increase the Liquidation Preference.

The table below shows dividends declared and/or paid by SemGroup on its preferred stock during 2018 and 2019.

Quarter Ended	Declaration Date	Payment date	Total Cash Dividends Paid	Total Paid-in-Kind Dividends
*March 31, 2018	May 1, 2018	May 25, 2018	-	$4.8 million
June 30, 2018	August 7, 2018	August 29, 2018	-	$6.2 million
September 30, 2018	October 31, 2018	November 26, 2018	-	$6.3 million
December 31, 2018	February 20, 2019	March 14, 2019	-	$6.4 million
March 31, 2019	April 30, 2019	May 20, 2019	-	$6.5 million
June 30, 2019	August 5, 2019	August 26, 2019	-	$6.7 million

*Prorated from January 19, 2018 to March 31, 2018

Subsidiary Redeemable Preferred Stock Dividends

In conjunction with the formation of our SemCAMS Midstream joint venture, SemCAMS Midstream issued 300,000 shares of cumulative preferred stock with a C$1,000 (US$764 at June 30, 2019 exchange rate) notional value which pay annual dividends of C$87.50 per share. The preferred stock is redeemable at SemCAMS Midstream's option subsequent to the third anniversary of issuance at a redemption price of C$1,100 (US$840 at June 30, 2019 exchange rate) per share. The preferred stock is redeemable by the holder contingent upon a change of control or liquidation of SemCAMS Midstream. The preferred stock is convertible to SemCAMS Midstream common shares in the event of an initial public offering by SemCAMS Midstream.

SemCAMS elected to pay in-kind dividends for the first quarter of 2019 in the amount of C$2.5 million (US$1.9 million at the March 31, 2019 exchange rate), which is prorated for the period from February 25, 2019 to March 31, 2019.

Credit Risk

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

Customer Concentration

Shell Trading (US) Company and Phillips 66, customers primarily of our U.S. Liquids segment, accounted for more than 10% of our consolidated revenue for the three months ended June 30, 2019, at approximately 33%. Shell Trading (US) Company and Phillips 66, customers primarily of our U.S. Liquids segment, accounted for more than 10% of our consolidated revenue for the six months ended June 30, 2019, at approximately 33%. The contracts from which our revenues are derived from this customer relate to our crude marketing operations and are for crude oil purchases and sales at market prices. We are not substantially dependent on such contracts and believe that if we were to lose any or all of these contracts, they could be readily replaced under substantially similar terms.

Although we have contracts with customers of varying durations, if one or more of our major customers were to default on their contract, or if we were unable to renew our contract with one or more of these customers on favorable terms, we might not be able to replace any of these customers in a timely fashion, on favorable terms or at all. In any of these situations, our revenues and our ability to pay cash dividends to our stockholders may be adversely affected. We expect our exposure to risk of non-payment or non-performance to continue as long as we remain substantially dependent on a relatively small number of customers for a substantial portion of our revenues.

Off-Balance Sheet Arrangements

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

Commitments

For information regarding purchase and sales commitments, see the discussion under the caption “Purchase and sale commitments” in Note 8 of our condensed consolidated financial statements of this Form 10-Q, which information is incorporated by reference into this Item 2.

Critical Accounting Policies and Estimates

For disclosure regarding our critical accounting policies and estimates, see the discussion under the caption “Critical Accounting Policies and Estimates” in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018.

Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

Commodity Price Risk

The table below outlines the range of NYMEX prompt month daily settle prices for crude oil and natural gas futures, and the range of daily propane spot prices provided by an independent, third-party broker for the three months and six months ended June 30, 2019 and June 30, 2018, and the year ended December 31, 2018.

	Light Sweet Crude Oil Futures (Barrel)	Mont Belvieu (Non-LDH) Spot Propane (Gallon)	Henry Hub Natural Gas Futures (MMBtu)
Three Months Ended June 30, 2018			
High	$74.15	$0.97	$3.02
Low	$62.06	$0.75	$2.66
High/Low Differential	*$12.09*	*$0.22*	*$0.36*
Three Months Ended June 30, 2019			
High	$66.30	$0.67	$2.71
Low	$51.14	$0.40	$2.19
High/Low Differential	*$15.16*	*$0.27*	*$0.52*
Six Months Ended June 30, 2018			
High	$74.15	$1.02	$3.63
Low	$59.19	$0.73	$2.55
High/Low Differential	*$14.96*	*$0.29*	*$1.08*
Six Months Ended June 30, 2019			
High	$66.30	$0.71	$3.59
Low	$46.54	$0.40	$2.19
High/Low Differential	*$19.76*	*$0.31*	*$1.40*
Year Ended December 31, 2018			
High	$76.41	$1.10	$4.84
Low	$42.53	$0.61	$2.55
High/Low Differential	*$33.88*	*$0.49*	*$2.29*

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

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

- A 10% increase in the price of natural gas and natural gas liquids results in approximately a $3.2 million increase to gross margin.
- A 10% decrease in those prices would have the opposite effect.

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

Additionally, based on our open derivative contracts at June 30, 2019, an increase in the applicable market price or prices for each derivative contract would result in a decrease in our crude oil sales revenues. Likewise, a decrease in the applicable market price or prices for each derivative contract would result in an increase in our crude oil sales revenues. However, the increases or decreases in crude oil sales revenues we recognize from our open derivative contracts are substantially offset by higher or lower crude oil sales revenues when the physical sale of the product occurs. These contracts may be for the purchase or sale of crude oil or in markets different from the physical markets in which we are attempting to hedge our exposure, or may have timing differences relative to the physical markets. As a result of these factors, our hedges may not eliminate all price risks.

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

	Notional Volume (Barrels)	Fair Value	Effect of 10% Price Increase	Effect of 10% Price Decrease	Settlement Date
Crude oil:					
Futures contracts	994 (short)	$ (6,036)	$ (5,812)	$ 5,812	August 2019

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

Interest Rate Risk

We use variable rate debt and are exposed to market risk due to the floating interest rates on our credit facilities. Therefore, from time-to-time we may use interest rate derivatives to manage interest obligations on specific debt issuances. Our variable rate debt bears interest at LIBOR or prime, subject to certain floors, plus the applicable margin. At June 30, 2019, an increase in these base rates of 1%, above the base rate floors, would increase our interest expense by $2.9 million for the three months ended June 30, 2019. Increases in interest expense due to an increase in interest rates as presented above, would have been partially offset by a reduction of $1.0 million in interest expense from interest rate swaps, discussed below, for the three months ended June 30, 2019. At June 30, 2019, an increase in these base rates of 1%, above the base rate floors, would increase our interest expense by $5.9 million for the six months ended June 30, 2019. Increases in interest expense due to an increase in interest rates as presented above, would have been partially offset by a reduction of $2.2 million in interest expense from interest rate swaps, discussed below, for the six months ended June 30, 2019.

The average interest rates presented below are based upon rates in effect at June 30, 2019 and December 31, 2018. The carrying value of the variable rate instruments in our credit facilities approximate fair value primarily because our rates fluctuate with prevailing market rates.

The following table summarizes our debt obligations:

Liabilities	June 30, 2019	December 31, 2018
Long-term debt - variable rate	$1.17 billion	$935.5 million
Average variable interest rate	4.67%	4.93%
Short-term debt - variable rate	$12.7 million	$6.0 million
Average variable interest rate	4.82%	5.28%
Long-term debt - fixed rate	$1.375 billion	$1.375 billion
Average fixed interest rate	6.16%	6.16%

We have interest rate swaps which allow us to limit exposure to interest rate fluctuations. The swaps only apply to a portion of our outstanding debt and provide only partial mitigation of interest rate fluctuations. We have not designated the swaps as hedges, as such, changes in the fair value of the swaps are recorded through current period earnings as a component of interest expense. At June 30, 2019 and December 31, 2018, we had interest rate swaps with notional values of $422.0 million and $524.3 million, respectively. At June 30, 2019, the fair value of our interest rate swaps was $3.7 million which was reported within “other current liabilities” and “other noncurrent liabilities” in our condensed consolidated balance sheet. At December 31, 2018, the fair value of our interest rate swaps was $1.5 million which was reported within “other current liabilities” and “other noncurrent liabilities” in our condensed consolidated balance sheet. For the three months ended June 30, 2019 and 2018, we recognized realized and unrealized losses of $(1.5) million and $(0.1) million related to interest rate swaps, respectively. For the six months ended June 30, 2019 and 2018, we recognized realized and unrealized losses of $(2.2) million and realized and unrealized gains of $1.2 million related to interest rate swaps, respectively.

