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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

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 1-35365

ROSE ROCK MIDSTREAM, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**45-2934823**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Two Warren Place
6120 S. Yale Avenue, Suite 700
Tulsa, OK 74136-4216
(918) 524-7700
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Units	New York Stock Exchange

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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

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

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

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

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

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

The aggregate market value of the registrant's common units held by non-affiliates at June 30, 2015, was $747,324,977, based on the closing price of the common units on the New York Stock Exchange on June 30, 2015.

At January 31, 2016, there were 36,798,678 common units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:
NONE

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Cautionary Note Regarding Forward-Looking Statements

Certain matters contained in this Form 10-K include “forward-looking statements”. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical fact, included in this Form 10-K regarding the prospects of our industry, our anticipated financial performance, management’s plans and objectives for future operations, 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,” “expect,” “intend,” “estimate,” “foresee,” “project,” “anticipate,” “believe,” “plans,” “forecasts,” “continue” or “could” or the negative of these terms or variations of them or similar terms. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those discussed in Item 1A of this Form 10-K, entitled “Risk Factors,” risk factors discussed in other reports that we file with the Securities and Exchange Commission (the "SEC") and the following:

- Insufficient cash from operations following the establishment of cash reserves and payment of fees and expenses to pay current, expected or minimum quarterly distributions;
- Any sustained reduction in demand for, or supply of, crude oil in markets served by our midstream assets;
- 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;
- Our ability to renew or replace expiring storage, transportation and related contracts;
- The amount of cash distributions, capital requirements, and performance of our investments and joint ventures;
- The amount of collateral required to be posted from time to time in our purchase, sale of derivative transactions;
- The impact of operational and developmental hazards and unforeseen interruptions;
- Our ability to obtain new sources of supply of crude oil;
- Competition from other midstream energy companies;
- Our ability to comply with the covenants contained in our credit facility and the indentures governing our senior notes, including requirements under our credit facility to maintain certain financial ratios;
- The overall forward market for crude oil;
- The possibility that our hedging activities may result in losses or may have a negative impact on our financial results;
- Weather and other natural phenomena, including climate conditions;
- A cyber attack involving our information systems and related infrastructure, or that of our business associates;
- 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 the construction or acquisition of new assets may not result in the corresponding anticipated revenue increases; and

- General economic, market and business conditions.

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

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

As used in this Form 10-K, and unless the context indicates otherwise, the terms (i) the "Partnership," "Rose Rock," "we," "our," "us" or like terms, refer to Rose Rock Midstream, L.P., its subsidiaries and its predecessor; (ii) "SemGroup" refers to SemGroup Corporation (NYSE: SEMG) and its subsidiaries and affiliates, other than our general partner and us; (iii) "Rose Rock GP" or our "general partner" refer to Rose Rock Midstream GP, LLC; and (iv) "unitholders" refer to our common unitholders, and not our general partner.

PART I

Items 1 and 2. ***Business and Properties***

Overview

We are a growth-oriented Delaware limited partnership formed by SemGroup Corporation ("SemGroup") in 2011 to own, operate, develop and acquire a diversified portfolio of midstream energy assets. We are engaged in the business of crude oil gathering, transportation, storage, distribution and marketing in Colorado, Kansas, Minnesota, Montana, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas and Wyoming. We operate in the Bakken Shale in North Dakota and Montana, the Denver-Julesburg Basin ("DJ Basin") and the Niobrara Shale in the Rocky Mountain region, and the Granite Wash and Mississippi Lime Play in the Mid-Continent region. The majority of our assets are strategically located in, or connected to, the Cushing, Oklahoma crude oil marketing hub. Cushing is the designated point of delivery specified in NYMEX crude oil futures contracts and is one of the largest crude oil marketing hubs in the United States ("U.S."). We believe that our connectivity in Cushing and our numerous connections with third-party pipelines, refineries and storage terminals provide our customers with the flexibility to access multiple points for the receipt and delivery of crude oil.

Company Information

Our principal executive offices are located at Two Warren Place, 6120 South Yale Avenue, Suite 700, Tulsa, OK 74136-4216 and our telephone number is (918) 524-7700. Our website is www.rrmidstream.com. Our common units trade on the New York Stock Exchange under the ticker symbol “RRMS.” Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as well as other information we file with, or furnish to, the SEC are available free of charge on our website. We will make these documents available as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The information contained on our website, or available by hyperlink from our website, is not incorporated into this Form 10-K or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on our website in the ‘Investor Relations’ sections. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

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

Our History

Rose Rock Midstream, L.P. (“Rose Rock”) is a Delaware limited partnership formed in 2011. We are based in Tulsa, Oklahoma, and are engaged in providing midstream energy related services such as the gathering, storage, transportation and marketing of crude oil.

We are managed and operated by our general partner Rose Rock Midstream GP, LLC (“Rose Rock GP”), which is a wholly-owned subsidiary of SemGroup. SemGroup is a Delaware corporation headquartered in Tulsa, Oklahoma that provides diversified midstream services to the energy industry. SemGroup is the successor entity of SemGroup, L.P., which was an Oklahoma limited partnership.

SemGroup owns and operates a substantial portfolio of midstream assets and holds a significant interest in us through its ownership of a 55.1% limited partner interest, and 2.0% general partner interest in us, as well as all of our incentive distribution rights.

Our operations are conducted through, and our operating assets are owned by, our wholly-owned subsidiary, Rose Rock Midstream Operating, LLC, and its subsidiaries. Rose Rock Midstream Operating, LLC and its subsidiaries have no employees. The employees who conduct our business are employed by an affiliate of our general partner.

Crude Oil Midstream Market

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

Gathering and Transportation

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

Storage Terminals and Supply

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

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

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

Overview of the Cushing Interchange

The Cushing Interchange is one of the largest crude oil marketing hubs in the U.S. and is the designated point of delivery specified in NYMEX crude oil futures contracts. The Cushing Interchange has multiple inbound and outbound pipeline interconnections and shell capacity of approximately 88 million barrels. As the NYMEX delivery point and a cash market hub, the Cushing Interchange serves as a significant source of refinery feedstock for Midwest refiners and plays an important role in establishing and maintaining markets for many varieties of crude oil.

Our Investment in White Cliffs

We wholly own SemCrude Pipeline, L.L.C. ("SCPL"), which owns a 51% interest in White Cliffs Pipeline, L.L.C. ("White Cliffs"). White Cliffs owns a pipeline system consisting of two 12-inch 527-mile parallel lines that transport crude oil from Platteville, Colorado in the DJ Basin to Cushing, Oklahoma (the "White Cliffs Pipeline"). The White Cliffs Pipeline is currently undergoing an expansion which will increase the capacity from approximately 150,000 barrels per day to approximately 215,000 barrels per day. This expansion is expected to be completed in the second quarter of 2016. We operate the White Cliffs Pipeline.

Our Investment in Glass Mountain Pipeline, LLC

We wholly own Glass Mountain Holding, L.L.C. ("GMH"), which owns a 50% interest in Glass Mountain Pipeline, LLC ("Glass Mountain") which owns a 12-inch and 18-inch 215-mile crude oil pipeline that transports crude oil in western and north central Oklahoma (the "Glass Mountain Pipeline"). It has a capacity of approximately 140,000 barrels per day as well as 440,000 barrels of operational storage. We operate the Glass Mountain Pipeline.

Our Property, Plant and Equipment

We own and operate all of our assets, which at December 31, 2015 include:

- 7.6 million barrels of crude oil storage capacity, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations and marketing activities;
- a 570 -mile crude oil gathering and transportation pipeline system with over 650,000 barrels of associated storage capacity in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries, our storage terminal in Cushing, Oklahoma and the Glass Mountain Pipeline (effective March 1, 2016);
- the Wattenberg Oil Trunkline ("WOT"), a 75-mile, 12-inch diameter crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the White Cliffs Pipeline. The WOT has a capacity of approximately 85,000 barrels per day as well as 360,000 barrels of operational storage;

- the Tampa pipeline, a 16 -mile crude oil pipeline that connects our Platteville, Colorado crude oil terminal to the Tampa, Colorado crude oil market;
- a crude oil trucking fleet of over 270 transport trucks and 270 trailers;
- a 30 -lane crude oil truck unloading facility with 350,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline; and
- approximately 61,800 barrels of crude oil storage capacity in Trenton and Stanley, North Dakota.

Competitive Strengths

We believe that the following competitive strengths position us to successfully achieve our principal business objective:

- ***Strategically located assets.*** The majority of our assets are located in or connected to Cushing, and our numerous connections to other terminals and pipelines provide our customers with multiple options for the receipt and delivery of crude oil. We believe that we are well positioned to take advantage of both throughput at Cushing and production in the Bakken Shale, DJ Basin, Niobrara Shale, Granite Wash and Mississippi Lime Play.
- ***Modern crude oil transportation, storage and unloading assets.*** White Cliffs Pipeline, Glass Mountain Pipeline, our Cushing storage tanks, our Platteville facility and our pipeline to Tampa, Colorado have all been placed into service since the beginning of 2008. The recent construction of these facilities results in reduced maintenance costs, and we believe that customers prefer the additional reliability and safety that is generally associated with newer assets.
- ***Affiliation with SemGroup .*** We believe our relationship with SemGroup strengthens our ability to make strategic acquisitions and to access other business opportunities. In addition, we believe that SemGroup, as the owner of a substantial interest in us, is motivated to promote and support the successful execution of our business strategies.
- ***Experienced, knowledgeable management team with a proven track record.*** Our management team has an average of approximately 30 years of experience in the energy industry, including building, acquiring, integrating and operating midstream assets. In addition, our management team has established strong relationships throughout the U.S. upstream and midstream industries, which we believe will be beneficial to us in pursuing acquisition and organic expansion opportunities.

Business Strategy

Our principal business objective is to increase the quarterly cash distributions that we pay to our unitholders over time while maintaining the on-going stability of our business. We expect to achieve this objective through the following strategies:

- ***Capitalizing on organic growth opportunities associated with our existing assets .*** We seek to identify and evaluate economically organic expansion and asset enhancement opportunities that leverage our existing asset footprint and strategic relationships with our customers. Recent organic growth projects include: (i) an investment in an expansion of White Cliffs that will increase the pipeline capacity from approximately 150,000 barrels per day to approximately 215,000 barrels per day; (ii) a 38-mile expansion project on the WOT completed in January 2015; (iii) the construction of an additional 120,000 barrels of storage in Platteville, Colorado; (iv) the completion of 14 additional truck unloading bays at our Platteville, Colorado facilities; (v) the purchase of an additional 18 transport trucks; and (vi) completion of an additional 150,000 barrels of storage on the WOT.
- ***Growing our business through strategic and accretive asset acquisitions from third parties and SemGroup .*** We plan to pursue from third parties and SemGroup, accretive acquisitions of midstream energy assets that are complementary to our existing asset base or that provide attractive potential returns in new operating regions or business lines. Acquisitions in 2015 include the purchase of the WOT and a 50% interest in Glass Mountain from SemGroup.
- ***Focusing on fee-based services and fixed-margin transactions .*** We focus on opportunities to provide midstream services under fee-based arrangements and fixed-margin transactions, which minimize our direct exposure to commodity price fluctuations.
- ***Mitigating commodity price exposure.*** We mitigate the commodity price exposure of substantially all of our crude oil marketing operations by entering into “back-to-back” transactions, which are intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered, and through the use of derivative contracts.
- ***Maintaining financial flexibility and using leverage prudently .*** We plan to pursue a disciplined financial policy and maintain a conservative capital structure to allow us to execute on our identified growth projects, as well as pursue additional growth projects and acquisitions, even in challenging market environments.

Our Relationship with SemGroup

One of our principal strengths is our relationship with SemGroup. SemGroup provides gathering, transportation, processing, storage, distribution, marketing, and other midstream services primarily to crude oil and natural gas producers, crude oil refiners and other market participants located in Colorado, Kansas, Minnesota, Montana, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas and Wyoming and in Canada, Mexico and the United Kingdom ("U.K."). SemGroup has structured its business portfolio to be heavily weighted in fee-based and fixed-margin activities along with minimal and managed marketing activities. SemGroup has a midstream asset portfolio that includes, among other assets:

- approximately 1,590 miles of natural gas and natural gas liquids transportation, gathering and distribution pipelines in Kansas, Oklahoma, Texas and Alberta, Canada;
- majority interest in four natural gas processing plants located in Alberta, Canada, with a combined licensed capacity of 695 million cubic feet per day;
- five natural gas processing plants located in the U.S., with a combined operating capacity of 595 million cubic feet per day;
- 8.7 million barrels of owned multi-product storage capacity located in the U.K.;
- 11 asphalt cement terminals and modification facilities and two marine terminals in Mexico;
- an 11.78% interest in NGL Energy Holdings LLC, the general partner of NGL Energy Partners LP; and
- 4.7 million common units of NGL Energy Partners LP.

SemGroup's Class A common stock trades on the NYSE, under the symbol "SEMG."

SemGroup owns and operates a substantial portfolio of midstream assets and retains a significant interest in us through its ownership of a 55.1% limited partner interest and the 2.0% general partner interest in us, as well as all of our incentive distribution rights. Given SemGroup's significant ownership in us, we believe that SemGroup continues to be motivated to promote and support the successful execution of our business strategies. This support could include the potential contribution to us over time of additional midstream assets that SemGroup currently owns, acquires or develops in the future and the facilitation of accretive acquisitions. However, SemGroup is under no obligation to offer any assets or business opportunities to us or accept any offer for its assets that we may choose to make. SemGroup constantly evaluates acquisitions and dispositions and may elect to acquire or dispose of assets in the future without offering us the opportunity to purchase those assets. SemGroup has retained such flexibility because it believes it is in the best interests of its shareholders to do so. We cannot say with any certainty which, if any, opportunities to acquire assets from SemGroup may be made available to us or if we will choose to pursue any such opportunity. Moreover, the consideration to be paid by us for assets offered to us by SemGroup, if any, as well as the consummation and timing of any acquisition by us of these assets, would depend upon, among other things, the timing of SemGroup's decision to sell, transfer or otherwise dispose of these assets, our ability to successfully negotiate a purchase price and other terms, and our ability to obtain financing.

We entered into an omnibus agreement with SemGroup and our general partner that governs our relationship with them regarding certain indemnification matters, among other things. Please read "Certain Relationships and Related Transactions, and Director Independence—Relationship with SemGroup—Agreements with SemGroup and its Affiliates—Omnibus Agreement". While our relationship with SemGroup provides us with a significant advantage, it is also a source of potential conflicts. For example, SemGroup is not restricted from competing with us, and may acquire, construct or dispose of midstream energy assets without any obligation to offer us the opportunity to acquire or construct such assets. Please read "Certain Relationships and Related Transactions, and Director Independence—Relationship with SemGroup—Review, Approval and Ratification of Related Person Transactions" and "Risk Factors—Risks Inherent in an Investment in Us—SemGroup owns and controls our general partner, which has sole responsibility for conducting our business and managing our operations. SemGroup and our general partner will have conflicts of interest with us and may favor their own interests to your detriment."

