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

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

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

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from __________ to _________

Commission File Number 001-33503

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

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

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

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

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

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

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

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

Large accelerated filer o Accelerated filer x

Non-accelerated filer (Do not check if a smaller reporting company) o Smaller reporting company o

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

As of August 21, 2009, there were 21,557,309 common units and 12,570,504 subordinated units outstanding.

Explanatory Note

This amendment to our quarterly report on Form 10-Q/A (this "Amendment") is being filed to amend our quarterly report on Form 10-Q for the quarter ended June 30, 2009, which was originally filed on August 24, 2009 (the "Original Filing"). The consolidated financial statements for the three and six months ended June 30, 2009 and related disclosures in this Amendment have been restated in accordance with the changes described below.

In March 2010, we concluded that it was necessary to amend the Original Filing in order to restate our consolidated financial statements for the three and six month periods ended June 30, 2009 to record additional interest expense of $1.4 million for both the three and six month periods. The additional interest expense results from the application of the interest method of accounting as required by accounting principles generally accepted in the United States, and relates to additional interest payments as specified in our credit agreement. Our credit agreement requires us to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively.

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

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

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	As of December 31, 2008	As of June 30, 2009 (Restated) (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,785	$ 2,851
Accounts receivable, net of allowance for doubtful accounts of $554 and $429 at December 31, 2008 and June 30, 2009, respectively	8,342	9,003
Receivables from related parties, net of allowance for doubtful accounts of $0 for both dates	18,912	1,456
Prepaid insurance	2,256	2,022
Other current assets	1,811	1,277
Total current assets	60,106	16,609
Property, plant and equipment, net of accumulated depreciation of $80,277 and $89,502 at December 31, 2008 and June 30, 2009, respectively	284,489	281,933
Goodwill	6,340	6,340
Debt issuance costs	1,956	7,999
Intangibles and other assets, net	1,750	1,663
Total assets	$ 354,641	$ 314,544
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,610	$ 3,433
Payables to related parties	20,134	3,335
Accrued interest payable	175	4,976
Accrued property taxes payable	1,951	2,087
Interest rate swap settlements payable	1,505	1,561
Unearned revenue	2,765	5,450
Accrued payroll	170	5,729
Other accrued liabilities	2,753	2,645
Current portion of capital lease obligations	866	572
Total current liabilities	32,929	29,788
Long-term debt	448,100	417,855
Long-term capital lease obligations	255	11
Commitments and contingencies (Notes 5 and 13)		
Partners' capital (deficit):		
Common unitholders (21,557,309 units issued and outstanding for both dates)	481,007	476,993

Subordinated unitholders (12,570,504 units issued and outstanding for both dates)		(284,332	)		(286,673	)
General partner interest (2.0% interest with 690,725 general partner units outstanding for both dates)		(323,318	)		(323,430	)
Total Partners' capital (deficit)		(126,643	)		(133,110	)
Total liabilities and Partners' capital (deficit)	$	354,641		$	314,544	

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2009 (Restated)	2008	2009 (Restated)
	(unaudited)			
Service revenue:				
Third party revenue	$6,027	$30,494	$10,651	$54,604
Related party revenue	49,249	7,020	84,839	25,079
Total revenue	55,276	37,514	95,490	79,683
Expenses:				
Operating	29,505	24,744	51,771	46,956
Allowance for doubtful accounts	1,266	(11)	1,266	(11)
General and administrative	3,057	7,126	6,067	15,833
Total expenses	33,828	31,859	59,104	62,778
Gain on settlement transaction	—	2,585	—	2,585
Operating income	21,448	8,240	36,386	19,490
Other expenses:				
Interest (income) expense	(225)	13,029	4,864	25,878
Income (loss) before income taxes	21,673	(4,789)	31,522	(6,388)
Provision for income taxes	77	47	168	108
Net income (loss)	$21,596	$(4,836)	$31,354	$(6,496)
Allocation of net income (loss) to limited and subordinated partners:				
General partner interest in net income (loss)	$3,410	$(97)	$3,919	$(130)
Net income (loss) allocable to limited and subordinated partners	$18,186	$(4,739)	$27,435	$(6,366)
Basic and diluted net income (loss) per common unit	$0.53	$(0.13)	$0.83	$(0.18)
Basic and diluted net income (loss) per subordinated unit	$0.53	$(0.13)	$0.83	$(0.18)
Weighted average common units outstanding - basic and diluted	21,275	21,557	19,310	21,557
Weighted average subordinated partners' units outstanding - basic and diluted	12,571	12,571	12,571	12,571

See accompanying notes to unaudited consolidated financial statements.