Currency Exchange Risk

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

A 10% change in the average exchange rate during the three months and six months ended June 30, 2019, would change operating income by $2.4 million and $4.2 million, respectively.

We have foreign currency forwards primarily to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canada segment. We have not designated the forwards as hedges, as such changes in the fair value of the forwards are recorded through current period earnings as a component of foreign currency translation gains and losses. At June 30, 2019 and December 31, 2018, we had foreign currency forwards with notional values of $6.0 million and $56.1 million, respectively. At June 30, 2019 and December 31, 2018, the fair value of our foreign currency forwards was $0.2 million and $3.0 million, respectively, which is reported within "other current liabilities" in our condensed consolidated balance sheet. For the three months ended June 30, 2019 and 2018, we recognized realized and unrealized gains of $1.0 million and realized and unrealized losses of $(2.1) million related to foreign currency forwards, respectively. For the six months ended June 30, 2019 and 2018, we recognized realized and unrealized gains of $1.3 million and realized and unrealized losses of $(6.5) million related to foreign currency forwards, respectively.

Based on the exchange rates at June 30, 2019, a 1% increase in the USD/CAD foreign exchange rate would lead to a $0.1 million gain, while a 1% decrease in the USD/CAD foreign exchange rate would have the opposite effect.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act), are effective as of June 30, 2019. This conclusion is based on an evaluation conducted under the supervision and participation of our Chief Executive Officer and Chief Financial Officer along with our management. Disclosure controls and procedures are those controls and procedures designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

On February 25, 2019, we closed on the acquisition of Meritage Midstream ULC. We are in the process of assessing and, to the extent necessary, making changes to the internal control over financial reporting at Meritage Midstream ULC to conform such internal control to that used in our other businesses. Based on the information presently available to management, we do not believe such changes will adversely impact our internal control over financial reporting. Subject to the foregoing, there were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2019, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see the discussion under the captions "QPSE," "Environmental" and "Other matters," in Note 8 of our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, which information is incorporated by reference into this Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors involving us from those previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

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

The following table provides information about purchases of our common stock by us during the quarter ended June 30, 2019:

	Total Number of Shares Purchased (1)	Weighted Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2019 - April 30, 2019	2,420	$ 14.79	—	—
May 1, 2019 - May 31, 2019	—	—	—	—
June 1, 2019 - June 30, 2019	—	—	—	—
Total	2,420	$ 14.79	—	—

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

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

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

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

Exhibit Number	Description
4.1	First Supplemental Indenture to Amended and Restated Bond Indenture, dated as of July 26, 2019, between Harris County Industrial Development Corporation, and The Bank of New York Mellon Trust Company, National Association, as trustee, relating to $75 million Series 2010 Marine Terminal Revenue Bonds.
4.2	First Supplemental Indenture to Amended and Restated Bond Indenture, dated as of July 26, 2019, between Harris County Industrial Development Corporation, and The Bank of New York Mellon Trust Company, National Association, as Trustee, relating to $50 million Series 2011 Marine Terminal Revenue Bonds.

4.3	First Supplemental Indenture to Amended and Restated Bond Indenture, dated as of July 26, 2019, between Harris County Industrial Development Corporation, and The Bank of New York Mellon Trust Company, National Association, as Trustee, relating to $100 million Series 2012 Marine Terminal Revenue Bonds.
4.4	Amendment No. 3 to Continuing Covenant Agreement, dated as of July 26, 2019, between HFOTCO LLC, as obligor, Buffalo Gulf Coast Terminals, LLC, as the parent, Bank of America, N.A., as administrative agent and collateral agent, and the bondholders party thereto.
10.1	Amended and Restated Credit Agreement, dated as of June 13, 2019, among SemCAMS Midstream ULC, as the borrower, the lenders party thereto and The Toronto-Dominion Bank, as administrative agent and collateral agent (filed as Exhibit 10.1 to our current report on Form 8-K dated June 13, 2019, filed June 19, 2019, and incorporated herein by reference).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Carlin G. Conner, Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Robert N. Fitzgerald, Chief Financial Officer.
32.1	Section 1350 Certification of Carlin G. Conner, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

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

Date: August 9, 2019	SEMGROUP CORPORATION	
	By:	/s/ Robert N. Fitzgerald
		Robert N. Fitzgerald
		Executive Vice President and
		Chief Financial Officer

Exhibit 4.1

Execution Version

FIRST SUPPLEMENTAL INDENTURE TO

AMENDED AND RESTATED BOND INDENTURE (SERIES 2010)

This **FIRST SUPPLEMENTAL INDENTURE to amended and restated bond indenture (SERIES 2010)** dated as of July 26, 2019 (this “Amendment”), made pursuant to Section 9.01 of the Indenture (as defined below), is between **HARRIS COUNTY INDUSTRIAL DEVELOPMENT CORPORATION** (the “Issuer”), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION**, as Trustee (the “Trustee”), and amends that certain Amended and Restated Bond Indenture dated as of August 19, 2014 relating to the Harris County Industrial Development Corporation Marine Terminal Revenue Bonds (HFOTCO LLC Project) Series 2010 (as amended, restated, extended, supplemented, modified and otherwise in effect from time to time, the “Indenture”) between the Issuer and the Trustee. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

RECITALS

WHEREAS, pursuant to Section 9.01A of the Indenture, the parties hereto have agreed, with consent of the Borrower and the Bondholders, on the terms and conditions set forth herein, to extend the initial Purchase Date of the Initial LIBOR Term Indexed Mode and to make certain amendments to the Indenture in connection therewith; and

WHEREAS, Section 9.01 of the Indenture authorizes the Issuer and the Trustee to modify or amend the Indenture from time to time upon receipt of the written consent of each Credit Facility Provider (if a Credit Facility is in effect or any amount is owing thereto), each Liquidity Facility Provider, if any, the Bondholder Representative, and each Holder of an Outstanding Bond;

WHEREAS, no Credit Facility or Liquidity Facility is presently in effect; and no amounts are presently owed to any Credit Facility Provider;

NOW THEREFORE, in consideration of the mutual agreements contained in the Indenture and herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

§1. Amendments to the Indenture. Effective as of the Amendment Effective Date (as defined below):

(a) Section 1.01 of the Indenture is hereby amended by adding the following definition in the appropriate alphabetical order:

*“**First Amendment Effective Date**” means July 26, 2019.*

(b) Section 1.01 of the Indenture is hereby amended by deleting the definition of “Margin Rate Factor” in its entirety.

(c) The definition of “Applicable Factor” in Section 1.01 of the Indenture is hereby amended by replacing the reference to “70%” therein to “81%”.