Our Business Segments

During the year ended December 31, 2015, management made the decision to disaggregate certain activities and functions within the Partnership to provide additional granularity, both internally and externally, to our operating results. As such, the prior period results have been recast to reflect the resulting operating segments.

Our segments are organized by our key revenue generating activities. Our Transportation segment includes revenue generated through fees charged for the physical movement of crude oil utilizing our truck and pipeline assets, as well as buy/sell activity where we generate the equivalent of a transportation fee by buying crude oil at one location and selling it back to the same counterparty at a different location for a fixed margin. Our Facilities segment includes revenue generated through crude oil storage fees, truck unloading fees and other ancillary activities related to our facilities. Our Supply and Logistics segment includes revenue generated through the marketing and blending of crude oil and includes related derivative activity.

For certain financial information for each segment, refer to Note 13 of our consolidated financial statements beginning on page F-1 of this Form 10-K.

Our Business Operations

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

Transportation

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

Assets and Operations

- a 570 -mile crude oil gathering and transportation pipeline system with over 650,000 barrels of associated storage capacity in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries and our storage terminal in Cushing;
- the WOT, a 75 -mile, 12 -inch diameter crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the White Cliffs Pipeline. The WOT has a capacity of approximately 85,000 barrels per day as well as 360,000 barrels of operational storage;
- the Tampa pipeline, a 16 -mile crude oil pipeline that connects our Platteville, Colorado crude oil terminal to the Tampa, Colorado crude oil market;
- a crude oil trucking fleet of over 270 transport trucks and 270 trailers;
- a 51% ownership interest in White Cliffs, which owns a 527 -mile pipeline, consisting of two 12 -inch common carrier, crude oil pipelines, that transports crude oil from Platteville, Colorado to Cushing, Oklahoma; and
- a 50% ownership interest in Glass Mountain, which owns the Glass Mountain Pipeline, a 210 -mile crude oil pipeline in western and north central Oklahoma.

Delivery Points. Our Kansas and Oklahoma system connects to pipelines owned by Sunoco Logistics Partners L.P., Plains All American Pipeline, L.P., Kaw Pipeline Company, Jayhawk Pipeline LLC and MV Purchasing, LLC in Kansas and Oklahoma, and refineries owned by HollyFrontier Corporation and ConocoPhillips Company, and our storage terminal in Cushing. In addition, we are constructing Isabel Pipeline, a 48-mile extension which will connect to Glass Mountain Pipeline.

Competition. Competition for crude oil volumes is primarily based on reputation, commercial terms, reliability, interconnectivity, location and available capacity. There are several new pipelines being built in the DJ Basin which would be direct competitors of the White Cliffs Pipeline.

Facilities

Facilities operates crude oil storage and terminal businesses in the U.S.

Assets and Operations

- approximately 7.6 million barrels of crude oil storage capacity in Cushing, Oklahoma, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations and marketing activities; and
- a 30-lane crude oil truck unloading facility with 350,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline.

General. Our storage terminal has the capacity to deliver 480,000 barrels of crude oil per day and has inbound connections with the White Cliffs Pipeline from Platteville, Colorado, the Great Salt Plains Pipeline from Cherokee, Oklahoma, the Cimarron Pipeline from Boyer, Kansas, our Kansas and Oklahoma gathering system and two-way connections with all of the other major storage terminals in Cushing. Connection with this terminal provides our customers with access to multiple pipelines outbound from Cushing, Our Cushing terminal also includes truck unloading facilities.

All of our Cushing storage tanks have been built since the beginning of 2008 and had a weighted average age of 5.5 years as of December 31, 2015. The design and construction of our storage tanks meets the specifications established by the American Petroleum Institute in API 650 which establishes minimum requirements for material, design, fabrication, erection and testing of welded tanks for oil storage and includes seismic considerations. Our storage tanks also undergo regular maintenance and inspection programs, and we believe that these design specifications and maintenance and inspection programs reduce our maintenance capital expenditures.

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

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

Supply and Logistics

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

Assets and Operations

Crude Supply and Logistics uses Crude Transportation and Crude Facilities assets for marketing purposes. In addition, Crude Supply and Logistics assets include:

- approximately 61,800 barrels of crude oil storage capacity in Trenton and Stanley, North Dakota.

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

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

Operational Hazards and Insurance

Pipelines, terminals, storage tanks and other facilities may experience damage as a result of an accident, natural disaster or deliberate act. These hazards can also cause personal injury and loss of life, severe damage to, and destruction of, property and equipment, pollution or environmental damage and suspension of operations. Through the services of a major national insurance broker, we maintain insurance of various types and varying levels of coverage similar to that maintained by other companies in the industry and which we consider adequate, under the circumstances, to cover our operations and properties, including coverage for natural catastrophes, earthquakes, pollution related events and acts of terrorism and sabotage. The limit of operational insurance maintained covering loss of, or damage to, property and products is $300 million per loss incident and includes business interruption loss. For claims arising under general liability, automobile liability and excess liability, the limits maintained total $250 million per occurrence/claim. Primary and excess liability insurance limits maintained for pollution liability claims vary by location for claims arising from gradual pollution with limits of $20 million per claim and $40 million in the aggregate. The combined primary and excess liability insurance limits for claims arising from sudden and accidental pollution total $270 million per claim and $290 million in the aggregate. This insurance does not cover every potential risk associated with operating our pipelines, terminals and other facilities. We have a favorable claims history enabling us to self-insure the “working layer” of loss activity using deductibles and self-insured retentions commensurate with our financial abilities and in line with industry standards, in order to create a more efficient and cost effective program and a consistent risk profile. The working layer consists of high frequency/low severity losses that are best retained and managed in-house. Sizable or difficult self-insured claims or losses may be handled by professional adjusting firms hired by us.

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

Risk Governance and Comprehensive Risk Management Policy

The board of directors of our general partner is responsible for oversight of our enterprise-wide risk and has approved our Comprehensive Risk Management Policy. The Comprehensive Risk Management Policy is designed to ensure we:

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

The audit committee of the board of directors of our general partner has oversight responsibilities for the implementation of, and compliance with, our Comprehensive Risk Management Policy.

Our executive management committee, comprised of certain of our general partner’s corporate and business segment officers, oversees the financial and non-financial risks associated with all activities governed by our Comprehensive Risk Management Policy, including: asset operations; marketing; investments, divestitures, and other capital expenditures and dispositions; credit risk management; and other strategic activities. We also have a risk management group that is assigned responsibility for independently monitoring compliance with, reporting on and enforcing the provisions of our Comprehensive Risk Management Policy.

With respect to our commodity marketing activities, our Comprehensive Risk Management Policy provides a set of limits for specified activities related to the purchase and sale of physical commodities, the purchase and sale of derivatives and capital transactions involving market and credit risk. With respect to market risk activities involving commodity price risk, our Comprehensive Risk Management Policy provides a set of limits that considers our commodity and owned and leased asset positions. Our Comprehensive Risk Management Policy also specifies the types of transactions that may be executed by incumbents of named positions without specific approval of the board of directors of our general partner or the executive management committee.

Regulation

General

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

Regulation of U.S. Transportation Operations

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

Our Kansas and Oklahoma gathering pipeline system is operated as an intrastate pipeline system which carries crude oil owned by us and by third parties. We believe that our pipeline facilities and services meet the traditional tests that FERC has used to determine that the pipeline services provided are not in interstate commerce, and therefore are not subject to the ICA, or would qualify for a waiver from FERC’s reporting and filing requirements under the ICA, if applicable. However, in the future, FERC could determine that some or all of our Kansas and Oklahoma gathering pipeline system, and the services we provide on that system, are within its jurisdiction under the ICA. The ICA prescribes that interstate tariffs must be just and reasonable and must not be unduly discriminatory or confer any undue preference upon any shipper. FERC regulations require that interstate oil pipeline transportation rates and terms and conditions of service be filed with FERC and posted publicly.

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

Our Kansas and Oklahoma gathering pipeline system may be subject to various regulations and statutes administered by state regulatory authorities. For example, while the Kansas Corporation Commission ("KCC") has authority to regulate common carriers, we believe that it has informally elected not to actively regulate oil pipelines, instead allowing pipelines to negotiate transportation rates directly with customers. If the KCC were to change its approach and actively regulate our operations in Kansas, we could be required to publish and file tariffs, rates, rules and charges and to adhere to other state commission regulations. In addition, shippers could challenge our intrastate tariff rates and practices on our intrastate pipeline system.

No assurances can be given that in the future the gathering system will not be subject to regulation and associated costs under the ICA by FERC or under active state regulation by a state commission.

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

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

Environmental, Health and Safety Regulation

General. Our operations are subject to varying degrees of stringent and complex laws and regulations by multiple levels of government relating to the production, transportation, storage, processing, release and disposal of crude oil, crude oil-based products and other materials or otherwise relating to protection of the environment, safety of the public and safety of employees. As with the industry generally, compliance with current and anticipated environmental laws and regulations increases our overall costs of business, including our capital costs to construct, maintain and upgrade pipelines, equipment and facilities. The failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of removal or remedial obligations, and the issuance of injunctions limiting or prohibiting our activities.

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

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

Water Discharges. Our operations can result in the discharge of pollutants, including oil. The Oil Pollution Act ("OPA") was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972, as amended, the Clean Water Act, as amended, and other statutes as they pertain to prevention of, and response to, oil spills. The OPA, the Clean Water Act and analogous state and local laws subject owners of facilities to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages and certain other consequences of an oil spill, where such spill is into navigable waters, along shorelines or in the exclusive economic zone of the U.S. In the event of an oil spill from one of our facilities into navigable waters, substantial liabilities could be imposed. Spill prevention, control and countermeasure requirements of these laws require appropriate containment berms or dikes and other containment structures at storage facilities to limit contamination of soil, surface water and groundwater in the event of an oil overflow, rupture or leak. Facility response plans for certain larger terminal facilities require special planning and procedures for responding to significant petroleum discharges and compliance with these plans under OPA represent an on-going cost obligation.

The federal Clean Water Act and analogous state and local laws impose restrictions and strict controls regarding the discharge of pollutants into waters of the U.S. and state waters, including groundwater in many jurisdictions. Permits must be obtained to discharge pollutants into these waters. The Clean Water Act and analogous state and local laws provide significant penalties for unauthorized discharges and can impose liability for responding to and cleaning up spills. In addition, the Clean Water Act and analogous state and local laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. These permits may require us to monitor and sample the storm water runoff from certain of our facilities.

Air Emissions. Our operations are subject to the federal Clean Air Act, as amended, and comparable state and local laws. These laws and regulations regulate emissions of air pollutants from various sources, including certain of our facilities, and impose various monitoring and reporting requirements. Pursuant to these laws and regulations, we may be required to obtain environmental agency pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and comply with the terms of air permits containing various emissions and operational limitations and use specific emission control technologies to limit emissions. We may be required to incur certain capital expenditures in the future for air pollution control equipment and leak detection and monitoring systems in connection with obtaining or maintaining operating permits and approvals for air emissions. There are significant potential monetary fines for violating air emission standards and permit provisions.

Climate Change. The U.S. Congress has been considering legislation to reduce emissions of certain gases, including carbon dioxide and methane, commonly referred to as greenhouse gases ("GHGs"). A number of states, either individually or through multi-state regional initiatives, have begun implementing legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or GHG cap and trade programs. Depending on the particular programs adopted to control GHG emissions from oil and natural gas systems, we could be required to purchase and surrender allowances for GHG emissions resulting from our operations or could face additional taxes and higher costs of doing business. Although we would not be impacted to a greater degree than other similarly situated midstream energy service providers, a stringent GHG control program could have an adverse effect on our cost of doing business and could reduce demand for crude oil.

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

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

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

Employee Safety. We are subject to the requirements of the Occupational Safety and Health Association ("OSHA"), the purpose of which is to protect the health and safety of workers. In addition, the OSHA hazard communication standard and comparable state statutes require us to organize and disclose information concerning hazardous materials used, produced or transported in our operations.

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

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

Title to Properties

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

We believe that we have satisfactory title to all of the assets we own. Although title to such properties is subject to encumbrances in certain cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and minor easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by us, we believe that none of these burdens will materially detract from the value of such properties or from our interest therein or will materially interfere with their use in the operation of our business.

Office Facilities

In addition to our gathering, storage, terminalling and processing facilities discussed above, our general partner maintains its office headquarters in Tulsa, Oklahoma. We also have offices located in Oklahoma City, Oklahoma; Cushing, Oklahoma; Dumas, Texas; Platteville, Colorado and Wichita, Kansas. The current lease for our general partner’s Tulsa headquarters expires in May 2022. While we may require additional office space as our business expands, we believe that our existing facilities are adequate to meet our needs for the immediate future, and that additional facilities will be available on commercially reasonable terms as needed.

Employees

The officers of our general partner manage our operations and activities. As of December 31, 2015 , SemGroup employed approximately 400 people who provide direct support to our operations. All of the employees required to conduct and support our operations are employed by SemGroup. None of these employees are covered by collective bargaining agreements and SemGroup considers its employee relations to be good.

Item 1A. *Risk Factors*

Limited partner units are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in similar businesses. If any of the events described in the following risk factors were to occur, our business, results of operations, financial condition or ability to make cash distributions to our unitholders could be materially adversely affected. In that case, we might not be able to pay the minimum quarterly distribution on our common units, the trading price of our common units could decline and you could lose all, or part of, your investment in us.

Risks Related to Our Business

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to pay the minimum quarterly distribution or to maintain current or expected levels of cash distributions to holders of our common units.

In order to pay the minimum quarterly distribution of $0.3625 per unit per quarter, or $1.45 per unit per year, we will require available cash of approximately $13.6 million per quarter, or approximately $54.4 million per year, based on the number of common units outstanding at January 31, 2016. We may not have sufficient available cash from operating surplus each quarter to enable us to pay the minimum quarterly distribution or to maintain current or expected levels of cash distributions. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the level of production of, and demand for, crude oil in the markets we serve;
- the volume of crude oil that we gather, transport, store and/or market;
- the fees with respect to volumes that we handle;
- the profitability of our marketing operations;
- damage to pipelines, facilities, related equipment and surrounding properties caused by earthquakes, floods, fires, severe weather, explosions and other natural disasters and acts of terrorism or inadvertent damage to pipelines from construction, farm and utility equipment;
- leaks or accidental releases of crude oil or other materials into the environment, whether as a result of human error or otherwise;
- demand charges and volumetric fees associated with our storage and transportation services;
- the level of competition from other midstream energy companies;
- the level of our operating, maintenance and general and administrative costs;
- regulatory action affecting the supply of, or demand for, crude oil, the rates we can charge, how we contract for services, our existing contracts, our operating costs or our operating flexibility;
- changes in tax laws; and
- prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, some of which are beyond our control, including:

- the level of capital expenditures we make;
- the cost of acquisitions;
- our debt service requirements and other liabilities;
- fluctuations in our working capital needs;

- our ability to borrow funds and access capital markets; and
- restrictions contained in debt agreements to which we are a party.

The amount of cash we have available for distribution to holders of our common units depends primarily on our cash flow rather than on our profitability, which may prevent us from making distributions, even during periods in which we record net income.