SEMGROUP ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL (DEFICIT)
(in thousands)

	Common Unitholders	Subordinated Unitholders	General Partner Interest	Total Partners' Capital (Deficit)
		(unaudited)		
Balance, December 31, 2008	$481,007	$(284,332)	$(323,318)	$(126,643)
Net loss (Restated)	(4,021)	(2,345)	(130)	(6,496)
Equity-based incentive compensation	7	4	—	11
Consideration paid in excess of historical cost of assets acquired from Private Company	—	—	18	18
Balance, June 30, 2009 (Restated)	$476,993	$(286,673)	$(323,430)	$(133,110)

See accompanying notes to unaudited consolidated financial statements.

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

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2009 (Restated)
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$31,354	$(6,496)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for uncollectible receivables from third parties	357	(125)
Provision for uncollectible receivables from related parties	900	—
Depreciation and amortization	9,772	11,410
Amortization of debt issuance costs	262	4,289
Unrealized loss related to interest rate swaps	(2,729)	—
Gain on sale of assets	(46)	(38)
Gain on settlement transaction	—	(2,585)
Equity-based incentive compensation	1,437	11
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	228	(536)
Decrease in receivables from related parties	6,794	12,550
Decrease (increase) in prepaid insurance	(294)	234
Decrease (increase) in other current assets	(369)	534
Increase in other assets	(152)	(61)
Increase in accounts payable	242	1,029
Decrease in payables to related parties	(312)	(15,910)
Increase in accrued interest payable	1,472	4,801
Increase in accrued property taxes	1,183	136
Increase in interest rate swap settlements payable	—	56
Increase in unearned revenue	968	2,685
Increase in accrued payroll	—	5,559
Decrease in other accrued liabilities	(50)	(108)
Net cash provided by operating activities	51,017	17,435
Cash flows from investing activities:		
Acquisition of assets from Private Company	(514,643)	—
Capital expenditures	(3,485)	(2,455)
Proceeds from sale of assets	372	201
Net cash used in investing activities	(517,756)	(2,254)
Cash flows from financing activities:		
Debt issuance costs	(2,094)	(10,332)
Payments on capital lease obligations	(646)	(538)
Borrowings under credit facility	492,400	12,155
Payments under credit facility	(160,100)	(42,400)
Proceeds from equity issuance, net of offering costs	161,238	—
Distributions paid	(23,717)	—
Net cash provided by (used in) financing activities	467,081	(41,115)

Net increase (decrease) in cash and cash equivalents	342	(25,934)
Cash and cash equivalents at beginning of period	416	28,785
Cash and cash equivalents at end of period	$758	$2,851
Supplemental disclosure of cash flow information:		
Increase (decrease) in accounts payable related to purchases of property, plant and equipment	$654	$(206)
Non-cash addition to property, plant and equipment related to settlement (see Note 13)	$—	$(9,536)

See accompanying notes to unaudited consolidated financial statements.

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

1. ORGANIZATION AND NATURE OF BUSINESS

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

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

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

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

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

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

On July 22, 2008, the Private Company and certain of its subsidiaries filed voluntary petitions (the “Bankruptcy Filings”) for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), Case No. 08-11547-BLS. The Private Company and its subsidiaries continue to operate their businesses and own and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code (the “Bankruptcy Cases”). None of the Partnership, its general partner, the subsidiaries of the Partnership nor the subsidiaries of the Partnership’s general partner were party to the Bankruptcy Filings. See Notes 5, 8 and 13 for a discussion of the impact of the Bankruptcy Filings and related events upon the Partnership.

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

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared assuming that the Partnership will continue as a going concern. Prior to consummating the Settlement (as defined below in Note 13), events of default existed under the Partnership’s credit facility. As discussed in Notes 5 and 13 to the financial statements, the Partnership entered into the Credit Agreement Amendment (as defined below in Note 5) under which, among other things, the lenders under the Partnership’s credit facility consented to the Settlement and waived all existing defaults and events of default described in the Forbearance Agreement (as defined below in Note 5) and amendments thereto. Due to the events related to the Bankruptcy Filings, including decreased revenues in the Partnership’s crude oil gathering and transportation and asphalt services segments, increased general and administrative expenses related to legal and financial advisors as well as other related costs, and uncertainties related to securities and other litigation, the Partnership continues to face uncertainties with respect to its ability to comply with covenants under its credit facility as discussed in the Partnership’s annual report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (the “SEC”) on July 2, 2009 (the “2008 Form 10-K”) and as discussed in Note 13. These factors raise substantial doubt about the Partnership’s ability to continue as a going concern. Management’s plans in regard to these matters are also discussed in Note 13. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