(d) The definition of “LIBOR Index” in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*“**LIBOR Index**” as of any LIBOR Index Reset Date means the rate per annum equal to the London*

Interbank Offered Rate, as published on the applicable Bloomberg screen page (or other commercially available source providing such quotations as may be designated by the Bondholder Representative or, if none, the Calculation Agent from time to time) (any such rate, the "LIBOR Screen Rate") at or about 11:00 a.m., London time, on the second Business Day prior to such date for U.S. Dollar deposits with a term of one month commencing on such LIBOR Index Reset Date. Notwithstanding the foregoing, if (a) the Bondholder Representative or, if none, the Calculation Agent determines that (i) U.S. Dollar deposits are not being offered to banks in the London interbank market for U.S. Dollar deposits for an interest period extending from one LIBOR Index Reset Date to the next LIBOR Index Reset Date, (ii) adequate and reasonable means do not exist for determining the LIBOR Index for any such interest period, other than for a reason described in the immediately following clause (iii), or (iii) adequate and reasonable means do not exist for determining the LIBOR Index for any such interest period because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary, or (iv) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Bondholder Representative or Calculation Agent has made a public statement identifying a specific date after which the London Interbank Offered Rate or the LIBOR Index shall no longer be made available, or used for determining the interest rate of loans, (b) the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding determine that for any reason the LIBOR Index for any such interest period does not result in a rate that adequately and fairly reflects the cost to such Holders of holding the Bonds for such interest period, or (c) any Holder determines that any applicable law has made it unlawful, or that any governmental authority has asserted that it is unlawful, for the Bonds to bear interest at a function of the LIBOR Index, or to determine or charge interest rates based upon the LIBOR Index, or any governmental authority has imposed material restrictions on the authority of such Holder to purchase or sell, or to take deposits of, U.S. Dollars in the London interbank market (any event described in clause (a)(i), (a)(ii), (b) or (c) of this sentence, a "Disruption Event," and any event described in clause (a)(iii) or (a)(iv) of this sentence, a "Discontinuation Event"), then the "LIBOR Index" shall mean an alternate rate that will result in interest on the Bonds that fairly reflects the costs to Holders of holding the Bonds for such interest period as reasonably determined by the Calculation Agent, until, in the case of a Disruption Event, such time as the Bondholder Representative, the Calculation Agent or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as applicable, reasonably determine that the applicable Disruption Event no longer subsists. If the LIBOR Rate shall at any time be less than zero, such rate shall be deemed zero for purposes of this Bond Indenture.

(e) The definition of "LIBOR Index Rate" in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*"**LIBOR Index Rate**" for any day in any Interest Payment Period in a LIBOR Term Indexed Mode means a per annum rate determined from time to time and equal to (x) the product of (a) the quotient from dividing (i) the LIBOR Index as of the LIBOR Index Reset Date on which such Interest Payment Period begins by (ii) one less the Reserve Percentage and (b) the Applicable Factor, plus (y) the Applicable Spread during such Interest Payment Period (such Applicable Spread to be determined in accordance with Section 2.07 for any Interest Period after the first Interest Period in the Initial LIBOR Term Indexed Mode); provided, however, that the LIBOR Index Rate shall never exceed 135% of the LIBOR Index plus the Applicable Spread or equal or be less than 65% of the LIBOR Index plus the Applicable Spread.*

(f) The definition of "Taxable Rate Factor" in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*"**Taxable Rate Factor**" has the meaning stated in the Bondholder Agreement, which is 1.2658 as of the First Amendment Effective Date, provided that no change in the Taxable Rate Factor shall occur unless and until the Trustee receives written notice thereof from the Bondholder Representative.*

(g) Section 2.07(B) of the Indenture is hereby amended by adding the following new second sentence immediately following the first sentence therein:

On the First Amendment Effective Date, the initial Purchase Date for the Bonds in the Initial LIBOR Term Indexed Mode shall be extended and amended from the first Business Day on or after August 19, 2019 to the first Business Day on or after August 19, 2024.

For the avoidance of doubt, effective on the Amendment Effective Date, the initial Interest Period in the Initial LIBOR Term Index Mode shall remain in effect and shall extend to the first Business Day on or after August 19, 2024, unless sooner terminated in accordance with the provisions of the Indenture.

(h) Section 11.07(2) of the Indenture is hereby amended by restating the notice information for the Borrower in its entirety as follows:

(2) ***Borrower****:*

HFOTCO LLC
1201 South Sheldon Road
Houston, TX 77015
Attention: Alisa Perkins, Vice President and Treasurer
Telephone: 918-524-8130
Email: APerkins@SEMGROUPCORP.COM

with a copy to:

SemGroup Corporation
Attention: General Counsel
6120 S. Yale Avenue
Suite 1500
Tulsa, OK 74136
Email: SLindberg@SEMGROUPCORP.COM"

§2. Conditions. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent or concurrent (the date of satisfaction of such conditions, the "Amendment Effective Date"):

(a) Each party hereto shall have received a counterpart of this Amendment duly executed and delivered by the other party hereto and written consent to this Amendment by the Borrower.

(b) The parties hereto shall have received a copy of a fully executed corresponding amendment to the Bondholder Agreement, which shall include therein the consent of the Bondholder Representative and the Bondholders to this Amendment and a direction to the Trustee to execute this Amendment.

(c) The Trustee shall have received favorable written opinions from Bond Counsel (i) in form and substance satisfactory to the Trustee, (ii) dated the Amendment Effective Date, (iii) addressed to the Trustee, (iv) to the effect that this Amendment has been duly authorized, executed and delivered by the Issuer and constitutes a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms (subject to customary exceptions regarding enforceability), (v) to the effect that this Amendment and the corresponding amendment to the Bondholder Agreement will not adversely affect the validity of the Bonds under state law or the exclusion from gross income of interest on the Bonds for federal income tax purposes, (vi) to the effect that this Amendment and the corresponding amendment to the Bondholder Agreement are permitted under the Indenture, including but not limited to Section 9.01 A of the Indenture and (vii) covering such other customary matters as the Trustee may reasonably request.

§3. Miscellaneous Provisions.

§3.1. Except as otherwise expressly provided by this Amendment, all of the terms, conditions and provisions of the Indenture and the Bonds shall remain the same, all of which are expressly ratified and confirmed. This Amendment is not intended to, and shall not, extinguish any indebtedness represented by the Indenture or the Bonds.

It is declared and agreed by each of the parties hereto that the Indenture, as amended hereby, shall continue in full force and effect, and that the Indenture and this Amendment shall be read and construed as one instrument.

§3.2. THIS AMENDMENT IS A CONTRACT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH SUCH LAWS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SAID STATE.

§3.3. The Trustee accepts the amendment to the Indenture as set forth in this Amendment and agrees to perform the duties of the Trustee upon the terms and conditions set forth herein and in the Indenture. Without limiting the generality of the foregoing, the Trustee assumes no responsibility for the correctness of the recitals contained herein, which shall be taken as the statements of the Issuer, and the Trustee shall not be responsible or accountable in any way whatsoever for or with respect to the validity or execution of this Amendment by the Issuer or the sufficiency of this Amendment and makes no representation with respect thereto.

§3.4. This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

§3.5. The Issuer represents and warrants to the Trustee that this Amendment has been duly and validly executed and delivered by the Issuer and constitutes its legal, valid, and binding obligation, enforceable against the Issuer in accordance with its terms and that the Recitals are true and accurate.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

HARRIS COUNTY INDUSTRIAL DEVELOPMENT CORPORATION, as Issuer

By /s/ Peter Jordan
Peter Jordan, President

[Signature Page to First Supplemental Indenture (Series 2010)]

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By /s/Patricia Barbarino
Authorized Representative

[Signature Page to First Supplemental Indenture (Series 2010)]

Consented to by:

HFOTCO LLC

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

Exhibit 4.2

Execution Version

FIRST SUPPLEMENTAL INDENTURE TO

AMENDED AND RESTATED BOND INDENTURE (SERIES 2011)

This **FIRST SUPPLEMENTAL INDENTURE to amended and restated bond indenture (SERIES 2011)** dated as of July 26, 2019 (this "Amendment"), made pursuant to Section 9.01 of the Indenture (as defined below), is between **HARRIS COUNTY INDUSTRIAL DEVELOPMENT CORPORATION** (the "Issuer"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION**, as Trustee (the "Trustee"), and amends that certain Amended and Restated Bond Indenture dated as of August 19, 2014 relating to the Harris County Industrial Development Corporation Marine Terminal Revenue Bonds (HFOTCO LLC Project) Series 2011 (as amended, restated, extended, supplemented, modified and otherwise in effect from time to time, the "Indenture") between the Issuer and the Trustee. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

RECITALS

WHEREAS, pursuant to Section 9.01A of the Indenture, the parties hereto have agreed, with consent of the Borrower and the Bondholders, on the terms and conditions set forth herein, to extend the initial Purchase Date of the Initial LIBOR Term Indexed Mode and to make certain amendments to the Indenture in connection therewith; and

WHEREAS, Section 9.01 of the Indenture authorizes the Issuer and the Trustee to modify or amend the Indenture from time to time upon receipt of the written consent of each Credit Facility Provider (if a Credit Facility is in effect or any amount is owing thereto), each Liquidity Facility Provider, if any, the Bondholder Representative, and each Holder of an Outstanding Bond;

WHEREAS, no Credit Facility or Liquidity Facility is presently in effect; and no amounts are presently owed to any Credit Facility Provider;

NOW THEREFORE, in consideration of the mutual agreements contained in the Indenture and herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

§1. Amendments to the Indenture. Effective as of the Amendment Effective Date (as defined below):

(a) Section 1.01 of the Indenture is hereby amended by adding the following definition in the appropriate alphabetical order:

*"**First Amendment Effective Date**" means July 26, 2019.*

(b) Section 1.01 of the Indenture is hereby amended by deleting the definition of "Margin Rate Factor" in its entirety.