The amount of cash we will have available for distribution will depend primarily upon our cash flow and not solely on profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record losses for financial accounting purposes and may not make cash distributions during periods when we record net income for financial accounting purposes.

Our profitability depends on the demand for crude oil in the markets we serve.

Any sustained reduction in demand for crude oil in markets served by our midstream assets could result in a significant reduction in the volume of crude oil that we handle, thereby adversely affecting our business, results of operations, financial condition and ability to make cash distributions to our unitholders. A reduction in demand could result from a number of factors including:

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

Most of our operating costs are fixed and do not vary with our throughput. These costs may not decline ratably, or at all, should we experience a reduction in throughput, which would result in a decline in our margins and profitability.

Because of the natural decline in production from existing wells, our success depends on our ability to obtain new sources of crude oil, which is dependent on certain factors beyond our control. Any decrease in the volumes of crude oil that we gather, transport, store and market could adversely affect our business and operating results.

The volumes that support our business are dependent on the level of production from crude oil wells in our areas of operation, the production of which will naturally decline over time. As a result, in order to maintain or increase the amount of crude oil that we handle, we must obtain new sources of crude oil. The primary factors affecting our ability to obtain new sources of crude oil include the level of successful drilling activity near our systems or operations and our ability to compete for volumes.

We have no control over the level of drilling activity or the amount of reserves in our areas of operation, or the rate at which production in any of our areas of operation will decline. In addition, we have no control over producers or their drilling or production decisions, which are affected by, among other things, prevailing and projected energy prices, the availability and cost of capital, demand for hydrocarbons, levels of reserves, geological considerations, governmental regulations, the availability of drilling rigs and other production and development costs. Fluctuations in energy prices can also greatly affect investments in the development of new crude oil reserves. Crude oil prices have declined significantly during the past year. For example, closing prices for New York Mercantile Exchange (NYMEX) West Texas Intermediate crude oil ranged from a high of $61.43 per barrel to a low of $34.73 per barrel during the period from January 2, 2015 through December 31, 2015. Declines in crude oil prices have a negative impact on exploration, development and production activity, and if sustained, could lead to a material decrease in such activity. Sustained reductions in exploration or production activity in our areas of operation would lead to reduced utilization of our assets and a reduced need for our marketing operations. Because of these factors, even if new crude oil reserves are known to exist in our areas of operations, producers may choose not to develop those reserves.

Reductions in drilling activity or increased competition may result in our inability to maintain the current levels of crude oil that we gather, transport, store and market, it could have an adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

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

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

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

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

- price competition;
- the perception that another company can provide better service;
- the availability of alternative supply points, or supply points located closer to the operations of our customers; and
- the availability of rail transportation which offers greater flexibility than pipeline transportation.

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

In addition, SemGroup owns midstream assets and is not limited in its ability to compete with us. If we are unable to compete with services offered by other midstream enterprises, including SemGroup, it could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Restrictions in our revolving credit facility and senior unsecured notes indenture could adversely affect our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

We have entered into a revolving credit agreement and senior unsecured notes indenture which limits our ability to, among other things:

- incur additional debt;
- make cash distributions on, or redeem or repurchase, units;
- make certain investments and acquisitions;
- incur certain liens or permit them to exist;
- enter into certain transactions with affiliates;
- merge or consolidate with another company or otherwise engage in a change of control; and
- transfer or otherwise dispose of assets.

Our revolving credit facility also contains covenants requiring us to maintain certain financial ratios.

The provisions of our revolving credit facility and senior unsecured notes indenture may affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. In addition, a failure to comply with such provisions could result in a default or an event of default that could enable our lenders to declare the outstanding principal of that debt, together with accrued and unpaid interest, to be immediately due and payable. If the payment of our debt is accelerated, our assets may be insufficient to repay such debt in full, and our unitholders could experience a partial or total loss of their investment.

Our future debt may limit our flexibility to obtain financing and pursue business opportunities.

Our future debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- our funds available for operations, future business opportunities and distributions to unitholders will be reduced by that portion of our cash flow required to make interest payments on our debt;
- we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- our flexibility in responding to changing business and economic conditions may be limited.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service any future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets or seeking additional equity capital. We may not be able to affect any of these actions on satisfactory terms or at all.

Our access to capital and credit markets may be limited, which may adversely impact our liquidity.

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

- general economic, financial and business conditions;
- industry specific conditions;
- credit availability from banks and other financial institutions;
- investor confidence in us;
- our cash flow and Adjusted EBITDA levels;
- competitive, legislative and regulatory matters; and
- provisions of tax and securities laws that may impact raising capital.

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

The credit profile of SemGroup could adversely affect our credit rating, which could increase our borrowing costs or hinder our ability to raise capital.

The credit profile of SemGroup may be a factor considered in credit evaluations of us. This is because SemGroup, through our general partner, controls our business activities, including our cash distribution policy, acquisition strategy and business risk profile. If SemGroup’s credit profile adversely affects our credit rating, it could increase our cost of borrowing or hinder our ability to access financing in the capital markets, which could impair our ability to grow our business or make cash distributions to our unitholders.

Our general partner is an obligor under, and subject to a pledge related to, SemGroup's credit agreement. In the event SemGroup is unable to meet its obligations under that agreement, or is declared bankrupt, SemGroup's lenders may gain control of our general partner or, in the case of bankruptcy, our partnership may be dissolved.

Our general partner is an obligor under, and all of its assets and SemGroup's ownership interest in it are subject to, a lien related to SemGroup's credit agreement. In the event SemGroup is unable to satisfy its obligations under the credit agreement and the lenders foreclose on their collateral, the lenders will own our general partner and all of its assets, which include the general partner interest in us and our incentive distribution rights. In such event, the lenders would control our management and operations. Moreover, in the event SemGroup becomes insolvent or is declared bankrupt, our general partner may be deemed insolvent or declared bankrupt as well. Under the terms of our partnership agreement, the bankruptcy or insolvency of our general partner will cause a dissolution of our partnership.

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

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

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

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

We depend on a limited number of customers for a substantial portion of our revenues. The loss of, or a material nonpayment or nonperformance by, any of these key customers could adversely affect our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

We rely on a limited number of customers for a substantial portion of our revenues. We may be unable to negotiate extensions or replacements of contracts with our key customers on favorable terms. In addition, some key customers may experience financial problems that could have a significant effect on their creditworthiness, particularly in the current environment. Severe financial problems encountered by our customers could limit our ability to collect amounts owed to us, or to enforce performance of obligations under contractual arrangements. Furthermore, some of our customers may be highly leveraged and subject to their own operating and regulatory risks, which increases the risk that they may default on their obligations to us. The loss of all, or even a portion, of the contracted volumes of these key customers as a result of competition, creditworthiness or otherwise, could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

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

Although we attempt to assess the creditworthiness of our customers, suppliers and contract counterparties, including the counterparties to our hedging arrangements, there can be no assurance that our assessments will be accurate or that there will not be a rapid or unanticipated deterioration in their creditworthiness, which may have an adverse impact on our business, results of operations, financial condition and ability to make cash distributions to our unitholders. In addition, there can be no assurance that our counterparties will perform or adhere to existing or future contractual arrangements.

The procedures and policies we use to manage our exposure to credit risk, such as credit analysis, credit monitoring and, in some cases, requiring credit support, cannot fully eliminate counterparty credit risks. To the extent our procedures and policies prove to be inadequate, our financial and operational results may be negatively impacted.

Any material nonpayment or nonperformance by our counterparties could require us to pursue substitute counterparties for the affected operations, reduce operations or provide alternative services. There can be no assurance that any such efforts would be successful or would provide similar financial and operational results.

Our storage operations are influenced by the overall forward market for crude oil, and certain market conditions may adversely affect our financial and operating results and, in turn, our ability to make cash distributions to our unitholders.

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

Our risk management policy governing our marketing activities cannot eliminate all risks associated with the marketing of crude oil, and we cannot ensure that employees will fully comply with the policy at all times, both of which could impact our financial and operational results and, in turn, our ability to make cash distributions to our unitholders.

We have in place a risk management policy that seeks to establish limits for marketing exposure by requiring that we restrict net open positions (i.e., positions that are not fully hedged as to commodity price risk) to specified levels. Our risk management policy has restrictive terms with respect to acquiring and holding physical inventory, futures contracts and derivative products. Net open positions are monitored by our Risk Management department for compliance with policy limits. These policies and practices, however, cannot eliminate all risks. Derivatives contracts and contracts for the future delivery of crude oil expose us to the risk of non-delivery under product purchase contracts or the failure of gathering and transportation systems to supply us with crude oil. Any event that disrupts our anticipated physical supply of crude oil could create a net open position that would expose us to risk of loss resulting from price changes.

We are also exposed to certain price risks that cannot be readily hedged, such as price risks for “basis differentials.” Basis differentials can be created to the extent that we hold or sell crude oil of a grade or quality, at a location or at a time that differs from the specific delivery terms with respect to grade or quality, time or location of the applicable offsetting agreement or derivative instrument. If this occurs, we may not be able to use the physical or derivative commodity markets to fully hedge our price risk. Our exposure to price risks could impact our operational and financial results and our ability to make cash distributions to our unitholders.

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

Our hedging arrangements could reduce profits or increase our cash obligations, which could negatively impact our financial position or our ability to make cash distributions to our unitholders.

We hedge our exposure to price fluctuations for our crude oil marketing activities by using physical purchase and sale agreements, futures contracts traded on the NYMEX, options contracts or over-the-counter transactions. We could experience material fluctuations in our results of operations as a result of marking our hedging positions to market. In addition, to the extent these hedges are entered into on a public exchange or in the over-the-counter market, we may be required to post margin or provide collateral, which could result in material cash obligations.

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

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

From time to time, we are involved in litigation, claims and other proceedings which could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

From time to time, we are involved in litigation, claims and other proceedings relating to the conduct of our business including, but not limited to, claims related to the operation of our assets, the services we provide to our customers and our marketing activities, as well as claims relating to environmental and regulatory matters. The uncertainties of litigation and the uncertainties related to the collection of insurance and indemnification coverage make it difficult to accurately predict the ultimate financial effect of these claims. If we are unsuccessful in defending a claim or elect to settle a claim, we could incur material costs that could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders. Additionally, our insurance coverage may be insufficient to cover adverse judgments against us.

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

Leaks and other releases of crude oil are possible in our operations. Other possible operating risks include the breakdown or failure of equipment, information systems or processes; the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, or construction or manufacturing defects); operator error; labor disputes; disputes with interconnected facilities and carriers; and catastrophic events such as natural disasters, fires, explosions, acts of terrorism and other similar events, many of which are beyond our control.

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

Adverse developments in our existing areas of operation could adversely impact our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Our operations are focused on gathering, transporting, storing and marketing crude oil and are principally located in the Mid-Continent and Rocky Mountain regions of the U.S. As a result, our business, results of operations, financial condition and ability to make cash distributions to our unitholders depend upon the demand for our services in these regions. Due to our current lack of diversification in industry type and geographic location, adverse developments in our current segment of the midstream industry, or our existing areas of operation, could have a significantly greater impact on our business, results of operations, financial condition and ability to make cash distributions to our unitholders than they would if our operations were more diversified.

Our operations could be adversely affected if third-party pipelines or other facilities connected to our facilities become partially or fully unavailable.

Our facilities connect to other pipelines or facilities, some of which are owned by third parties. The operation of such third-party pipelines or facilities is not within our control. These pipelines and other facilities may become unavailable, or available only at a reduced capacity. If any of these third-party pipelines or facilities becomes unable to transport the products transported or stored by us, our business, results of operations, financial condition and ability to make cash distributions to our unitholders could be adversely affected.

We intend to grow our business, in part, by constructing new assets which may not result in the anticipated revenue increases.

One of the ways we intend to grow our business is through the construction of new assets. The construction of additions or modifications to our existing systems and of new assets involves numerous regulatory, environmental, political and legal uncertainties beyond our control. Any such construction projects may not be completed on schedule, at their budgeted cost or at all. Revenues may not increase immediately upon the completion of a particular project, or we may construct facilities to capture anticipated future growth that does not materialize.

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

Our ability to grow in the future will depend, in part, on our ability to make acquisitions that result in an increase in the cash generated from our operations. We may be unable to make accretive acquisitions, including acquisitions from SemGroup or third parties, because we are unable to identify attractive acquisition candidates, negotiate acceptable purchase terms, or obtain financing for these acquisitions on economically acceptable terms or because we are outbid by competitors. If we are unable to successfully acquire new businesses or assets, our future growth and ability to increase distributions will be limited. Furthermore, even if we do make acquisitions that we believe will be accretive, these acquisitions may nevertheless result in a decrease in the cash generated from operations per unit.

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

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

Any of these factors could adversely affect our ability to achieve anticipated levels of cash flows from our acquisitions, realize other anticipated benefits or meet the debt service requirements of any debt incurred in connection with such acquisitions.

We do not own all of the land on which our pipelines and other facilities are located, which could result in disruptions to our operations.

We do not own all of the land on which our pipelines and other facilities have been constructed and we are, therefore, subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if we do not have valid rights-of-way or if such rights-of-way lapse or terminate. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies for a specific period of time. Our loss of these rights, through our inability to renew right-of-way contracts or otherwise, could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

We are subject to regulation by multiple governmental agencies, which could adversely impact our business, results of operations and financial condition.

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

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

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

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

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

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

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

Our pipeline facilities are subject to regulation by the DOT, through the PHMSA, pursuant to the Hazardous Liquids Pipeline Safety Act of 1979, as amended by the Pipeline Safety Improvement Act of 2002, and reauthorized and amended by the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006. The PHMSA has adopted regulations requiring hazardous liquid pipeline operators to develop and implement integrity management programs for pipeline segments that, in the event of a leak or rupture, could affect "high consequence areas," such as high population areas, areas that are sources of drinking water, ecological resource areas that are unusually sensitive to environmental damage from a pipeline release and commercially navigable waterways, unless the operator effectively demonstrates by risk assessment that the pipeline could not affect the area. Our pipeline facilities are also subject to the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, which reauthorized funding for federal safety programs through 2015, increased penalties for safety violations, established additional safety requirements for newly constructed pipelines and required studies of certain safety issues that could result in the adoption of new regulatory requirements for existing pipelines. Current regulations require operators of covered pipelines to:

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

In addition, states have adopted regulations similar to existing DOT regulations for intrastate hazardous liquid pipelines. We currently estimate that we will incur an aggregate cost of approximately $5.6 million during 2016 to implement necessary pipeline integrity management program testing along certain segments of our pipelines required by existing DOT and state regulations. This estimate may not include all costs of any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which costs could be substantial. At this time, we cannot predict the ultimate cost of compliance with these regulations, as the cost will vary significantly depending on the number and extent of any repairs found to be necessary as a result of the pipeline integrity testing. We will continue our pipeline integrity testing programs on an on-going basis to assess and maintain the integrity of our pipelines. The results of these tests could cause us to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operations of our pipelines and, consequently, result in a reduction in our revenue and cash flows from shutting down our pipelines during the pendency of such repairs or upgrades.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Difficulty in attracting and retaining qualified drivers in our crude oil trucking business could adversely affect our growth and profitability.