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

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

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

Prior to the close of its initial public offering in July 2007, the Partnership entered into an Omnibus Agreement with the Private Company under which the Partnership reimbursed the Private Company for the provision of various general and administrative services for the Partnership's benefit. The Omnibus Agreement was amended and restated in conjunction with the purchase of the Acquired Asphalt Assets in February 2008 (the "Amended Omnibus Agreement") (see Note 8). The events related to the Bankruptcy Filings terminated the Private Company's obligations to provide services to the Partnership under the Amended Omnibus Agreement. The Private Company continued to provide such services to the Partnership until the effective date of the Settlement at which time the Private Company rejected the Amended Omnibus Agreement and the Private Company and the Partnership entered into the Shared Services Agreement (as defined below in Note 13) and the Transition Services Agreement (as defined below in Note 13) relating to the provision of such services (see Note 13).

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

The statements of operations for the three and six months ended June 30, 2008 and 2009 and the statements of cash flows for the six months ended June 30, 2008 and 2009 are unaudited. In the opinion of management, the unaudited interim financial statements have been prepared on the same bases as the audited financial statements and include all adjustments necessary to present fairly the financial position and results of operations for the respective interim periods. These consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the 2008 Form 10-K. Interim financial results are not necessarily indicative of the results to be expected for an annual period. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The Partnership has performed an evaluation of subsequent events through August 24, 2009, which is the date the financial statements in this quarterly report are filed on Form 10-Q.

3. RESTATEMENT

In March 2010, the Partnership concluded that it was necessary to restate its consolidated financial statements for the three and six month periods ended June 30, 2009 to record additional interest expense of $1.4 million for both the three and six month periods. The additional interest expense results from the application of the interest method of accounting, which requires that the interest rate used take into consideration all debt service payments that would be required over the estimated term of the debt. Such payments would include additional interest payments as specified in the Partnership's credit agreement. The agreement requires the Partnership to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively.

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

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

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

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

	As of June 30, 2009					
	June 30, 2009 as previously reported		Adjustments			June 30, 2009 as restated
ASSETS						
Current assets:						
Cash and cash equivalents	$	2,851	$	-	$	2,851
Accounts receivable, net of allowance for doubtful accounts of $554 and $429 at December 31, 2008 and June 30, 2009, respectively		9,003		-		9,003
Receivables from related parties, net of allowance for doubtful accounts of $0 for both dates		1,456		-		1,456
Prepaid insurance		2,022		-		2,022
Other current assets		1,277		-		1,277
Total current assets		16,609		-		16,609
Property, plant and equipment, net of accumulated depreciation of $80,277 and $89,502 at December 31, 2008 and June 30, 2009, respectively		281,933		-		281,933
Goodwill		6,340		-		6,340
Debt issuance costs		7,999		-		7,999
Other assets, net		1,663		-		1,663
Total assets	$	314,544	$	-	$	314,544
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)						
Current liabilities:						
Accounts payable	$	3,433	$	-	$	3,433
Payables to related parties		3,335		-		3,335
Accrued interest payable		3,599		1,377	(a)	4,976
Accrued property taxes payable		2,087		-		2,087
Interest rate swap settlements payable		1,561		-		1,561
Unearned revenue		5,450		-		5,450
Accrued payroll		5,729		-		5,729
Other accrued liabilities		2,645		-		2,645
Current portion of capital lease obligations		572		-		572
Total current liabilities		28,411		1,377		29,788
Long-term debt		417,855		-		417,855
Long-term capital lease obligations		11		-		11
Commitments and contingencies (Notes 4, 10 and 13)						
Partners' capital (deficit):						
Common unitholders (21,557,309 units issued and outstanding for						

both dates)		477,844			(851	)		476,993	
Subordinated unitholders (12,570,504 units issued and outstanding for both dates)		(286,176	)		(497	)		(286,673	)
General partner interest (2.0% interest with 690,725 general partner units outstanding for both periods)		(323,401	)		(29	)		(323,430	)
Total Partners' capital (deficit)		(131,733	)		(1,377	)		(133,110	)
Total liabilities and Partners' capital (deficit)	$	314,544		$	-		$	314,544	

(a) The Partnership did not properly accrue additional interest expense related to the additional interest payments specified in the Partnership's credit agreement. The agreement requires the Partnership to pay additional interest on October 6, 2009, April 6, 2010, October 6, 2010 and April 6, 2011, equal to the product of (i) the sum of the total amount of term loans then outstanding plus the aggregate commitments under the revolving credit facility and (ii) 0.50%, 0.50%, 1.00% and 1.00%, respectively. As a result of this error, the Partnership recorded an additional $1.4 million of accrued interest payable with a corresponding increase in interest expense to correct this error.

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

	For the Three Months Ended June 30, 2009
	June 30, 2009 as previously reported