(c) The definition of "Applicable Factor" in Section 1.01 of the Indenture is hereby amended by replacing the reference to "70%" therein to "81%".

(d) The definition of "LIBOR Index" in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*"**LIBOR Index**" as of any LIBOR Index Reset Date means the rate per annum equal to the London Interbank Offered Rate, as published on the applicable Bloomberg screen page (or other commercially*

available source providing such quotations as may be designated by the Bondholder Representative or, if none, the Calculation Agent from time to time) (any such rate, the "LIBOR Screen Rate") at or about 11:00 a.m., London time, on the second Business Day prior to such date for U.S. Dollar deposits with a term of one month commencing on such LIBOR Index Reset Date. Notwithstanding the foregoing, if (a) the Bondholder Representative or, if none, the Calculation Agent determines that (i) U.S. Dollar deposits are not being offered to banks in the London interbank market for U.S. Dollar deposits for an interest period extending from one LIBOR Index Reset Date to the next LIBOR Index Reset Date, (ii) adequate and reasonable means do not exist for determining the LIBOR Index for any such interest period, other than for a reason described in the immediately following clause (iii), or (iii) adequate and reasonable means do not exist for determining the LIBOR Index for any such interest period because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary, or (iv) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Bondholder Representative or Calculation Agent has made a public statement identifying a specific date after which the London Interbank Offered Rate or the LIBOR Index shall no longer be made available, or used for determining the interest rate of loans, (b) the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding determine that for any reason the LIBOR Index for any such interest period does not result in a rate that adequately and fairly reflects the cost to such Holders of holding the Bonds for such interest period, or (c) any Holder determines that any applicable law has made it unlawful, or that any governmental authority has asserted that it is unlawful, for the Bonds to bear interest at a function of the LIBOR Index, or to determine or charge interest rates based upon the LIBOR Index, or any governmental authority has imposed material restrictions on the authority of such Holder to purchase or sell, or to take deposits of, U.S. Dollars in the London interbank market (any event described in clause (a)(i), (a)(ii), (b) or (c) of this sentence, a "Disruption Event," and any event described in clause (a)(iii) or (a)(iv) of this sentence, a "Discontinuation Event"), then the "LIBOR Index" shall mean an alternate rate that will result in interest on the Bonds that fairly reflects the costs to Holders of holding the Bonds for such interest period as reasonably determined by the Calculation Agent, until, in the case of a Disruption Event, such time as the Bondholder Representative, the Calculation Agent or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as applicable, reasonably determine that the applicable Disruption Event no longer subsists. If the LIBOR Rate shall at any time be less than zero, such rate shall be deemed zero for purposes of this Bond Indenture.

(e) The definition of "LIBOR Index Rate" in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*"**LIBOR Index Rate**" for any day in any Interest Payment Period in a LIBOR Term Indexed Mode means a per annum rate determined from time to time and equal to (x) the product of (a) the quotient from dividing (i) the LIBOR Index as of the LIBOR Index Reset Date on which such Interest Payment Period begins by (ii) one less the Reserve Percentage and (b) the Applicable Factor, plus (y) the Applicable Spread during such Interest Payment Period (such Applicable Spread to be determined in accordance with Section 2.07 for any Interest Period after the first Interest Period in the Initial LIBOR Term Indexed Mode); provided, however, that the LIBOR Index Rate shall never exceed 135% of the LIBOR Index plus the Applicable Spread or equal or be less than 65% of the LIBOR Index plus the Applicable Spread.*

(f) The definition of "Taxable Rate Factor" in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*"**Taxable Rate Factor**" has the meaning stated in the Bondholder Agreement, which is 1.2658 as of the First Amendment Effective Date, provided that no change in the Taxable Rate Factor shall occur unless and until the Trustee receives written notice thereof from the Bondholder Representative.*

(g) Section 2.07(B) of the Indenture is hereby amended by adding the following new second sentence immediately following the first sentence therein:

On the First Amendment Effective Date, the initial Purchase Date for the Bonds in the Initial LIBOR Term Indexed Mode shall be extended and amended from the first Business Day on or after August 19, 2019 to the first Business Day on or after August 19, 2024.

For the avoidance of doubt, effective on the Amendment Effective Date, the initial Interest Period in the Initial LIBOR Term Index Mode shall remain in effect and shall extend to the first Business Day on or after August 19, 2024, unless sooner terminated in accordance with the provisions of the Indenture.

(h) Section 11.07(2) of the Indenture is hereby amended by restating the notice information for the Borrower in its entirety as follows:

(2) ***Borrower****:*

HFOTCO LLC
1201 South Sheldon Road
Houston, TX 77015
Attention: Alisa Perkins, Vice President and Treasurer
Telephone: 918-524-8130
Email: APerkins@SEMGROUPCORP.COM

with a copy to:

SemGroup Corporation
Attention: General Counsel
6120 S. Yale Avenue
Suite 1500
Tulsa, OK 74136
Email: SLindberg@SEMGROUPCORP.COM"

§2. **Conditions**. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent or concurrent (the date of satisfaction of such conditions, the "Amendment Effective Date"):

(a) Each party hereto shall have received a counterpart of this Amendment duly executed and delivered by the other party hereto and written consent to this Amendment by the Borrower.

(b) The parties hereto shall have received a copy of a fully executed corresponding amendment to the Bondholder Agreement, which shall include therein the consent of the Bondholder Representative and the Bondholders to this Amendment and a direction to the Trustee to execute this Amendment.

(c) The Trustee shall have received favorable written opinions from Bond Counsel (i) in form and substance satisfactory to the Trustee, (ii) dated the Amendment Effective Date, (iii) addressed to the Trustee, (iv) to the effect that this Amendment has been duly authorized, executed and delivered by the Issuer and constitutes a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms (subject to customary exceptions regarding enforceability), (v) to the effect that this Amendment and the corresponding amendment to the Bondholder Agreement will not adversely affect the validity of the Bonds under state law or the exclusion from gross income of interest on the Bonds for federal income tax purposes, (vi) to the effect that this Amendment and the corresponding amendment to the Bondholder Agreement are permitted under the Indenture, including but not limited to Section 9.01 A of the Indenture and (vii) covering such other customary matters as the Trustee may reasonably request.

§3. **Miscellaneous Provisions.**

§3.1. Except as otherwise expressly provided by this Amendment, all of the terms, conditions and provisions of the Indenture and the Bonds shall remain the same, all of which are expressly ratified and confirmed. This Amendment is not intended to, and shall not, extinguish any indebtedness represented by the Indenture or the Bonds. It is declared and agreed by each of the parties hereto that the Indenture, as amended hereby, shall continue in full force and effect, and that the Indenture and this Amendment shall be read and construed as one instrument.

§3.2. THIS AMENDMENT IS A CONTRACT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH SUCH LAWS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SAID STATE.