Maintaining a staff of qualified truck drivers is critical to the success of our operations. We have in the past experienced difficulty in attracting and retaining sufficient numbers of qualified drivers. Regulatory requirements, including the FMCSA's CSA initiative, and an improvement in the economy could reduce the number of eligible drivers or require us to pay more to attract and retain drivers. A shortage of qualified drivers and intense competition for drivers from other companies could create difficulties in increasing the number of our drivers for any expansion in our fleet of trucks. If we are unable to continue to attract and retain a sufficient number of qualified drivers, we could have difficulty meeting customer demands, which could materially and adversely affect our growth and profitability.

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

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

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

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

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

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

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

Risks Inherent in an Investment in Us

SemGroup owns and controls our general partner, which has sole responsibility for conducting our business and managing our operations. SemGroup and our general partner will have conflicts of interest with us and may favor their own interests to your detriment.

SemGroup owns and controls our general partner, as well as appoints all of the officers and directors of our general partner, some of whom are also officers and/or directors of SemGroup. Although our general partner has a fiduciary duty to manage us in a manner that is beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner that is beneficial to its owner, SemGroup. Therefore, conflicts of interest may arise between SemGroup and our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of SemGroup over our interests and the interests of our unitholders. These conflicts include the following situations, among others:

- Neither our partnership agreement nor any other agreement requires SemGroup to pursue a business strategy that favors us.
- SemGroup is not limited in its ability to compete with us and may offer business opportunities or sell midstream assets to parties other than us.
- Our general partner is allowed to take into account the interests of parties other than us, such as SemGroup, in resolving conflicts of interest.
- All of the officers and certain of the directors of our general partner are also officers and/or directors of SemGroup and will owe fiduciary duties to SemGroup. The officers of our general partner also devote significant time to the business of SemGroup and will be compensated by SemGroup accordingly.
- The limited partner interests that SemGroup owns permit it to effectively control any vote of our limited partners. SemGroup is entitled to vote its units in accordance with its own interests, which may be contrary to your interests.
- Our partnership agreement limits the liability of, and reduces the fiduciary duties owed by, our general partner, and also restricts the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty.
- Except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval.
- Our general partner determines the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities and the creation, reduction or increase of reserves, each of which can affect the amount of cash that is distributed to our unitholders.
- Our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is classified as a maintenance capital expenditure, which reduces operating surplus, or an expansion capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders and to our general partner.
- Our general partner determines which costs incurred by it are reimbursable by us.
- Our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose of the borrowing is to make incentive distributions.
- Our partnership agreement permits us to classify up to $25 million as operating surplus, even if it is generated from asset sales, non-working capital borrowings or other sources that would otherwise constitute capital surplus. This

cash may be used to fund distributions to our general partner in respect of the general partner interest or the incentive distribution rights.

- Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf.
- Our general partner intends to limit its liability regarding our contractual and other obligations.
- Our general partner may exercise its right to call and purchase all of the common units not owned by it and its affiliates if they own more than 80% of the common units.
- Our general partner controls the enforcement of the obligations that it and its affiliates owe to us.
- Our general partner decides whether to retain separate counsel, accountants or others to perform services for us.
- Our general partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to our general partner's incentive distribution rights without the approval of the Conflicts Committee of the board of directors of our general partner or our unitholders. This election may result in lower distributions to our common unitholders in certain situations.

Our general partner interest or the control of our general partner or SemGroup may be transferred to a third party without unitholder consent. A change in control of SemGroup or our general partner could result in a change in our business strategy that does not favor our unitholders or could otherwise have a material adverse effect on our business.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, our partnership agreement does not restrict the ability of SemGroup to transfer all or a portion of its ownership interest in our general partner to a third party, directly or indirectly. In addition, SemGroup may be acquired by a third party, or a third party may otherwise obtain control of SemGroup, which would result in such third party gaining control of our general partner. Proposals to acquire SemGroup may be received by SemGroup, and SemGroup may enter into an agreement with respect to such a transaction, at any time. Third parties may also seek to gain control of SemGroup through other methods, including tender offers, consent solicitations or proxy contests.

Any new owner of SemGroup, our general partner or our general partner interest would be in a position to replace our management and the board of directors of our general partner with its own designees, in each case without the consent of unitholders, and may change our business strategy. For example, any new owner may choose not to pursue our strategy to grow our business through acquisitions from SemGroup and may choose not to pursue business opportunities that our unitholders may consider beneficial to us. In addition, a new owner may sell our assets or the assets of SemGroup to third parties. Further, any such change in ownership may result in a change in our capitalization and may expose us to increased or unanticipated liabilities and costs, some of which may be material. The failure of SemGroup to own our general partner would be an event of default under our credit facility. Any of these changes, and any other changes as a result of a change in ownership of SemGroup, our general partner or our general partner interest, may lower the trading price of our common units and may have an adverse impact on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Pursuant to the SemGroup credit facility, our general partner and Rose Rock Midstream Holdings, LLC, the sole member of our general partner, pledged the general partner interest in us and the membership interests in our general partner, respectively. In the event that SemGroup is unable to meet its obligations under its credit facility, the lenders may foreclose on the pledged collateral and thereby acquire control of our general partner and its 2.0% general partner interest in us.

Pursuant to the SemGroup credit facility, our general partner and Rose Rock Midstream Holdings, LLC, the sole member of our general partner, entered into a pledge agreement with the lenders thereunder. Pursuant to the pledge agreement, the assets of Rose Rock Midstream Holdings, LLC and our general partner, including Rose Rock Midstream Holdings, LLC's membership interest in our general partner our general partner's interest in us, are subject to a security interest in favor of such lenders. In the event that SemGroup is unable to meet its obligations under its credit facility and the lenders foreclose on the pledged collateral, the lenders will own our general partner and all of its assets, including its 2.0% general partner interest in us and all of our incentive distribution rights. In such event, the lenders would control our management and operations.

SemGroup is not limited in its ability to compete with us and is not obligated to offer us the opportunity to acquire additional assets or businesses, which could limit our ability to grow and could adversely affect our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

SemGroup is not prohibited from owning assets or engaging in businesses that compete directly or indirectly with us. In addition, in the future, SemGroup may acquire, construct or dispose of additional midstream or other assets and may be presented with new business opportunities, without any obligation to offer us the opportunity to purchase or construct such assets or to engage in such business opportunities. Moreover, while SemGroup may offer us the opportunity to buy additional assets from it, it will be under no contractual obligation to do so and we are unable to predict whether or when such acquisitions might be completed.

Our partnership agreement limits our general partner's fiduciary duties to holders of our common units.

Our partnership agreement contains provisions that modify and reduce the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner, or otherwise free of fiduciary duties to us and our unitholders. This entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. Examples of decisions that our general partner may make in its individual capacity include:

- how to allocate corporate opportunities among us and its affiliates;
- whether to exercise its limited call right;
- how to exercise its voting rights with respect to the units it owns;
- whether to exercise its registration rights;
- whether to elect to reset target distribution levels; and
- whether to consent to any merger or consolidation of the partnership or amendment to the partnership agreement.

By purchasing a common unit, a common unitholder agrees to become bound by the provisions in the partnership agreement, including the provisions discussed above.

Our partnership agreement limits the liability of, and reduces the fiduciary duties owed by, our general partner, and also restricts the remedies available to holders of our common units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that reduce the fiduciary duties of our general partner and restrict the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement:

- provides that whenever our general partner makes a determination or takes, or declines to take, any other action in its capacity as our general partner, our general partner is required to make such determination, or take or decline to take such other action, in good faith, meaning that it subjectively believed that the decision was in, or not opposed to, the interests of our partnership, and will not be subject to any other or different standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity;
- provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as such decisions are made in good faith;
- provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers and directors, as the case may be, acted in bad faith or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and
- provides that our general partner will not be in breach of its obligations under the partnership agreement or its fiduciary duties to us or our unitholders if a transaction with an affiliate or the resolution of a conflict of interest is:
    i. approved by the Conflicts Committee of the board of directors of our general partner, although our general partner is not obligated to seek such approval;
    ii. approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner and its affiliates;

iii. on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or

iv. fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by our general partner must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by our common unitholders or the Conflicts Committee and the board of directors of our general partner determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in subclauses (iii) or (iv) above, then it will be presumed that, in making its decision, the board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

Cost reimbursements due to SemGroup and our general partner for services provided to us or on our behalf will be substantial and will reduce our cash available for distribution to you. The amount and timing of such reimbursements will be determined by our general partner.

Prior to making distributions on our common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf. These expenses will include all costs incurred by SemGroup and our general partner in managing and operating us. Our partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us. The reimbursements to SemGroup and our general partner will reduce the amount of cash otherwise available for distribution to our unitholders.

If you are not an Eligible Holder, your common units may be subject to redemption.

We have adopted certain requirements regarding those investors who may own our common units. Eligible Holders are limited partners whose (a) federal income tax status is not reasonably likely to have a material adverse effect on the rates that can be charged by us on assets that are subject to regulation by FERC or an analogous regulatory body and (b) nationality, citizenship or other related status would not create a substantial risk of cancellation or forfeiture of any property in which we have an interest, in each case as determined by our general partner with the advice of counsel. If you are not an Eligible Holder, in certain circumstances as set forth in our partnership agreement, your units may be redeemed by us at the then-current market price. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner.

Our partnership agreement requires that we distribute all of our available cash, which could limit our ability to grow and make acquisitions.

Our partnership agreement requires that we distribute all of our available cash to our unitholders, and we will rely primarily upon external financing sources, including borrowings under our revolving credit facility and the issuance of debt and equity securities, to fund our acquisitions and expansion capital expenditures. As a result, to the extent we are unable to finance growth externally, our cash distribution policy will significantly impair our ability to grow.

In addition, because we distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement or in our new revolving credit facility on our ability to issue additional units, including units ranking senior to the common units. The incurrence of additional bank borrowings (under our revolving credit facility or otherwise) or other debt to finance our growth strategy will result in increased interest expense which, in turn, may impact the available cash that we have to distribute to our unitholders.

Holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders have no right on an annual or ongoing basis to elect our general partner or its board of directors. The board of directors of our general partner, including the independent directors, is chosen by SemGroup. Furthermore, if our unitholders become dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. As a result of these limitations, the price at which the common units trade could be diminished because of the absence or reduction of a takeover premium in the trading price. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

Even if holders of our common units are dissatisfied, they will not be able to remove our general partner without its consent.

The unitholders are unable to remove our general partner without its consent because our general partner and its affiliates own sufficient units to be able to prevent its removal. The vote of the holders of at least 66-2/3% of all outstanding limited partner units voting together as a single class is required to remove our general partner. SemGroup and its affiliates own a 55.1% limited partnership interest in us.

Our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units.

Unitholders' voting rights are further restricted by a provision of our partnership agreement providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Because SemGroup is an affiliate of, and appoints all the members of the board of directors of, our general partner, this provision ensures that SemGroup will maintain voting control with respect to decisions affecting the partnership.

Our general partner's incentive distribution rights may be transferred to a third party without unitholder consent.

Our general partner may transfer all or a portion of its incentive distribution rights to a third party at any time without the consent of our unitholders. If our general partner transfers its incentive distribution rights to a third party but retains its general partner interest, our general partner will not have the same incentive to grow our partnership and increase our quarterly distributions to unitholders over time as it would have had if it had retained ownership of its incentive distribution rights.

Our general partner intends to limit its liability regarding our obligations.

Our general partner intends to limit its liability under contractual arrangements so that the counterparties to such arrangements have recourse only against our assets, and not against our general partner or its assets. Our general partner may therefore cause us to incur indebtedness or other obligations that are nonrecourse to our general partner. Our partnership agreement provides that any action taken by our general partner to limit its liability is not a breach of our general partner's fiduciary duties, even if we could have obtained more favorable terms without the limitation on liability. In addition, we are obligated to reimburse or indemnify our general partner to the extent that it incurs obligations on our behalf. Any such reimbursement or indemnification payments would reduce the amount of cash otherwise available for distribution to our unitholders.

Our general partner may elect to cause us to issue to it additional common and general partner units in connection with a resetting of the target distribution levels related to its incentive distribution rights without the approval of the Conflicts Committee of its board of directors or the holders of our common units. This could result in lower distributions to holders of our common units.

Our general partner has the right, at any time when there are no subordinated units outstanding and it has received incentive distributions at the highest level to which it is entitled (48%) for each of the four most recently completed fiscal quarters (and the amount of each such distribution did not exceed adjusted operating surplus for each such quarter), to reset the initial target distribution levels at higher levels based on our cash distributions at the time of the exercise of the reset election. Following a reset election by our general partner, the minimum quarterly distribution will be adjusted to equal the reset minimum quarterly distribution and the target distribution levels will be reset to correspondingly higher levels based on percentage increases above the reset minimum quarterly distribution.

If our general partner elects to reset the target distribution levels, it will be entitled to receive the number of common units equal to that number of common units which would have entitled their holder to an average aggregate quarterly cash distribution in the prior two quarters equal to the average of the distributions to our general partner on the incentive distribution rights in the prior two quarters. Our general partner will also be issued the number of general partner units necessary to maintain its general partner interest in us that existed immediately prior to the reset election. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not otherwise be sufficiently accretive to cash distributions per common unit. It is possible, however, that our general partner could exercise this reset election at a time when it is experiencing, or expects to experience, declines in the cash distributions it receives related to its incentive distribution rights and may, therefore, desire to be issued common units rather than retain the right to receive incentive distributions based on the initial target distribution levels. As a result, a reset election may cause our common unitholders to experience a reduction in the amount of cash distributions that they would have otherwise received had we not issued new common units and general partner units to our general partner in connection with resetting the target distribution levels.

Our general partner has a limited call right that may require you to sell your units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price that is not less than their then-current market price. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units.

We may issue additional units without your approval, which would dilute your existing ownership interests.

Our partnership agreement does not limit the number of additional limited partner interests that we may issue at any time without the approval of our unitholders. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our existing unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

SemGroup may sell units in the public or private markets, and such sales could have an adverse impact on the trading price of the common units.

We have agreed to provide SemGroup with certain registration rights which may facilitate the sale by SemGroup of its common units into the public markets.

Your liability may not be limited if a court finds that unitholder action constitutes control of our business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law, and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. You could be liable for any and all of our obligations as if you were a general partner if a court or government agency were to determine that:

- we were conducting business in a state but had not complied with that particular state's partnership statute; or
- your right to act with other unitholders to remove or replace our general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute "control" of our business.

Unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Substituted limited partners are liable both for the obligations of the assignor to make contributions to the partnership that were known to the substituted limited partner at the time it became a limited partner and for those obligations that were unknown if the liabilities could have been determined from the partnership agreement. Neither liabilities to partners on account of their partnership interest nor liabilities that are non-recourse to the partnership are counted for purposes of determining whether a distribution is permitted.

An increase in interest rates may cause the market price of our common units to decline.

Like all equity investments, an investment in our common units is subject to certain risks. In exchange for accepting these risks, investors may expect to receive a higher rate of return than would otherwise be obtainable from lower-risk investments. Accordingly, as interest rates rise, the ability of investors to obtain higher risk-adjusted rates of return by purchasing government-backed debt securities may cause a corresponding decline in demand for riskier investments generally, including yield-based equity investments such as publicly traded limited partnership interests. Reduced demand for our common units resulting from investors seeking other more favorable investment opportunities may cause the trading price of our common units to decline.