§3.3. The Trustee accepts the amendment to the Indenture as set forth in this Amendment and agrees to perform the duties of the Trustee upon the terms and conditions set forth herein and in the Indenture. Without limiting the generality of the foregoing, the Trustee assumes no responsibility for the correctness of the recitals contained herein, which shall be taken as the statements of the Issuer, and the Trustee shall not be responsible or accountable in any way whatsoever for or with respect to the validity or execution of this Amendment by the Issuer or the sufficiency of this Amendment and makes no representation with respect thereto.

§3.4. This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

§3.5. The Issuer represents and warrants to the Trustee that this Amendment has been duly and validly executed and delivered by the Issuer and constitutes its legal, valid, and binding obligation, enforceable against the Issuer in accordance with its terms and that the Recitals are true and accurate.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

HARRIS COUNTY INDUSTRIAL DEVELOPMENT CORPORATION, as Issuer

By /s/ Peter Jordan
Peter Jordan, President

[Signature Page to First Supplemental Indenture (Series 2011)]

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By /s/ Patricia Barbarino
Authorized Representative

[Signature Page to First Supplemental Indenture (Series 2011)]

Consented to by:

HFOTCO LLC

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

Exhibit 4.3

Execution Version

FIRST SUPPLEMENTAL INDENTURE TO

AMENDED AND RESTATED BOND INDENTURE (SERIES 2012)

This **FIRST SUPPLEMENTAL INDENTURE to amended and restated bond indenture (SERIES 2012)** dated as of July 26, 2019 (this "Amendment"), made pursuant to Section 9.01 of the Indenture (as defined below), is between **HARRIS COUNTY INDUSTRIAL DEVELOPMENT CORPORATION** (the "Issuer"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION**, as Trustee (the "Trustee"), and amends that certain Amended and Restated Bond Indenture dated as of August 19, 2014 relating to the Harris County Industrial Development Corporation Marine Terminal Revenue Bonds (HFOTCO LLC Project) Series 2012 (as amended, restated, extended, supplemented, modified and otherwise in effect from time to time, the "Indenture") between the Issuer and the Trustee. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

RECITALS

WHEREAS, pursuant to Section 9.01A of the Indenture, the parties hereto have agreed, with consent of the Borrower and the Bondholders, on the terms and conditions set forth herein, to extend the initial Purchase Date of the Initial LIBOR Term Indexed Mode and to make certain amendments to the Indenture in connection therewith; and

WHEREAS, Section 9.01 of the Indenture authorizes the Issuer and the Trustee to modify or amend the Indenture from time to time upon receipt of the written consent of each Credit Facility Provider (if a Credit Facility is in effect or any amount is owing thereto), each Liquidity Facility Provider, if any, the Bondholder Representative, and each Holder of an Outstanding Bond;

WHEREAS, no Credit Facility or Liquidity Facility is presently in effect; and no amounts are presently owed to any Credit Facility Provider;

NOW THEREFORE, in consideration of the mutual agreements contained in the Indenture and herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

§1. Amendments to the Indenture. Effective as of the Amendment Effective Date (as defined below):

(a) Section 1.01 of the Indenture is hereby amended by adding the following definition in the appropriate alphabetical order:

*"**First Amendment Effective Date**" means July 26, 2019.*

(b) Section 1.01 of the Indenture is hereby amended by deleting the definition of "Margin Rate Factor" in its entirety.

(c) The definition of "Applicable Factor" in Section 1.01 of the Indenture is hereby amended by replacing the reference to "70%" therein to "81%".

(d) The definition of "LIBOR Index" in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*"**LIBOR Index**" as of any LIBOR Index Reset Date means the rate per annum equal to the London Interbank Offered Rate, as published on the applicable Bloomberg screen page (or other commercially*

available source providing such quotations as may be designated by the Bondholder Representative or, if none, the Calculation Agent from time to time) (any such rate, the "LIBOR Screen Rate") at or about 11:00 a.m., London time, on the second Business Day prior to such date for U.S. Dollar deposits with a term of one month commencing on such LIBOR Index Reset Date. Notwithstanding the foregoing, if (a) the Bondholder Representative or, if none, the Calculation Agent determines that (i) U.S. Dollar deposits are not being offered to banks in the London interbank market for U.S. Dollar deposits for an interest period extending from one LIBOR Index Reset Date to the next LIBOR Index Reset Date, (ii) adequate and reasonable means do not exist for determining the LIBOR Index for any such interest period, other than for a reason described in the immediately following clause (iii), or (iii) adequate and reasonable means do not exist for determining the LIBOR Index for any such interest period because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary, or (iv) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Bondholder Representative or Calculation Agent has made a public statement identifying a specific date after which the London Interbank Offered Rate or the LIBOR Index shall no longer be made available, or used for determining the interest rate of loans, (b) the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding determine that for any reason the LIBOR Index for any such interest period does not result in a rate that adequately and fairly reflects the cost to such Holders of holding the Bonds for such interest period, or (c) any Holder determines that any applicable law has made it unlawful, or that any governmental authority has asserted that it is unlawful, for the Bonds to bear interest at a function of the LIBOR Index, or to determine or charge interest rates based upon the LIBOR Index, or any governmental authority has imposed material restrictions on the authority of such Holder to purchase or sell, or to take deposits of, U.S. Dollars in the London interbank market (any event described in clause (a)(i), (a)(ii), (b) or (c) of this sentence, a "Disruption Event," and any event described in clause (a)(iii) or (a)(iv) of this sentence, a "Discontinuation Event"), then the "LIBOR Index" shall mean an alternate rate that will result in interest on the Bonds that fairly reflects the costs to Holders of holding the Bonds for such interest period as reasonably determined by the Calculation Agent, until, in the case of a Disruption Event, such time as the Bondholder Representative, the Calculation Agent or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as applicable, reasonably determine that the applicable Disruption Event no longer subsists. If the LIBOR Rate shall at any time be less than zero, such rate shall be deemed zero for purposes of this Bond Indenture.

(e) The definition of "LIBOR Index Rate" in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*"**LIBOR Index Rate**" for any day in any Interest Payment Period in a LIBOR Term Indexed Mode means a per annum rate determined from time to time and equal to (x) the product of (a) the quotient from dividing (i) the LIBOR Index as of the LIBOR Index Reset Date on which such Interest Payment Period begins by (ii) one less the Reserve Percentage and (b) the Applicable Factor, plus (y) the Applicable Spread during such Interest Payment Period (such Applicable Spread to be determined in accordance with Section 2.07 for any Interest Period after the first Interest Period in the Initial LIBOR Term Indexed Mode); provided, however, that the LIBOR Index Rate shall never exceed 135% of the LIBOR Index plus the Applicable Spread or equal or be less than 65% of the LIBOR Index plus the Applicable Spread.*

(f) The definition of "Taxable Rate Factor" in Section 1.01 of the Indenture is hereby restated in its entirety as follows:

*"**Taxable Rate Factor**" has the meaning stated in the Bondholder Agreement, which is 1.2658 as of the First Amendment Effective Date, provided that no change in the Taxable Rate Factor shall occur unless and until the Trustee receives written notice thereof from the Bondholder Representative.*

(g) Section 2.07(B) of the Indenture is hereby amended by adding the following new second sentence immediately following the first sentence therein:

On the First Amendment Effective Date, the initial Purchase Date for the Bonds in the Initial LIBOR Term Indexed Mode shall be extended and amended from the first Business Day on or after August 19, 2019 to the first Business Day on or after August 19, 2024.

For the avoidance of doubt, effective on the Amendment Effective Date, the initial Interest Period in the Initial LIBOR Term Index Mode shall remain in effect and shall extend to the first Business Day on or after August 19, 2024, unless sooner terminated in accordance with the provisions of the Indenture.

(h) Section 11.07(2) of the Indenture is hereby amended by restating the notice information for the Borrower in its entirety as follows:

(2) ***Borrower****:*

HFOTCO LLC
1201 South Sheldon Road
Houston, TX 77015
Attention: Alisa Perkins, Vice President and Treasurer
Telephone: 918-524-8130
Email: APerkins@SEMGROUPCORP.COM

with a copy to:

SemGroup Corporation
Attention: General Counsel
6120 S. Yale Avenue
Suite 1500
Tulsa, OK 74136
Email: SLindberg@SEMGROUPCORP.COM"

§2. Conditions. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent or concurrent (the date of satisfaction of such conditions, the "Amendment Effective Date"):

(a) Each party hereto shall have received a counterpart of this Amendment duly executed and delivered by the other party hereto and written consent to this Amendment by the Borrower.

(b) The parties hereto shall have received a copy of a fully executed corresponding amendment to the Bondholder Agreement, which shall include therein the consent of the Bondholder Representative and the Bondholders to this Amendment and a direction to the Trustee to execute this Amendment.

(c) The Trustee shall have received favorable written opinions from Bond Counsel (i) in form and substance satisfactory to the Trustee, (ii) dated the Amendment Effective Date, (iii) addressed to the Trustee, (iv) to the effect that this Amendment has been duly authorized, executed and delivered by the Issuer and constitutes a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms (subject to customary exceptions regarding enforceability), (v) to the effect that this Amendment and the corresponding amendment to the Bondholder Agreement will not adversely affect the validity of the Bonds under state law or the exclusion from gross income of interest on the Bonds for federal income tax purposes, (vi) to the effect that this Amendment and the corresponding amendment to the Bondholder Agreement are permitted under the Indenture, including but not limited to Section 9.01 A of the Indenture and (vii) covering such other customary matters as the Trustee may reasonably request.

§3. Miscellaneous Provisions.

§3.1. Except as otherwise expressly provided by this Amendment, all of the terms, conditions and provisions of the Indenture and the Bonds shall remain the same, all of which are expressly ratified and confirmed. This Amendment is not intended to, and shall not, extinguish any indebtedness represented by the Indenture or the Bonds. It is declared and agreed by each of the parties hereto that the Indenture, as amended hereby, shall continue in full force and effect, and that the Indenture and this Amendment shall be read and construed as one instrument.

§3.2. THIS AMENDMENT IS A CONTRACT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH SUCH LAWS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SAID STATE.

§3.3. The Trustee accepts the amendment to the Indenture as set forth in this Amendment and agrees to perform the duties of the Trustee upon the terms and conditions set forth herein and in the Indenture. Without limiting the generality of the foregoing, the Trustee assumes no responsibility for the correctness of the recitals contained herein, which shall be taken as the statements of the Issuer, and the Trustee shall not be responsible or accountable in any way whatsoever for or with respect to the validity or execution of this Amendment by the Issuer or the sufficiency of this Amendment and makes no representation with respect thereto.

§3.4. This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

§3.5. The Issuer represents and warrants to the Trustee that this Amendment has been duly and validly executed and delivered by the Issuer and constitutes its legal, valid, and binding obligation, enforceable against the Issuer in accordance with its terms and that the Recitals are true and accurate.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

HARRIS COUNTY INDUSTRIAL DEVELOPMENT CORPORATION, as Issuer

By /s/ Peter Jordan
Peter Jordan, President

[Signature Page to First Supplemental Indenture (Series 2012)]

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By /s/ Patricia Barbarino
Authorized Representative

[Signature Page to First Supplemental Indenture (Series 2012)]

Consented to by:

HFOTCO LLC

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

[Signature Page to First Supplemental Indenture (Series 2012)]

Exhibit 4.4
Execution Version

AMENDMENT NO. 3

TO

CONTINUING COVENANT AGREEMENT

This **AMENDMENT NO. 3** dated as of July 26, 2019 (this "Amendment") is by and among **BUFFALO GULF COAST TERMINALS LLC** ("Parent"), **HFOTCO LLC** ("Obligor"), **BANK OF AMERICA, N.A.,** as administrative agent and collateral agent (the "Administrative Agent"), and the **BONDHOLDERS** signatory hereto and amends, and provides consent under, that certain Continuing Covenant Agreement dated as of August 19, 2014 (as amended, restated, extended, supplemented, modified and otherwise in effect from time to time, including pursuant to that Consent and Amendment dated June 5, 2017 and Amendment No. 2 dated as of June 26, 2018, the "Continuing Covenant Agreement") by and among Parent, Obligor, the Administrative Agent and certain persons as "Bondholders" (the "Bondholders"). Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Continuing Covenant Agreement.

WHEREAS, the Obligor has requested and the Bondholders and the Bondholder Representative have agreed, on the terms and conditions set forth herein to (a) extend the Mandatory Purchase Date of the Bonds and make certain other amendments to the Continuing Covenant Agreement and (b) consent to and approve certain amendments to the Indentures in connection therewith.

NOW THEREFORE, in consideration of the mutual agreements contained in the Continuing Covenant Agreement and herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

§1. Consent to Indenture Amendments. As of the Amendment Effective Date (as defined below), each of the Bondholders and the Administrative Agent (as Bondholder Representative) hereby consent to the Indenture Amendments (as defined below) and direct the Trustee to execute and deliver such Indenture Amendments. This consent shall constitute a limited, one-time consent, and nothing contained herein shall obligate the Bondholders or the Bondholder Representative to grant any additional or future consent with respect to any modification of any Bond Documents.

§2. Amendments to the Continuing Covenant Agreement. Effective as of the Amendment Effective Date (as defined below):

(a) Section 1.01 of the Continuing Covenant Agreement is hereby amended by adding the following definitions in their appropriate alphabetical order:

*"**Beneficial Ownership Certification**" means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation, which certification shall be substantially similar in form to the form of Certification Regarding Beneficial Owners of Legal Entity Customers published jointly, in May 2018, by the Loan Syndications and Trading Association and Securities Industry and Financial Markets Association.*

*"**Beneficial Ownership Regulation**" means 31 C.F.R. § 1010.230.*

*"**Delaware LLC**" means any limited liability company organized or formed under the laws of the state of Delaware.*

*"**Delaware Divided LLC**" means any Delaware LLC which has been formed upon consummation of a Delaware LLC Division.*

"***Delaware LLC Division***" *means the statutory division of any Delaware LLC into two or more Delaware LLCs pursuant to Section 18-217 of the Delaware Limited Liability Company Act.*

"***Third Amendment Effective Date***" *means July 26, 2019.*

(b) Section 1.01 of the Continuing Covenant Agreement is hereby amended by deleting the definition of "Margin Rate Factor" in its entirety.

(c) The definition of "Collateral and Guarantee Requirement" in Section 1.01 of the Continuing Covenant Agreement is hereby amended by restating the last sentence in the last paragraph of such section as follows:

The Collateral Agent and the Administrative Agent may, without the consent of any Bondholder, grant extensions of time for the creation and perfection of security interests in or the obtaining of title insurance, legal opinions or other deliverables with respect to particular assets or the provision of any Guarantee by any Subsidiary (including extensions beyond the Closing Date or in connection with assets acquired, or Subsidiaries formed or acquired (including, without limitation, upon the formation of any Subsidiary that is a Delaware Divided LLC), after the Closing Date) where the Collateral Agent and the Administrative Agent determine that such action cannot be accomplished without undue effort or expense by the time or times at which it would otherwise be required to be accomplished by this Agreement or the Security Documents.