The NYSE does not require a publicly traded limited partnership like us to comply with certain of its corporate governance requirements.

As a limited partnership, we are not required to, and do not intend to, have a majority of independent directors on our general partner's board of directors or establish a compensation committee or a nominating and corporate governance committee, as is required for other NYSE-listed entities. Accordingly, unitholders will not have the same protections afforded to investors in other entities, including most corporations, that are subject to all of the NYSE corporate governance requirements.

If we are deemed to be an "investment company" under the Investment Company Act of 1940, it would adversely affect the price of our common units and could have a material adverse effect on our business.

Our assets consist of our ownership interests in our wholly-owned operating subsidiaries. If a sufficient amount of our assets are deemed to be "investment securities" within the meaning of the Investment Company Act of 1940, or the Investment Company Act, and we are unable to rely on an exemption under the Investment Company Act with respect to our ownership of such assets, then we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify our organizational structure or contract rights so as to fall outside of the definition of investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property from or to our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add additional directors who are independent of us or our affiliates. The occurrence of some or all of these events would adversely affect the price of our common units and could have a material adverse effect on our business.

Moreover, treatment of us as an investment company would prevent our qualification as a partnership for federal income tax purposes, in which case we would be treated as a corporation for federal income tax purposes. As a result, we would pay federal income tax on our taxable income at the corporate tax rate, distributions to you would generally be taxed again as corporate distributions and none of our income, gains, losses or deductions would flow through to you. If we were taxed as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as an investment company would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units.

Tax Risks to Common Unitholders

Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service, or IRS, were to treat us as a corporation for federal income tax purposes or we were otherwise subject to a material amount of entity-level taxation, then our cash available for distribution to our unitholders would be substantially reduced.

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us.

Despite the fact that we are a limited partnership under Delaware law, we will be treated as a corporation for federal income tax purposes unless we satisfy a "qualifying income" requirement. Based upon our current operations, we believe we satisfy the qualifying income requirement. A change in our business or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state and local income tax at varying rates. Distributions to you would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions, or credits would flow through to you. Because a tax would be imposed upon us as a corporation, our distributable cash flow would be substantially reduced.

In addition, recently enacted legislation applicable to partnership tax years beginning after 2017 changes the audit procedures for large partnerships and in certain circumstances would permit the IRS to assess and collect taxes (including any applicable penalties and interest) resulting from partnership-level federal income tax audits directly from us in the year in which the audit is completed. If we are required to make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders might be substantially reduced.

Moreover, changes in current state law may subject us to entity-level taxation by individual states. Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, we are subject to the entity-level Texas franchise tax. Imposition of any such taxes or an increase in the existing tax rates would substantially reduce the cash available for distribution to you. Therefore, if we were treated as a corporation for federal income tax purposes or otherwise subjected to a material amount of entity-level taxation, there would be a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time, the President and members of Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. Any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for federal income tax purposes. Further, the U.S. Treasury Department and the IRS issued proposed Regulations regarding qualifying income under Section 7704(d)(1)(E) of the Code on May 5, 2015 (the “Proposed Regulations”). We believe the income that we treat as qualifying income satisfies the requirements for qualifying income under the Proposed Regulations. However, the Proposed Regulations could be changed before they are finalized and could take a position that is contrary to our interpretation of Section 7704 of the Code. We are unable to predict whether these changes, or other proposals, will ultimately be enacted. However, it is possible that a change in the law could affect us and may be applied retroactively. Any such changes could negatively impact the value of an investment in our units. Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal income tax purposes, the minimum quarterly distribution and the target distribution levels may be adjusted to reflect the impact of that law on us.

Your share of our income will be taxable to you for federal income tax purposes even if you do not receive any cash distributions from us.

Because you will be treated as a partner to whom we will allocate taxable income, which could be different in amount than the cash we distribute, your allocable share of our taxable income will be taxable to you, which may require the payment of federal income taxes and, in some cases, state and local income taxes on your share of our taxable income even if you receive no cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax liability that result from that income.

If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our cash available for distribution to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take, and the IRS’s positions may ultimately be sustained. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take and such positions may not ultimately be sustained. A court may not agree with some or all of the positions we take. Any contest with the IRS, and the outcome of any IRS contest, may have a materially adverse impact on the market for our common units and the price at which they trade. Moreover, recently enacted legislation applicable to partnership tax years beginning after 2017 changes the audit procedures for large partnerships and in certain circumstances would permit the IRS to assess and collect taxes (including any applicable penalties and interest) resulting from partnership-level federal income tax audits directly from us in the year in which the audit is completed. If we are required to make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders might be substantially reduced. In addition, the costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

Tax gain or loss on the disposition of your common units could be more or less than expected.

If you sell your common units, you will recognize a gain or loss for federal income tax purposes equal to the difference between the amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our net taxable income decrease your tax basis in your common units, the amount, if any, of such prior excess distributions with respect to the common units you sell will, in effect, become taxable income to you if you sell such common units at a price greater than your tax basis in those common units, even if the price you receive is less than your original cost. Furthermore, a substantial portion of the amount realized on any sale of your common units, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount you realize will include your share of our nonrecourse liabilities, if you sell your common units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

Tax-exempt entities and non-U.S. persons face unique tax issues from owning our common units that may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs), and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file federal income tax returns and pay tax on their share of our taxable income. If you are a tax-exempt entity or a non-U.S. person, you should consult a tax advisor before investing in our common units.

We treat each purchaser of common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units and because of other reasons, we have adopted depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns.

We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular common unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our common unitholders.

We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular common unit is transferred. The U.S. Treasury Department and the IRS recently issued final Regulations pursuant to which a publicly traded partnership may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholder, although such tax items must be prorated on a daily basis. We are currently evaluating these regulations which apply to certain publicly traded partnerships, including us, for taxable years beginning on or after August 3, 2015. However, these Regulations do not specifically authorize the use of the proration method we have currently adopted. If the IRS were to successfully challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

A unitholder whose common units are loaned to a "short seller" to cover a short sale of common units may be considered as having disposed of those common units. If so, he would no longer be treated for federal income tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.

Because a unitholder whose common units are loaned to a "short seller" to cover a short sale of common units may be considered as having disposed of the loaned common units, he may no longer be treated for federal income tax purposes as a partner with respect to those common units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. As a result, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from loaning their common units.

We will adopt certain valuation methodologies and monthly conventions for federal income tax purposes that may result in a shift of income, gain, loss and deduction between our general partner and our unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common units.

When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and our general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and our allocations of taxable income, gain, loss and deduction between our general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss allocated to our unitholders. It also could affect the amount of taxable gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have technically terminated our partnership for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. Our technical termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders could receive two Schedules K-1 if special relief from the IRS was not available, as described below) for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has announced a publicly traded partnership technical termination relief program whereby, if a publicly traded partnership that technically terminated requests publicly traded partnership termination relief and such relief is granted by the IRS, among other things, the partnership will only have to provide one Schedule K-1 to unitholders for the year notwithstanding two partnership tax years.

As a result of investing in our common units, you may become subject to state and local taxes and return filing requirements in jurisdictions where we operate or own or acquire properties.

In addition to federal income taxes, you will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property now or in the future, even if you do not live in any of those jurisdictions. You will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. We currently own property or conduct business in a number of states, most of which currently impose a personal income tax on individuals. Most of these states also impose an income tax on corporations and other entities. As we make acquisitions or expand our business, we may own property or conduct business in additional states that impose a personal income tax. It is your responsibility to file all federal, state and local tax returns.

Compliance with, and changes in, tax laws could adversely affect our performance.

We are subject to extensive tax laws and regulations, including federal and state income taxes and transactional taxes such as excise, sales/use, payroll, franchise and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted that could result in increased tax expenditures in the future. Many of these tax liabilities are subject to audits by the respective taxing authority. These audits may result in additional taxes as well as interest and penalties.

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

None.

Item 3. ***Legal Proceedings***

For information regarding legal proceedings, see the discussion under the captions "Bankruptcy matters", “Environmental”, "Dimmit County, TX claims" and "Other matters" in Note 9 of our consolidated financial statements beginning on page F-1 of this Form 10-K, which information is incorporated by reference into this Item 3.

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

Not applicable.

PART II

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

Market Information and Cash Distributions

Our common units commenced trading on the New York Stock Exchange on December 9, 2011, under the ticker symbol "RRMS." Prior to December 9, 2011, there was no established public trading market for our common units. As of January 29, 2016, there were 7 holders of record of our common units. Our general partner owns all of our general partner interests and incentive distribution rights. The high and low sales prices of our common units (New York Stock Exchange composite transactions) and cash distributions paid per common unit during the periods indicated were as follows:

2015 Quarter	High	Low	Cash Distribution Paid per Common Unit
First	$49.93	$36.66	$0.6200
Second	$54.06	$45.21	$0.6350
Third	$48.12	$21.53	$0.6500
Fourth	$32.44	$14.47	$0.6600

2014 Quarter	High	Low	Cash Distribution Paid per Common Unit
First	$41.88	$35.63	$0.4650
Second	$54.66	$39.53	$0.4950
Third	$62.79	$51.62	$0.5350
Fourth	$60.00	$43.00	$0.5750

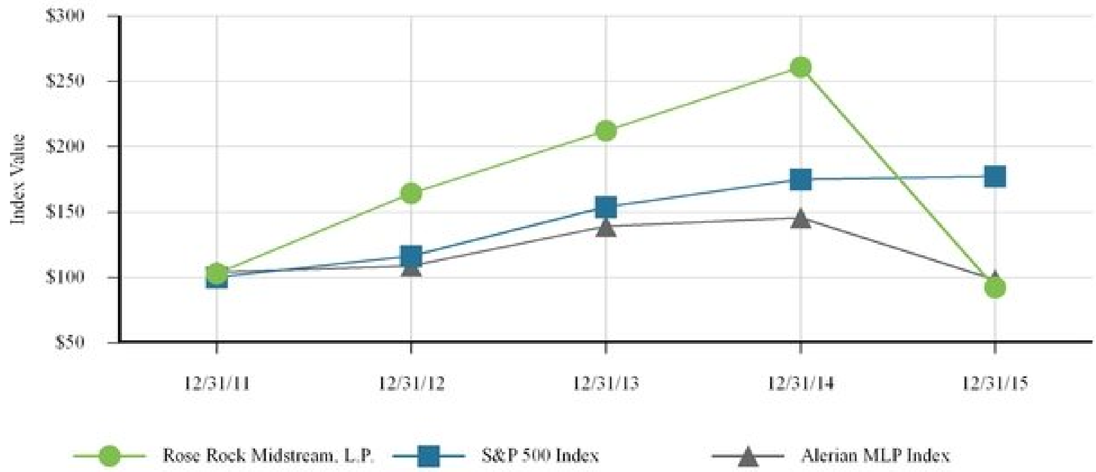
2013 Quarter	High	Low	Cash Distribution Paid per Common Unit
First	$39.83	$31.14	$0.4025
Second	$42.18	$35.08	$0.4300
Third	$39.05	$31.49	$0.4400
Fourth	$39.56	$32.08	$0.4500

Performance Graph

Set forth below is a line graph comparing the cumulative total unitholder return on our common units with the cumulative total return of the S&P 500 Stock Index and the Alerian MLP Index ("AMZ") for the period from December 31, 2011 to December 31, 2015 . AMZ is composed of 50 large and mid-cap energy master limited partnerships. The graph was prepared assuming that $100 was invested on December 31, 2011 in our common units, the S&P 500 Stock Index and the AMZ and assuming that distributions have been reinvested subsequent to the initial investment.

COMPARISON OF CUMULATIVE TOTAL RETURN

Among Rose Rock Midstream, L.P., the S&P 500 Index and the Alerian MLP Index



The above performance graph and related information shall not be deemed “soliciting material” or be deemed to be “filed” with the SEC, nor shall such information be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act") or the Securities and Exchange Act of 1934, as amended ("the Exchange Act"), except to the extent that we specifically incorporate it by reference into such filing.

Cash Distributions

We intend to pay at least the minimum quarterly distribution of $0.3625 per unit to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner and its affiliates. We refer to this cash as “available cash,” and it is defined in our partnership agreement. Our ability to pay the minimum quarterly distribution is subject to various restrictions and other factors.

Our partnership agreement requires that we distribute all of our available cash each quarter in the following manner:

- *first,* 98.0% to the holders of common units and 2.0% to our general partner, until each common unit has received the minimum quarterly distribution of $0.3625, plus any arrearages from prior quarters; and
- *second,* 98.0% to all common unitholders and 2.0% to our general partner, until each unit has received a distribution of $0.416875.

If cash distributions to our unitholders exceed $0.416875 per unit in any quarter, our general partner will receive, in addition to distributions on its 2.0% general partner interest, increasing percentages, up to 48.0%, of the cash we distribute in excess of that amount. We refer to these distributions as “incentive distributions.” The following table summarizes the incentive distribution levels:

	Total Quarterly Distribution Per Unit Target Amount						Marginal Percentage Interest in Distributions		
							Unitholders	General Partner Interest	Incentive Distribution Rights
Minimum Quarterly Distribution					$	0.3625	98.0%	2.0%	—
First Target Distribution	above	$	0.3625	up to	$	0.416875	98.0%	2.0%	—
Second Target Distribution	above	$	0.416875	up to	$	0.453125	85.0%	2.0%	13.0%
Third Target Distribution	above	$	0.453125	up to	$	0.54375	75.0%	2.0%	23.0%
Thereafter				above	$	0.54375	50.0%	2.0%	48.0%

Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy

There is no guarantee that our unitholders will receive quarterly distributions from us. We do not have a legal obligation to pay the minimum quarterly distribution or any other distribution except as provided in our partnership agreement. Our cash distribution policy may be changed at any time and is subject to certain restrictions, including the following:

- Our cash distribution policy is subject to a condition under our revolving credit facility and the indenture governing our senior notes that we may not make a cash distribution if an event of default then exists or would result therefrom. If we were to be unable to satisfy this condition, we would be prohibited from making cash distributions notwithstanding our cash distribution policy.
- Our general partner will have the authority to establish reserves for the proper conduct of our business and for future cash distributions to our unitholders, and the establishment or increase of those reserves could result in a reduction in cash distributions to our unitholders from the levels we currently anticipate pursuant to our stated cash distribution policy. Any determination to establish cash reserves made by our general partner in good faith will be binding on our unitholders. Our partnership agreement provides that in order for a determination by our general partner to be considered to have been made in good faith, our general partner must believe that the determination is in, or not opposed to, our interests.
- While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including the provisions requiring us to make cash distributions contained therein, may be amended. However, our partnership agreement can be amended with the consent of our general partner and the approval of a majority of the outstanding common units (including common units held by SemGroup) after the subordinated units have converted into common units.
- Even if our cash distribution policy is not modified or revoked, the amount of cash that we distribute and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement.
- Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution if the distribution would cause our liabilities to exceed the fair value of our assets.
- We may lack sufficient cash to pay distributions to our unitholders for a number of reasons, including as a result of increases in our operating or general and administrative expenses, principal and interest payments on our debt, tax expenses, working capital requirements and anticipated cash needs.
- If and to the extent our distributable cash flow materially declines, we may elect to reduce our quarterly cash distributions in order to service or repay our debt or fund expansion capital expenditures.