(d) The definition of "Disposition" in Section 1.01 of the Continuing Covenant Agreement is hereby restated in its entirety as follows:

"***Disposition***" *means, with respect to any property, any sale, lease, sale and leaseback, conveyance, transfer or other disposition thereof and including any disposition of property to a Delaware Divided LLC pursuant to a Delaware LLC Divsision; and the terms "Dispose" and "Disposed of" shall have correlative meanings.*

(e) The definition of "Mandatory Purchase Date" in Section 1.01 of the Continuing Covenant Agreement is hereby restated in its entirety as follows:

"***Mandatory Purchase Date***" *means the earliest of (i) August 19, 2024, the date on which the Bonds are subject to mandatory tender for purchase, pursuant to Section 4.09 of the Indenture, (ii) the date on which the interest rate mode of the Bonds is converted from the interest rate mode in effect on the Closing Date to another interest rate mode, and (iii) the date on which the Bonds are required to be redeemed or purchased in full pursuant to the Indenture.*

(f) The definition of "Taxable Rate" in Section 1.01 of the Continuing Covenant Agreement is hereby restated in its entirety as follows:

"***Taxable Rate***" *means, with respect to a Taxable Period, the product of (i) the LIBOR Term Indexed Rate and (ii) the Taxable Rate Factor. As of the Third Amendment Amendment Effective Date, the Taxable Rate Factor is 1.2658.*

(g) The definition of "Taxable Rate Factor" in Section 1.01 of the Continuing Covenant Agreement is hereby restated in its entirety as follows:

"***Taxable Rate Factor***" *means the amount by which the LIBOR Term Indexed Rate must be multiplied to achieve the equivalent taxable rate given the highest marginal federal corporate income Tax rate (which is 21%, as of the Third Amendment Amendment Effective Date). The Taxable Rate Factor from time to time shall be determined by the Administrative Agent and notified by the Administrative Agent to the Trustee.*

(h) Article III of the Continuing Covenant Agreement is hereby amended by adding a new Section 3.26 as follows:

Section 3.26 <u>Beneficial Ownership Certification</u>. As of the Third Amendment Effective Date, the information included in the Beneficial Ownership Certification, if applicable, is true and correct in all respects.

(i) Section 5.10(a) of the Continuing Covenant Agreement is hereby amended by adding the words "(including, without limitation, upon the formation of any Subsidiary that is a Delaware Divided LLC)" immediately following the words "formed or acquired" in such section.

(j) Section 5.11(b) of the Continuing Covenant Agreement is hereby amended by adding the words "(including, without limitation, any acquisition pursuant to a Delaware LLC Division)" immediately following the words "the acquisition by any Loan Party of" in both places that they appear in such section.

(k) Section 6.06 of the Continuing Covenant Agreement is hereby amended by adding the words "(including, in each case, pursuant to a Delaware LLC Division)" immediately following the words "or permit any other Person to combine, merge into or consolidate with it" in such section.

(l) Section 9.16 of the Continuing Covenant Agreement is hereby amended by adding the words "and the Beneficial Ownership Regulations" immediately following the words "including the Patriot Act" at the end of such section.

(m) Section 9 of the Continuing Covenant Agreement is hereby amended by adding a new Section 9.21 at the end thereof as follows:

Section 9.21 <u>Acknowledgment Regarding Any Supported QFCs</u>. To the extent that the Bond Documents provide support, through a guarantee or otherwise, for any Hedge Agreement or any other agreement or instrument that is a QFC (such support, "<u>QFC Credit Support</u>" and each such QFC, a "<u>Supported QFC</u>"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Bond Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "<u>Covered Party</u>") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in Property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Bond Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Bond Documents were governed by the laws of the United States or a state of the United States.

(b) As used in this <u>Section 9.21</u>, the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following:

(i) a “covered entity” as that term is defined in, and interpreted in accordance

with, 12 C.F.R. § 252.82(b);

(ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

(n) Schedule I of the Continuing Covenant Agreement (Certain Addresses For Notices) is hereby amended by restating the notice information for the Obligor and the Loan Parties in its entirety as follows:

The Obligor and the Loan Parties:	HFOTCO LLC 1201 South Sheldon Road Houston, TX 77015 Attention: Alisa Perkins, Vice President and Treasurer Telephone: 918-524-8130 Email: APerkins@SEMGROUPCORP.COM with a copy to: SemGroup Corporation Attention: General Counsel 6120 S. Yale Avenue Suite 1500 Tulsa, OK 74136 Email: SLindberg@SEMGROUPCORP.COM

(o) Schedule II of the Continuing Covenant Agreement (Purchasers) is hereby replaced in its entirety with Schedule II attached hereto. Furthermore, the parties hereto hereby acknowledge and agree that the assignment of interests in the Bonds pursuant to that certain Assignment and Assumption dated as of the date hereof, among BBVA Mortgage Corporation, f/k/a Compass Mortgage Corporation, as Assignor, and Banc of America Preferred Funding Corp., STI Institutional & Government, Inc., and Regions Capital Advantage, Inc., collectively, as the Assignees, and the resulting Par Amounts of each series of Bond as referenced in Schedule II hereto satisfy the requirements of Section 9.06(f)(ii) of the Continuing Covenant Agreement.

§3. Affirmation and Acknowledgment. Each of Parent and Obligor hereby ratifies and confirms all of its obligations to the Bondholders and the Administrative Agent under the Continuing Covenant Agreement and the other Bond Documents, as amended hereby, and acknowledges and agrees that the Continuing Covenant Agreement and the other Bond Documents, as amended or supplemented hereby, shall remain in full force and effect in accordance with their respective terms. By its signature hereto, the Parent confirms and agrees that (a) it has no defense to enforcement of the Guaranty Agreement, and that according to its terms, the Guaranty Agreement will continue in full force and effect to guaranty the Obligor’s obligations under the Bond Documents and the other amounts described in the Guaranty Agreement following execution of this Amendment and the occurrence of the Amendment Effective Date, and (b) all Liens, including those granted pursuant to the Security Agreement, now or hereafter held by the Collateral Agent for the benefit of the Secured Parties as security for payment of the Obligations remain in full force and effect.

§4. **Representations and Warranties**. Each of Parent and Obligor hereby represent and warrant to the Bondholders and the Administrative Agent as follows:

(a) Immediately prior to and immediately after giving effect to this Amendment, the representations of the Parent and the Obligor contained in Article III of the Continuing Covenant Agreement and any other Bond Document are true and correct in all material respects on and as of the Amendment Effective Date (or, with respect to representations and warranties qualified by materiality, in all respects as of such date), except, in each case, to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct, or true and correct in all material respects, as the case may be, as of such earlier date.

(b) The execution and delivery by Parent and Obligor of this Amendment and the performance by Parent and Obligor of its respective obligations and agreements under this Amendment, the Continuing Covenant Agreement and the other Bond Documents as amended hereby are within the organizational power and authority of Parent and Obligor, as applicable, and have been duly authorized by all necessary limited liability company or other organizational action of the Parent and the Obligor.

(c) This Amendment has been duly executed and delivered by Parent and Obligor. Each of this Amendment and the Continuing Covenant Agreement as amended hereby constitutes a legal, valid and binding obligation of the Parent and Obligor, enforceable against Parent and Obligor in accordance with their respective terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(d) Immediately prior to and immediately after giving effect to this Amendment, no Default or Event of Default exists.

§5. **Conditions**. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent or concurrent (the date of satisfaction of such conditions, the "Amendment Effective Date"):

(a) The Administrative Agent shall have received counterparts of (i) this Amendment duly executed and delivered by Parent, Obligor, the Administrative Agent and the Bondholders, (ii) reaffirmation agreements and/or amendments to the existing Mortgages (together with any applicable policies of title insurance or modification endorsements to title insurance policies and any UCC financing statements, as are reasonably required by the Administrative Agent) duly executed and delivered by the Obligor for the benefit of the Collateral Agent ("Mortgage Reaffirmation"), and (iii) any Mortgages (together with any applicable policies of title insurance or modification endorsements to title insurance policies and any UCC financing statements, as are reasonably required by the Administrative Agent) required to be delivered pursuant to the Collateral and Guarantee Requirement.

(b) The Administrative Agent shall have received fully executed copies of an amendment to each Indenture, in form and substance**, attached hereto as Exhibit A** (collectively, the "Indenture Amendments") certified by a Responsible Officer of the Obligor as of the Amendment Effective Date as being complete and correct.

(c) The Administrative Agent shall have received favorable written opinions from Gibson Dunn & Crutcher LLP, counsel for the Loan Parties, or such other special counsel as may be reasonably requested by the Administrative Agent, (i) in form and substance satisfactory to the Administrative Agent, (ii) dated the Amendment Effective Date, (iii) addressed to the Bondholder Parties, and (iv) covering such matters relating to the Amendment, Mortgage Reaffirmation, or the Mortgages to which any Loan Party is a party, as the Administrative Agent shall reasonably request and which are customary for transactions of the type contemplated by the Amendment and the

Bond Documents.