Item 6. *Selected Financial Data*

Selected Consolidated Financial and Operating Data

The following table provides selected consolidated financial data as of and for the periods shown. The balance sheet data as of December 31, 2015 , 2014 , 2013 , 2012 and 2011 and the statement of income data for the years ended December 31, 2015 , 2014 , 2013 , 2012 and 2011, have been derived from our audited financial statements for those dates and periods. The selected financial data provided below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included in this Form 10-K.

The consolidated financial data included in the following table include the activity of our predecessor prior to November 29, 2011. The predecessor included SemCrude, L.P. (“SemCrude”), a wholly-owned subsidiary of SemGroup (exclusive of SemCrude’s ownership interests in SCPL, which held a 51% ownership interest in White Cliffs), and Eaglwing, L.P. (“Eaglwing”), which is also a wholly-owned subsidiary of SemGroup. Although Eaglwing is not currently conducting any revenue-generating operations and was not contributed to Rose Rock, it was included in the financial statements of the predecessor because it previously conducted operations that were similar to those of SemCrude. Eaglwing did not have a significant impact on these financial statements during the periods presented. Subsequent to November 29, 2011, the consolidated financial data included in the following table include the accounts of Rose Rock and its controlled subsidiaries, which include SemCrude.

The following table presents the non-GAAP financial measures of Adjusted gross margin and Adjusted EBITDA, which we use in our business and view as important supplemental measures of our performance and, in the case of Adjusted EBITDA, our liquidity. Adjusted gross margin and Adjusted EBITDA are not calculated or presented in accordance with GAAP. For definitions of Adjusted gross margin and Adjusted EBITDA and a reconciliation of Adjusted gross margin to operating income and of Adjusted EBITDA to net income and net cash provided by operating activities, their most directly comparable financial measures calculated and presented in accordance with GAAP, please see " *Management's Discussion and Analysis of Financial Condition and Results of Operations* —Non-GAAP Financial Measures".

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Predecessor Year Ended December 31, 2011
	(in thousands, except per unit and operating data)				
Statement of income data:					
Total revenues	$ 844,711	$ 1,298,097	$ 767,202	$ 620,417	$ 431,321
Operating income	$ 92,823	$ 84,184	$ 45,682	$ 25,935	$ 24,861
Net income	$ 49,673	$ 62,925	$ 37,515	$ 23,954	$ 23,235
Net income attributable to noncontrolling interests	$ —	$ 7,758	$ 1,256	$ —	$ —
Net income attributable to Rose Rock Midstream, L.P.	$ 49,673	$ 55,167	$ 36,259	$ 23,954	$ 23,235
Net income per common unit (basic) [1]	$ 0.79	$ 1.69	$ 1.66	$ 1.40	$ 0.06
Net income per common unit (diluted) [1]	$ 0.79	$ 1.69	$ 1.66	$ 1.40	$ 0.06
Net income per subordinated unit (basic and diluted) [1]	$ —	$ 1.66	$ 1.59	$ 1.40	$ 0.06
Net income (loss) per Class A unit (basic and diluted)	$ —	$ 0.06	$ (0.39)	$ —	$ —
Statement of cash flows data:					
Net cash provided by (used in):					
Operating activities	$ 82,851	$ 111,093	$ 73,392	$ 35,113	$ 51,085
Investing activities	$ (313,812)	$ (239,752)	$ (254,612)	$ (40,372)	$ (31,631)
Financing activities	$ 236,395	$ 116,847	$ 196,549	$ (4,342)	$ (10,048)
Other financial data:					
Distributions paid per common and subordinated unit	$ 2.57	$ 2.07	$ 1.72	$ 1.21	$ —
Adjusted gross margin	$ 174,842	$ 165,114	$ 102,469	$ 74,647	$ 64,269
Adjusted EBITDA	$ 175,330	$ 127,929	$ 68,633	$ 39,500	$ 34,798
Capital expenditures	$ 86,346	$ 61,282	$ 51,560	$ 28,370	$ 31,635
Acquisitions	$ 205,071	$ 133,993	$ 171,258	$ —	$ —
Balance sheet data (at period end):					
Property, plant and equipment, net	$ 441,596	$ 396,066	$ 351,156	$ 303,776	$ 276,246
Total assets	$ 1,257,831	$ 1,006,263	$ 937,136	$ 556,972	$ 445,494
Long-term debt	$ 744,597	$ 432,092	$ 245,088	$ 4,562	$ 87
Partners' capital	$ 230,205	$ 308,489	$ 317,709	$ 320,553	$ 304,854
Noncontrolling interests in consolidated subsidiaries	$ —	$ —	$ 78,557	$ —	$ —
Total equity	$ 230,205	$ 308,489	$ 396,266	$ 320,553	$ 304,854
Operating data:					
Cushing storage capacity (MMBbls as of period end)	7.6	7.6	7.4	7.0	5.0
Percent of Cushing capacity contracted (as of period end)	86%	86%	97%	96%	95%
Transportation volumes (average Bpd)	183,623	151,700	66,400	48,900	29,900
Supply and Logistics volumes (average Bpd)	116,700	52,300	30,200	21,400	13,200
Unloading/Platteville volumes (average Bpd)	71,000	60,700	59,100	43,500	32,400
White Cliffs Pipeline 100% (average Bpd)	127,828	91,075	69,075	60,994	37,118
Glass Mountain Pipeline 100% (average Bpd)	64,490	54,267	—	—	—

(1) Amount for the year ended December 31, 2011 was calculated on net income subsequent to initial public offering on December 14, 2011.

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

Overview

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

During the year ended December 31, 2015, we made the decision to disaggregate certain activities and functions within the Partnership to provide additional granularity, both internally and externally, to our operating results. As such, the prior period results have been recast to reflect the resulting reportable segments.

Our segments are organized by our key revenue generating activities:

Transportation

We charge capacity or volume based fees to transport crude oil by pipeline and by truck. In addition, we generate the equivalent of a transportation fee by buying crude oil at one location and selling it back to the same counterparty at a different location for a fixed margin.

Facilities

We charge capacity or volume based fees for crude oil storage and terminal services at our facilities in Cushing, along the Kansas and Oklahoma pipeline system and at Platteville, Colorado. We also charge capacity or volume based fees to use our truck unloading facility at Platteville.

Supply and Logistics

We purchase crude oil for our own account from producers, aggregators and traders and sell crude oil, including crude oil blends, to traders and refiners.

We mitigate the commodity price exposure of our crude oil marketing operations by limiting our net open positions through (i) the concurrent purchase and sale of like quantities of crude oil to create "back-to-back" transactions intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered or (ii) derivative contracts. All of our marketing activities are subject to our Comprehensive Risk Management Policy, which establishes limits to manage risk and mitigate financial exposure.

More specifically, we use futures and swap contracts to manage our exposure to market changes in commodity prices to protect our Adjusted gross margin on our purchased crude oil. As we purchase crude oil from suppliers, we may establish either a fixed or a variable margin with future sales by:

- selling a like quantity of crude oil for future physical delivery to create an effective back-to-back transaction; or
- entering into futures and swaps contracts on the NYMEX or over-the-counter markets.

General Trends and Outlook

The price of crude oil has historically been volatile. For example, from January 1, 2014 to December 31, 2015, the NYMEX prompt month settle price ranged from a high of $107.26 per barrel to a low of $34.73 per barrel. For the year 2015, the range narrowed to a high of $61.43 per barrel to a low of $34.73 per barrel. Substantial declines in crude oil prices, particularly prolonged declines, can have negative effects on crude oil producers including:

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

The substantial decline in crude oil prices since mid-2014 and continuing throughout 2015 have had these effects on a number of companies in the oil industry, including our customers. While we do not have significant direct exposure to crude oil prices, we are exposed to a reduction in volumes to be transported, stored and marketed as a result of lower prices. We experienced such reductions in 2015 and expect them to continue in 2016.

In response to these economic conditions, we are increasing our focus on controlling expenses, reviewing the economics of capital projects, increasing control over headcount and relocating our Oklahoma City office to Tulsa.

Interest Rates

The credit markets have experienced very low interest rates recently. As the overall economy strengthens, it is likely that monetary policy will tighten, resulting in higher interest rates to counter possible inflation. If this occurs, interest rates on floating rate credit facilities and future offerings in the debt capital markets could be higher than current levels, causing our financing costs to increase accordingly.

In addition, there is a financing cost for the storage capacity used to carry the cost of the inventory while it is stored in the facility. That financing cost is impacted by the cost of capital or interest rate incurred by the storage user as well as the commodity cost of the crude oil in inventory. The higher the financing cost, the lower the margin that will remain from the price spread that was intended to be captured. Accordingly, a significant increase in interest rates could impact the demand for storage capacity independent of other market fundamentals.

Our implied distribution yield is a product of our unit price and the level of our cash distributions. It is determined by dividing our annual cash distribution by our common unit price. The distribution yield is often used by investors to compare and rank related yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our common units, and a rising interest rate environment could have an adverse impact on our unit price. In addition, increases in yield may hinder our ability to issue additional equity to make acquisitions, reduce debt or to fund other activities or working capital needs.

How We Evaluate Our Operations

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

Adjusted Gross Margin

We view Adjusted gross margin as an important performance measure of the core profitability of our operations, as well as our operating performance as compared to that of other companies in our industry, without regard to financing methods, historical cost basis, capital structure or the impact of fluctuating commodity prices. We define Adjusted gross margin as total revenues minus cost of products sold and unrealized gain (loss) on derivatives. Adjusted gross margin allows us to make a meaningful comparison of the results across different commodity price environments because it measures the spread between the product sales price and cost of products sold. See “Non-GAAP Financial Measures”.

Operating Expenses

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

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization, earnings from equity method investments and any other non-cash adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities plus cash distributions from equity method investments. We use Adjusted EBITDA as a supplemental performance and liquidity measure to assess:

- our operating performance as compared to that of other companies in our industry, without regard to financing methods, historical cost basis, capital structure or the impact of fluctuating commodity prices;
- the ability of our assets to generate sufficient cash flow to make distributions to our partners;
- our ability to incur and service debt and fund capital expenditures; and

- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

Contracted Storage Capacity and Transportation, Marketing and Unloading Volumes

In our Cushing storage operations, we charge our customers a fee for storage capacity provided, regardless of actual usage. On our Kansas and Oklahoma system, in our Bakken Shale operations and through our trucking fleet operations, we provide transportation services on a fee basis or pursuant to fixed-margin transactions, but in either case, the Adjusted gross margin we generate is dependent on the volume of crude oil transported (if on a fee basis) or purchased and sold (if pursuant to a fixed-margin transaction). We refer to these volumes, in the aggregate, as transportation volumes. Similarly, on our Kansas and Oklahoma system, and through our Bakken Shale operations, we conduct marketing activities involving the purchase and sale of crude oil or related derivative contracts. We refer to the crude oil volumes purchased and sold in our marketing operations as Supply and Logistics volumes. Finally, at our Platteville truck unloading facility, we charge our customers a fee based on the volumes unloaded. We refer to these as unloading volumes.

Non-GAAP Financial Measures

We define Adjusted gross margin as total revenues minus cost of products sold and unrealized gain (loss) on derivatives. We define Adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization, earnings from equity method investments, and any other non-cash adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities plus cash distributions from equity method investments.

Adjusted gross margin and Adjusted EBITDA are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures provide useful information to investors in assessing our financial condition and results of operations.

Operating income (loss) is the GAAP measure most directly comparable to Adjusted gross margin, and net income (loss) and cash provided by (used in) operating activities are the GAAP measures most directly comparable to Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measures. These non-GAAP financial measures have important limitations as analytical tools because they exclude some, but not all, items that affect the most directly comparable GAAP financial measures. You should not consider Adjusted gross margin and Adjusted EBITDA in isolation or as substitutes for analysis of our results as reported under GAAP. Because Adjusted gross margin and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Management compensates for the limitation of Adjusted gross margin and Adjusted EBITDA as analytical tools by reviewing the comparable GAAP measures, understanding the differences between Adjusted gross margin and Adjusted EBITDA, on the one hand, and operating income (loss), net income (loss) and net cash provided by (used in) operating activities, on the other hand, and incorporating this knowledge into its decision-making processes. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating our operating results.

The following tables present reconciliations of: (i) Adjusted gross margin to operating income, and (ii) Adjusted EBITDA to net income and net cash provided by operating activities, the most directly comparable GAAP financial measures for each of the periods indicated.

					Predecessor
	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
			(Unaudited; in thousands)		
Reconciliation of operating income to Adjusted gross margin:					
Operating income	$ 92,823	$ 84,184	$ 45,682	$ 25,935	$ 24,861
Add:					
Operating expense	83,134	80,160	36,098	23,303	18,909
General and administrative expense	21,085	19,415	15,557	12,083	9,843
Depreciation and amortization expense	41,998	40,035	23,708	12,131	11,379
Loss (gain) on disposal or impairment, net	10,257	319	(31)	(1)	64
Less:					
Earnings from equity method investment	76,355	57,378	17,571	—	—
Impact from derivative instruments:					
Total gain (loss) on derivatives, net	8,145	17,351	(1,593)	149	(386)
Total realized loss (gain) (cash flow) on derivatives, net	(10,045)	(15,730)	2,567	(1,345)	1,173
Non-cash unrealized gain (loss) on derivatives, net	(1,900)	1,621	974	(1,196)	787
Adjusted gross margin	$ 174,842	$ 165,114	$ 102,469	$ 74,647	$ 64,269

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Predecessor Year Ended December 31, 2011
	(Unaudited; in thousands)				
Reconciliation of net income to Adjusted EBITDA:					
Net income	$ 49,673	$ 62,925	$ 37,515	$ 23,954	$ 23,235
Add:					
Interest expense	43,188	21,279	8,181	1,912	1,823
Depreciation and amortization	41,998	40,035	23,708	12,131	11,379
Cash distributions from equity method investments	100,468	66,768	16,999	—	—
Inventory valuation adjustment	2,590	5,667	—	—	—
Provision for doubtful accounts receivable	257	—	—	—	(916)
Non-cash equity compensation	1,354	943	806	308	—
Loss (gain) on disposal or impairment, net	10,257	319	(31)	(1)	64
Less:					
Earnings from equity method investment	76,355	57,378	17,571	—	—
White Cliffs cash distributions attributable to noncontrolling interests	—	11,008	—	—	—
Impact from derivative instruments:					
Total gain (loss) on derivatives, net	8,145	17,351	(1,593)	149	(386)
Total realized loss (gain) (cash flow) on derivatives, net	(10,045)	(15,730)	2,567	(1,345)	1,173
Non-cash unrealized gain (loss) on derivatives, net	(1,900)	1,621	974	(1,196)	787
Adjusted EBITDA	$ 175,330	$ 127,929	$ 68,633	$ 39,500	$ 34,798
Reconciliation of net cash provided by operating activities to Adjusted EBITDA:					
Net cash provided by operating activities	$ 82,851	$ 111,093	$ 73,392	$ 35,113	$ 51,085
Less:					
Changes in operating assets and liabilities, net	(28,044)	1,296	12,129	(2,834)	18,082
White Cliffs cash distributions attributable to noncontrolling interests	—	11,008	—	—	—
Add:					
Interest expense, excluding amortization of debt issuance costs	40,322	19,750	7,370	1,553	1,795
Distributions from equity method investment in excess of equity in earnings	24,113	9,390	—	—	—
Adjusted EBITDA	$ 175,330	$ 127,929	$ 68,633	$ 39,500	$ 34,798

Results of Operations

Consolidated Results of Operations

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Predecessor Year Ended December 31, 2011
Statement of income data:	(in thousands, except per unit data)				
Revenues, including revenues from affiliates:					
Product	$ 729,993	$ 1,185,456	$ 702,028	$ 576,158	$ 395,301
Service	114,718	112,641	65,174	44,318	35,801
Other	—	—	—	(59)	219
Total revenues	844,711	1,298,097	767,202	620,417	431,321
Expenses, including expenses from affiliates:					
Costs of products sold, exclusive of depreciation and amortization	671,769	1,131,362	663,759	546,966	366,265
Operating	83,134	80,160	36,098	23,303	18,909
General and administrative	21,085	19,415	15,557	12,083	9,843
Depreciation and amortization	41,998	40,035	23,708	12,131	11,379
Loss (gain) on disposal or impairment, net	10,257	319	(31)	(1)	64
Total expenses	828,243	1,271,291	739,091	594,482	406,460
Earnings from equity method investment	76,355	57,378	17,571	—	—
Operating income	92,823	84,184	45,682	25,935	24,861
Other expenses (income):					
Interest expense (1)	43,188	21,279	8,181	1,912	1,823
Other expense (income), net	(38)	(20)	(14)	69	(197)
Total other expenses (income), net	43,150	21,259	8,167	1,981	1,626
Net income	49,673	62,925	37,515	23,954	23,235
Less: net income attributable to noncontrolling interests	—	7,758	1,256	—	—
Net income attributable to Rose Rock Midstream, L.P.	$ 49,673	$ 55,167	$ 36,259	$ 23,954	$ 23,235
Net income per common unit (basic)	$ 0.79	$ 1.69	$ 1.66	$ 1.40	$ 0.06 (2)
Net income per common unit (diluted)	$ 0.79	$ 1.69	$ 1.66	$ 1.40	$ 0.06 (2)
Net income per subordinated unit (basic and diluted)	$ —	$ 1.66	$ 1.59	$ 1.40	$ 0.06 (2)
Net income (loss) per Class A unit (basic and diluted)	$ —	$ 0.06	$ (0.39)	$ —	$ —
Other financial data:					
Distributions paid per common and subordinated unit	$ 2.57	$ 2.07	$ 1.72	$ 1.21	$ —
Adjusted gross margin (3)	$ 174,842	$ 165,114	$ 102,469	$ 74,647	$ 64,269
Adjusted EBITDA (3)	$ 175,330	$ 127,929	$ 68,633	$ 39,500	$ 34,798

(1) Interest increased in 2015 to $43.2 million from $21.3 million in 2014 and from $8.2 million in 2013. These increases are primarily the result of interest expense related to $400 million of 5.625% senior unsecured notes sold in July 2014 and $350 million of 5.625% senior unsecured notes sold in May 2015.

(2) Calculated on net income subsequent to initial public offering on December 14, 2011.

(3) For a definition of Adjusted gross margin, Adjusted EBITDA and a reconciliation to their most directly comparable financial measures calculated and presented in accordance with GAAP, please read "Non-GAAP Financial Measures".

Results of Operations by Reporting Segment

Transportation

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Revenues:			
Pipeline transportation	$ 31,650	$ 28,816	$ 21,120
Truck transportation - external	50,341	55,902	13,797
Truck transportation - intersegment	15,021	10,840	225
Total Revenues	97,012	95,558	35,142
Expenses:			
Operating	73,554	71,459	24,440
General and administrative	9,154	8,176	5,467
Depreciation and amortization	35,500	33,679	17,814
Loss on disposal or impairment, net	9,621	467	—
Total expenses	127,829	113,781	47,721
Earnings from equity method investment	76,355	57,378	17,571
Operating income	$ 45,538	$ 39,155	$ 4,992

Adjusted Gross Margin

Adjusted gross margin in this segment is generated by providing fee-based services and by entering into fixed-margin transactions. Revenues from fee-based services are included in service revenue and revenues from fixed-margin are included in product revenue in our Consolidated Statements of Income. As there is no cost of sales or derivative activity associated with our Transportation revenue, Adjusted gross margin is equivalent to revenue for this segment.

2015 versus 2014

Revenues

Pipeline transportation revenue includes both fee-based and fixed-margin activity. Pipeline transportation revenues increased to $32 million in 2015 from $29 million in 2014 . The extension of the Wattenberg Oil Trunkline in early 2015 resulted in an additional $7 million due to higher volumes. Higher volumes on the Tampa pipeline resulted in an additional $1 million. These increases were partially offset with reductions in fixed-margin and other fee-based activity of $3 million and $2 million, respectively.

External truck transportation revenues decreased to $50 million in 2015 from $56 million in 2014 . The decrease was due to a higher concentration of shorter haul activity despite higher volumes.

Intersegment truck transportation revenues increased to $15 million in 2015 from $11 million in 2014 . The increase was due to additional barrels purchased directly from the producer and hauled for our Supply and Logistics segment.

Operating Expense

Operating expense increased in 2015 to $74 million from $71 million in 2014 . The increase was primarily due to additional employment and insurance/taxes of $1 million and $1 million, respectively, resulting from a full year of operations from the crude oil trucking assets acquired in June 2014.

General and Administrative Expense

General and administrative expense increased in 2015 to $9 million from $8 million in 2014 , due primarily to a $2 million increase in overhead allocation from SemGroup to our trucking activity, partially offset by a $1 million reduction in employment expense at our crude oil trucking division. This reduction was primarily due to lower incentive compensation and a restructuring of administrative positions.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2015 to $36 million from $34 million in 2014 . Approximately $2 million of the increase in depreciation expense is due to the 2014 revision of the estimated useful life relating to a section of the Kansas and Oklahoma pipeline system. An additional $5 million of the depreciation increase is due to project completions and the crude oil trucking fleet acquisition in 2014. Amortization decreased in 2015 to $1 million from $6 million in 2014. The decrease was due to contracts acquired as part of the crude oil trucking fleet acquisition in 2013 becoming fully amortized in 2014.

Loss on Disposal or Impairment, net

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

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

When considering operating performance projections, we included industry economic conditions, current crude oil prices and the forward price curve. Due to the imprecise nature of our projections and assumptions, actual results can and often do differ from our estimates. If the assumptions used in our projections prove to be inaccurate, we could incur a future impairment charge.

Earnings from Equity Method Investments

Earnings from equity method investments increased in 2015 to $76 million from $57 million in 2014 . The increase is due to our commissioning of White Cliffs' second line in August 2014 and our January 2015 acquisition of ownership interest in Glass Mountain. Earnings from White Cliffs increased by approximately $13 million and earnings from Glass Mountain increased by approximately $6 million in 2015 compared to 2014 .

2014 versus 2013

Revenues

Pipeline transportation revenues increased to $29 million in 2014 from $21 million in 2013 . The increase was due to capital expansion projects being placed in service near the end of 2013, including the Wattenberg Oil Trunkline. The Wattenberg Oil Trunkline and other fee-based activity contributed an additional $7 million and $1 million, respectively.

External truck transportation revenues increased to $56 million in 2014 from $14 million in 2013 . The increase was due to a full year of operations from the September 2013 crude oil trucking acquisition and a partial year of operations from the crude oil trucking assets acquired in June 2014.

Intersegment truck transportation revenues began in late 2013. These revenues resulted from acquisitions of barrels purchased directly from the producer and hauled for our Supply and Logistics segment.

Operating Expense

Operating expense increased in 2014 to $71 million from $24 million in 2013 . The increase was primarily due to a full year of operations from the September 2013 crude oil trucking acquisition and a partial year of operations from the crude oil trucking assets acquired in June 2014. The increase included employment costs of $18 million, outside services from contract owner operators of $16 million, field expenses of $6 million, maintenance and repair of $2 million, insurance/taxes of $2 million, and other expense of $1 million. An additional $1 million and $1 million resulted from full year operations of the Wattenberg Oil Trunkline and the Tampa pipeline, respectively.

General and Administrative Expense

General and administrative expense increased in 2014 to $8 million from $5 million in 2013 . The corporate overhead allocation from SemGroup increased $2 million as a result of higher corporate costs combined with a higher allocation rate attributable to Rose Rock. Employment costs increased $1 million primarily due to additional incentive compensation.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in 2014 to $34 million from $18 million in 2013 . Approximately $4 million of the depreciation increase is due to a revision of the estimated useful life relating to a 164-mile section of the Kansas and Oklahoma pipeline system. An additional $7 million of the depreciation increase is due to project completions and the crude oil trucking fleet acquisitions in 2013 and 2014. Amortization increased in 2014 to $6 million from $1 million in 2013 due to contracts acquired as part of the crude oil trucking fleet acquisitions in 2013 and 2014.

Earnings from Equity Method Investments

Earnings from equity method investments increased in 2014 to $57 million from $18 million in 2013 . The increase in earnings is due to the acquisitions of additional interest in White Cliffs in December 2013 and June 2014.

Facilities

	Year Ended December 31,		
	2015	2014	2013
		(in thousands)	
Revenues	$ 45,936	$ 44,007	$ 46,697
Expenses:			
Operating	8,585	7,881	6,669
General and administrative	3,594	3,874	2,945
Depreciation and amortization	5,829	5,365	4,833
Gain on disposal or impairment, net	—	(34)	—
Total expenses	18,008	17,086	14,447
Operating income	$ 27,928	$ 26,921	$ 32,250

Adjusted Gross Margin

Adjusted gross margin in this segment is generated by providing fee-based services. Revenues from fee-based services are included in service revenue in our Consolidated Statements of Income. As there is no cost of sales or derivative activity associated with our Facilities revenue, Adjusted gross margin is equivalent to revenue for this segment.

2015 versus 2014

Revenues

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

Operating Expense

Operating expense increased in 2015 to $9 million from $8 million in 2014 . The increase was primarily due to $1 million additional operating expenses from corporate headquarters and increased outside services.

General and Administrative Expense

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

Depreciation and Amortization Expense

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

2014 versus 2013

Revenue

Revenues decreased in 2014 to $44 million from $47 million in 2013 . The decrease was primarily due to reduced storage fees due to the conversion of 0.6 million barrels of storage capacity in Cushing for operational use.

Operating Expense

Operating expense increased in 2014 to $8 million from $7 million in 2013 . The increase was due to $1 million of additional operations support expenses and increased employment related expenses.

General and Administrative Expense

General and administrative expense increased in 2014 to $4 million from $3 million in 2013 , primarily due to overhead allocations from SemGroup.

General

In every other category of expense, the amounts for the year ended 2014 are roughly equivalent to those for the year ended 2013 .

Supply and Logistics

	Year Ended December 31,		
	2015	2014	2013
		(in thousands)	
Revenues	$ 716,784	$ 1,169,372	$ 685,588
Expenses:			
Costs of products sold	686,790	1,142,202	663,984
Operating	995	753	4,989
General and administrative	814	817	662
Depreciation and amortization	159	549	673
Gain on disposal or impairment, net	(3)	(42)	(31)
Total expenses	688,755	1,144,279	670,277
Operating income	$ 28,029	$ 25,093	$ 15,311

Adjusted Gross Margin

Adjusted gross margin in this segment is generated from marketing activities. Revenues from marketing activities are included in product revenue in our Consolidated Statements of Income.

The following table shows the Adjusted gross margin generated by this segment’s marketing activities:

	Year Ended December 31,		
	2015	2014	2013
		(in thousands)	
Revenues	$ 716,784	$ 1,169,372	$ 685,588
Less: Costs of products sold, exclusive of depreciation	686,790	1,142,202	663,984
Less: Unrealized gain (loss) on derivatives	(1,900)	1,621	974
Adjusted gross margin	$ 31,894	$ 25,549	$ 20,630

The following table presents a reconciliation of operating income to Adjusted gross margin, the most directly comparable GAAP financial measure for each of the periods indicated.

(in thousands)	Year Ended December 31, 2015	2014	2013
Reconciliation of operating income to Adjusted gross margin:			
Operating income	$ 28,029	$ 25,093	$ 15,311
Add:			
Operating expense	995	753	4,989
General and administrative expense	814	817	662
Depreciation and amortization expense	159	549	673
Gain on disposal or impairment, net	(3)	(42)	(31)
Less:			
Unrealized gain (loss) on derivatives	(1,900)	1,621	974
Adjusted gross margin	$ 31,894	$ 25,549	$ 20,630

2015 versus 2014

Revenue

Revenue decreased in 2015 to $717 million from $1.2 billion in 2014 .

(in thousands)	Year Ended December 31, 2015	2014	2013
Gross product revenue	$ 2,099,199	$ 1,812,903	$ 1,110,722
Nonmonetary transaction adjustment	(1,380,515)	(645,152)	(426,108)
Unrealized gain (loss) on derivatives, net	(1,900)	1,621	974
Product revenue	$ 716,784	$ 1,169,372	$ 685,588

Gross product revenue increased in 2015 to $2.1 billion from $1.8 billion in 2014 . The increase was primarily due to an increase in the volume sold to 42.6 million barrels at an average sales price of $49 per barrel in 2015 from the volume sold of 19.1 million barrels at an average sales price of $95 per barrel in 2014.

Gross product revenue was reduced by $1.4 billion and $0.6 billion during 2015 and 2014 , respectively, in accordance with Accounting Standards Codification ("ASC") 845-10-15, *"Nonmonetary Transactions"*. ASC 845-10-15 requires that certain transactions -- those where inventory is purchased from a customer then resold to the same customer -- to be presented in the income statement on a net basis, resulting in a reduction of revenue and costs of products sold by the same amount.

Cost of Products Sold

Costs of products sold decreased in 2015 to $687 million (including $15 million intersegment transportation expense) from $1.1 billion in 2014 (including $11 million intersegment transportation expense). The decrease was primarily due to reductions of $1.4 billion and $0.6 billion in 2015 and 2014, 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 $48 in 2015 from $94 in 2014.

Adjusted Gross Margin

Adjusted gross margin increased in 2015 to $32 million from $26 million in 2014 . The increase was primarily due to an increase in marketing volumes of 23.5 million barrels, partially offset by a lower spread between the acquisition and sale price for volumes of crude oil sold, as the excess of our average sales price per barrel over our average acquisition cost per barrel decreased to approximately $0.75 for 2015, from approximately $1.34 for 2014. The increase in volume was primarily due to crude oil blending and transactions related to contango market conditions.