(d) The Administrative Agent shall have received favorable written opinions from Bond Counsel (i) in form and substance satisfactory to the Administrative Agent, (ii) dated the Amendment Effective Date, (iii) addressed to the Bondholder Parties, (iv) to the effect that the Indenture Amendments have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms (subject to customary exceptions regarding enforceability), (v) to the effect that this Amendment and the Indenture Amendments will not adversely affect the validity of the Bonds under state law or the exclusion from gross income of interest on the Bonds for federal income Tax purposes, (vi) to the effect that this Amendment and the Indenture Amendments are permitted under the Indentures, including but not limited to Section 9.01 A of the Indentures and (vii) covering such other customary matters as the Bondholder Parties may reasonably request.

(e) The Administrative Agent shall have received a certificate of a Responsible Officer of each of the Loan Parties, dated the Amendment Effective Date and certifying (A) that attached thereto is a true and complete copy of the limited liability company operating agreement of such Person, together with all amendments or modifications thereto, as in effect on the Amendment Effective Date (or a certification that there have been no amendments to such limited liability company operating agreement of such Person since the Closing Date), (B) that attached thereto is a true and complete copy of resolutions duly adopted by the appropriate governing entity or body of such Person, authorizing the Amendment and related documents and consenting to the Indenture Amendments, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that attached thereto is a certificate of formation or other formation documents of such Person, together with all amendments or modifications thereto, as in effect on the Amendment Effective Date (or a certification that there have been no amendments to such certificate of formation or other formation documents of such Person since the Closing Date), (D) that attached thereto are certificates as to the good standing of such Person as of a recent date from the Secretary of State of such Loan Party's jurisdiction of formation, (E) as to the incumbency and specimen signature of each officer executing the Amendment or any other document delivered in connection herewith on behalf of such Person, and (f) as to the absence of any pending proceeding for the dissolution or liquidation of such Person or, to the knowledge of such Responsible Officer, threatening the existence of such Person.

(f) The representations and warranties set forth in Section 4 hereof shall be true and correct and the Administrative Agent shall have received a certificate dated the Amendment Effective Date certifying thereto.

(g) The Administrative Agent shall have received a certificate of a duly authorized representative of the Issuer, dated the Amendment Effective Date, in substantially the form of the certificate delivered on the Closing Date or as otherwise reasonably acceptable to the Administrative Agent.

(h) The Administrative Agent shall have received a certificate of a duly authorized representative of the Trustee, dated the Amendment Effective Date, in substantially the form of the certificate delivered on the Closing Date or as otherwise reasonably acceptable to the Administrative Agent.

(i) All fees and expenses required to be paid on or before the date hereof in connection with this Amendment in accordance with Continuing Covenant Agreement and the fee letter dated as of the date hereof between the Parent, the Obligor and the Bondholders, shall have been paid.

(j) At least five (5) days prior to the Amendment Effective Date, if the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation (as defined in the Continuing Covenant Agreement as amended by this Amendment), it shall deliver, to each Lender that so requests, a Beneficial Ownership Certification (as defined in the Continuing Covenant Agreement as amended by this Amendment).

(k) Completed "Life-of-Loan" Federal Emergency Management Agency Standard Flood Hazard Determination with respect to each Mortgaged Property (together with a notice about special flood hazard area status and flood disaster assistance duly executed by each Loan Party relating thereto.

(l) An appraisal of each of the properties described in the Mortgages complying with the requirements of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989, which appraisals shall be in form and substance reasonably satisfactory to the Collateral Agent and from a Person acceptable to the Collateral Agent.

For purposes of determining compliance with the conditions specified in this Section 5, each Bondholder that has signed this Amendment shall be deemed to have consented to, approved, accepted or be satisfied with, each document or other matter required thereunder to be consented to, approved by or acceptable or satisfactory to a Bondholder unless the Administrative Agent shall have received written notice from such Bondholder prior to the proposed Amendment Effective Date, specifying its objection thereto. The Administrative Agent shall notify the Parent, the Obligor and the Bondholders of the Amendment Effective Date.

§6. Miscellaneous Provisions.

§6.1. Except as otherwise expressly provided by this Amendment, all of the terms, conditions and provisions of the Continuing Covenant Agreement and the Bond Documents shall remain the same. It is declared and agreed by each of the parties hereto that the Continuing Covenant Agreement and the Bond Documents, as amended hereby, shall continue in full force and effect, and that this Amendment and the Continuing Covenant Agreement and the Bond Documents shall be read and construed as one instrument.

§6.2. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

§6.3. EACH OF THE PARENT AND THE OBLIGOR IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE BONDHOLDERS OR ANY RELATED PARTY OF THE BONDHOLDERS IN ANY WAY RELATING TO THIS AMENDMENT, THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT OR IN ANY OTHER BOND DOCUMENT SHALL AFFECT ANY RIGHT THAT THE BONDHOLDERS MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT OR ANY OTHER BOND DOCUMENT AGAINST THE PARENT, THE OBLIGOR OR ITS RESPECTIVE PROPERTIES IN THE COURTS OF ANY JURISDICTION.

§6.4. This Amendment may be executed in any number of counterparts, but all such counterparts shall together constitute but one instrument. In making proof of this Amendment, it shall not be necessary to produce or account for more than one counterpart signed by each party hereto by and against which enforcement hereof is sought.

§6.5. Except as otherwise expressly provided for in this Amendment, nothing contained in this Amendment shall extend to or affect in any way any of the rights or obligations of Parent and/or Obligor, as applicable, or the Administrative Agent’s or a Bondholder’s obligations, rights and remedies.

§6.6. The provisions of this Amendment are solely for the benefit of the Parent, Obligor, the Administrative Agent and the Bondholders and no other Person shall have rights as a third party beneficiary of any of such provisions, except that the Issuer and the Trustee are intended third party beneficiaries of the consent provided in § 1 hereof.

§6.7. This Amendment shall constitute a "Bond Document" for all purposes of the Continuing Covenant Agreement and the other Bond Documents.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as a document under seal as of the date first above written.

HFOTCO LLC

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

BUFFALO GULF COAST TERMINALS LLC

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

[Signature Page to Amendment No 3 to Continuing Covenant Agreement]

BANK OF AMERICA, N.A.,
as Administrative Agent and Collateral
Agent for the Bondholders

By: /s/ Priscilla Ruffin
Name: Priscilla Ruffin
Title: Assistant Vice President

[Signature Page to Amendment No 3 to Continuing Covenant Agreement]

BANC OF AMERICA PREFERRED FUNDING CORP.,
as Bondholder

By: /s/ Eric Kosmin
Name: Eric Kosmin
Title: Authorized Agent

[Signature Page to Amendment No 3 to Continuing Covenant Agreement]

STI INSTITUTIONAL & GOVERNMENT, INC.,
as Bondholder

By: /s/ Henry B. Harris, III
Name: Henry B. Harris, III
Title: Managing Director

[Signature Page to Amendment No 3 to Continuing Covenant Agreement]

REGIONS CAPITAL ADVANTAGE, INC.,
as Bondholder

By: /s/ Kyle Portwood
Name: Kyle Portwood
Title: Vice President

[Signature Page to Amendment No 3 to Continuing Covenant Agreement]

SCHEDULE II
PURCHASERS (ommitted)

EXHIBIT A

FORM OF INDENTURE AMENDMENTS

(COVER PAGE)

(Ommitted)

EXHIBIT 31.1

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

I, Carlin G. Conner, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2019

/s/ Carlin G. Conner

Carlin G. Conner
President and Chief Executive Officer

EXHIBIT 31.2

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

I, Robert N. Fitzgerald, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2019

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the quarterly report of SemGroup Corporation (the “Company”) on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Carlin G. Conner, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 9, 2019

/s/ Carlin G. Conner

Carlin G. Conner
President and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the quarterly report of SemGroup Corporation (the “Company”) on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert N. Fitzgerald, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 9, 2019

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Executive Vice President and
Chief Financial Officer