General

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

2014 versus 2013

Revenue

Gross product revenue increased in 2014 to $1.8 billion from $1.1 billion in 2013 . The increase was primarily due to an increase in the volume sold to 19.1 million barrels at an average sales price of $95 per barrel in 2014 from the volume sold of 11.0 million barrels, at an average sales price of $101 per barrel in 2013.

Gross product revenue was reduced by $645 million and $426 million during 2014 and 2013 , respectively, in accordance with ASC 845-10-15.

Costs of Products Sold

Costs of products sold increased in 2014 to $1.1 billion (including $11 million intersegment transportation expense) from $0.7 billion in 2013 . Costs of products sold increased due to the increase in the barrels sold, as described above, combined with a decrease in the average cost per barrel of crude oil to $94 in 2014 from $99 in 2013. Costs of product sold reflected reductions of $645 million and $426 million in 2014 and 2013 , respectively, in accordance with ASC 845-10-15.

Adjusted Gross Margin

Supply and Logistics Adjusted gross margin increased in 2014 to $26 million from $21 million in 2013 . The increase was primarily due to an increase in marketing volumes of 8.1 million barrels, partially offset by a lower spread between the acquisition and sale price for volumes of crude oil sold, as the excess of our average sales price per barrel over our average acquisition cost per barrel decreased to approximately $1.34 for 2014 , from approximately $1.87 for 2013 . The increase in volume was primarily due to crude oil blending.

Operating Expense

Operating expense decreased in 2014 to $1 million from $5 million in 2013 . The decrease is due to the relocation of employees and certain trucking related activities from our North Dakota operations, which were included in our Supply and Logistics segment, to our Rose Rock Field Services operations, which are included in our Transportation segment.

General

In every other category of expense, the amounts for the year ended 2014 are roughly equivalent to those for the year ended 2013 .

Corporate and Other

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Revenues	$ (15,021)	$ (10,840)	$ (225)
Expenses:			
Costs of products sold	(15,021)	(10,840)	(225)
Operating	—	67	—
General and administrative	7,523	6,548	6,483
Depreciation and amortization	510	442	388
Loss (gain) on disposal or impairment, net	639	(72)	—
Total expenses	(6,349)	(3,855)	6,646
Operating loss	$ (8,672)	$ (6,985)	$ (6,871)

Corporate and Other is not a reportable segment and includes corporate costs not allocated to the operating segments and intersegment eliminations. This table is included to permit the reconciliation of segment information to that of the consolidated Partnership.

Liquidity and Capital Resources

Our principal sources of short-term liquidity are cash generated from operations and borrowings under our revolving credit facility. Potential sources of long-term liquidity include the issuance of debt securities or common units and the sale of assets. Our primary cash requirements currently are operating expenses, capital expenditures and quarterly distributions to our unitholders and general partner. In general, we expect to fund:

- operating expenses, maintenance capital expenditures and cash distributions through existing cash and cash from operating activities;
- expansion related capital expenditures and working capital deficits through cash on hand, borrowings under our credit facilities and the issuance of debt securities and common units;
- acquisitions through cash on hand, borrowings under our credit facilities and the issuance of debt securities and common units; and
- debt principal payments through cash from operating activities and refinancing when the credit facility and senior unsecured notes become due.

Our ability to meet our financing requirements and fund our planned capital expenditures will depend on our future operating performance, 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 debt securities and limited partner units. There can be no assurance we will be able or willing to access the public or private markets in the future. If we would be unable or unwilling to access those markets, we could be required to restrict future expansion capital expenditures and potential future acquisitions.

We believe our cash from operations and our remaining borrowing capacity allow us to manage our day-to-day cash requirements, distribute the minimum quarterly distribution on all of our outstanding units and meet our capital expenditure commitments for the coming year.

Cash Flows

The following table summarizes our changes in cash and cash equivalents for the years presented (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cash flows provided by (used in):			
Operating activities	$ 82,851	$ 111,093	$ 73,392
Investing activities	(313,812)	(239,752)	(254,612)
Financing activities	236,395	116,847	196,549
Change in cash and cash equivalents	5,434	(11,812)	15,329
Cash and cash equivalents at beginning of period	3,625	15,437	108
Cash and cash equivalents at end of period	$ 9,059	$ 3,625	$ 15,437

Operating Activities

The components of operating cash flows can be summarized as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Net income	$ 49,673	$ 62,925	$ 37,515
Non-cash expenses, net	61,222	46,872	23,748
Changes in operating assets and liabilities, net	(28,044)	1,296	12,129
Net cash flows provided by operating activities	$ 82,851	$ 111,093	$ 73,392

We experienced operating cash inflows of $82.9 million during the year ended December 31, 2015 . Operating cash flows were primarily driven by net income of $49.7 million , which included $61.2 million in non-cash expenses. The primary non-cash expenses were $42.0 million of depreciation and amortization and $10.3 million of loss on disposal or impairment, net principally the impairment of goodwill of our Transportation segment. Operating cash flows included $76.4 million of cash distributions which represent returns on our investments in White Cliffs and Glass Mountain. Net changes in operating assets and liabilities decreased operating cash flows by $28.0 million . The primary change was an increase in inventories of $35.0 million due to 1.1 million barrels of additional inventory. This is partially due to a strategic build to capture margins due to forward market crude oil prices being higher than spot market prices. Accounts payable, including payable to affiliates, and accrued liabilities increased by $15.8 million and accounts receivable, including receivable from affiliates, increased by $6.4 million. The impact to accounts receivable and accounts payable are subject to the timing of inventory purchases and sales and the timing of their related payments and collections.

We experienced operating cash inflows of $111.1 million during the year ended December 31, 2014 . Operating cash flows were primarily driven by net income of $62.9 million , which included $46.9 million of non-cash expenses. The primary non-cash expense was $40.0 million of depreciation and amortization. Operating cash flows included $57.4 million of cash distributions which represent returns on our investment in White Cliffs. Net changes in operating assets and liabilities had minimal impact on cash flow as changes in receivables and inventory were offset by changes in payables and accrued liabilities.

We experienced operating cash inflows of $73.4 million during the year ended December 31, 2013 . Net income of $37.5 million included $23.7 million of non-cash expenses. The primary non-cash expense was $23.7 million of depreciation and amortization. Net changes in operating assets and liabilities increased operating cash flows by $12.1 million . The primary changes were an increase to accounts payable, including payable to affiliates, and accrued liabilities of $61.8 million and an increase in accounts receivable, including receivable from affiliates, of $43.0 million . The increases to accounts receivable, including receivable from affiliates, and accounts payable, including payable to affiliates, and accrued liabilities are primarily due to our ability to capture value related to market conditions and demand around our Kansas and Oklahoma system and Bakken Shale operations through marketing and buy/sell transactions and increased activity related to our acquisition of Barcas Field Services, LLC ("Barcas"). The impact to accounts receivable and accounts payable is subject to the timing of inventory purchases and sales and the timing of their related payments and collections. The increases in receivable from and payable to affiliates primarily relate to business acquisitions of SemGroup's equity method investee, NGL Energy, through which certain customers and suppliers became related parties.

Investing Activities

We experienced cash outflows from investing activities of $313.8 million during the year ended December 31, 2015 driven by $205.1 million for acquisitions, $86.3 million of capital expenditures and $46.7 million of contributions to equity method investments, partially offset by cash inflows of $24.1 million from distributions from equity investees in excess of equity in earnings. Acquisitions represent the historical cost of Wattenberg Oil Trunkline and a 50% interest in Glass Mountain purchased from SemGroup. Cash consideration in excess of historical cost is reported as a financing activity in the cash flow statement. Capital expenditures related to the Wattenberg Pipeline extension and other projects and contributions to equity method investments primarily related to capital calls to fund the expansion of the White Cliffs Pipeline.

We experienced cash outflows from investing activities of $239.8 million for the year ended December 31, 2014 related to the acquisition of crude oil trucking assets and the remaining interest in SCPL for an aggregate of $134.0 million , contributions of $54.9 million to White Cliffs related to expansion of the pipeline and capital expenditures of $61.3 million to expand our existing asset base, including our Platteville expansion, Tampa pipeline lateral and Wattenberg Oil Trunkline.

We experienced cash outflows from investing activities of $254.6 million for the year ended December 31, 2013 related to the acquisitions of Barcas and SCPL of $171.3 million , capital expenditures of $51.6 million, and contributions to equity method investment of $31.8 million, which related to capital calls to fund the White Cliffs Pipeline expansion.

Financing Activities

We experienced net cash inflows from financing activities of $236.4 million during the year ended December 31, 2015 , which were driven primarily by the issuance of $344.2 million of senior unsecured notes due 2023, net of a $5.8 million discount, and $89.1 million in proceeds from the issuance of common limited partner units, reduced by net payments of $32.0 million on our revolving credit facility ($342.0 million of borrowings less $374.0 million in principal payments), $112.9 million of cash distributions to partners and $46.3 million cash consideration in excess of historical cost of the Wattenberg Oil Trunkline and a 50% interest in Glass Mountain. Proceeds from the issuance of common limited partner units were primarily used to fund the acquisition of the Wattenberg Oil Trunkline and a 50% interest in Glass Mountain from SemGroup. Proceeds from the issuance of senior unsecured notes due 2023 were used to pay amounts owed under our revolving credit facility and for general partnership purposes.

We experienced net cash inflows from financing activities of $116.8 million for the year ended December 31, 2014 driven by $187.0 million of net borrowings on debt ($844.4 million of borrowings, net of $657.4 million of principal payments), $62.3 million of cash distributions to partners and $21.5 million of contributions from general partner. Borrowings included the issuance of $400 million of senior unsecured notes. Borrowings were used primarily to fund acquisitions. Cash flows from financing activities also reflect a $24.4 million cash distribution to SemGroup related to the SemCrude Pipeline acquisition. As this transaction was between entities under common control, Rose Rock recorded the acquired net assets at SemGroup's historical cost and the excess of the purchase price over the historical value was treated as an equity transaction. Contributions from and distributions to noncontrolling interests represent activity related to SemGroup's retained interest in SemCrude Pipeline prior to our acquisition of the remaining interest. Contributions from general partner of $21.5 million reflect funding for the Wattenberg Oil Trunkline prior to its acquisition from SemGroup in a common control transaction for which historical financial results have been recast.

We experienced net cash inflows from financing activities of $196.5 million for the year ended December 31, 2013 driven by $240.5 million of net borrowings on debt ($558.0 million of borrowings, net of $317.5 million of principal payments), $210.2 million of proceeds from issuance of common limited partner units, net of offering costs, $38.1 million of cash distributions to partners and $28.6 million of contributions from general partner. Borrowings were used primarily to fund acquisitions. Proceeds from issuances of common limited partner units were used to repay debt and fund acquisitions. Cash flows from financing activities also reflect a $240.6 million cash distribution to SemGroup related to the SemCrude Pipeline acquisition. As these transactions were between entities under common control, Rose Rock recorded the acquired net assets at SemGroup's historical cost and the excess of the purchase price over the historical value was treated as an equity transaction. Contributions from general partner of $28.6 million reflect funding for the Wattenberg Oil Trunkline prior to its acquisition from SemGroup in a common control transaction for which historical financial results have been recast.

Long-term debt

At December 31, 2015 , we had $400 million of senior unsecured notes outstanding, which become due in 2022, and $350 million of senior unsecured notes outstanding, which become due in 2023. At December 31, 2015 , the borrowing capacity on our revolving credit facility was $549.7 million, which includes the impact of $35.3 million of outstanding letters of credit which reduce the capacity available for borrowings. At December 31, 2015 , we had no outstanding borrowings on our revolving credit facility.

The credit agreement contains certain financial performance covenants. For any test period, our Leverage Ratio cannot be in excess of 5.50:1.00; our Senior Secured Leverage Ratio cannot be in excess of 3.50:1.00; and our Interest Coverage Ratio cannot be less than 2.50:1.00. As of December 31, 2015, we were in compliance with our financial performance covenants.

See Note 8 of our accompanying financial statements for additional information regarding long-term debt.

Shelf Registration Statement

We have an effective shelf registration statement with the SEC that, subject to market conditions and effectiveness at the time of use, allows us to issue up to an aggregate of $500 million of debt or equity securities. In August 2013, we used this shelf registration statement to sell 4.75 million common units representing limited partner interests for proceeds of $152.5 million, net of underwriting discounts and commissions of $6.4 million. On February 13, 2015, we issued and sold 2.3 million common units representing limited partner interests for net proceeds of $89.1 million under this shelf. Proceeds were used in connection with our acquisition of the Wattenberg Oil Trunkline and a 50% interest in Glass Mountain from SemGroup. This shelf registration statement expires in May 2016.

We also have an effective shelf registration statement for the offer and sale, from time to time, of common units representing limited partner interests in us having an aggregate offering price of up to $150 million. We are able to make sales over a period of time and, from time to time, in transactions at prices which are market prices prevailing at the time of sale, prices related to market price or at negotiated prices. Such sales may be made pursuant to a sales agency financing agreement between us and certain underwriters or agents who may act as sales agents or purchase for their own accounts as principals. To date, no such sales have been made.

Working Capital

Working capital is the amount by which current assets exceed current liabilities and is a measure of our ability to pay our liabilities as they become due. Our working capital was $36.6 million and $9.1 million at December 31, 2015 and 2014 , respectively.

The increase in working capital at December 31, 2015 as compared to December 31, 2014 is primarily due to an additional 1.1 million barrels of crude oil inventory which is partially related to a strategic build to capture margins due to forward market crude oil prices being higher than spot market prices.

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 related capital expenditures, which are cash expenditures incurred for acquisitions or capital improvements that we expect will increase our operating income or operating capacity over the long-term; or

- maintenance capital expenditures, which are cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets or for the acquisition of existing, or the construction or development of new capital assets) made to maintain our long-term operating income or operating capacity.

During the twelve months ended December 31, 2015 , we invested cash of $86.3 million on capital projects, $46.7 million in contributions to our equity investees related to expansion projects and $205.1 million for acquisitions, exclusive of amounts in excess of historical cost on common control acquisitions and equity issued as consideration. Projected capital expenditures for 2016 include $25 million for expansion projects, including capital contributions to equity method investees to fund growth projects, and $10 million in maintenance projects.

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

Distributions

The following table sets forth cash distributions paid in 2014, 2015 and 2016:

Quarter Ended	Record Date	Payment Date	Distribution Per Unit
December 31, 2013	February 4, 2014	February 14, 2014	$0.4650
March 31, 2014	May 5, 2014	May 15, 2014	$0.4950
June 30, 2014	August 4, 2014	August 14, 2014	$0.5350
September 30, 2014	November 4, 2014	November 14, 2014	$0.5750
December 31, 2014	February 3, 2015	February 13, 2015	$0.6200
March 31, 2015	May 5, 2015	May 15, 2015	$0.6350
June 30, 2015	August 4, 2015	August 14, 2015	$0.6500
September 30, 2015	November 3, 2015	November 13, 2015	$0.6600
December 31, 2015	February 2, 2016	February 12, 2016	$0.6600

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 BP Oil Supply Company, each accounted for more than 10% of our total revenue for the year ended December 31, 2015 , at approximately 54% and 16%, respectively. Shell Trading (US) Company and BP Oil Supply Company, each accounted for more than 10% of our total revenue for the year ended December 31, 2014, at approximately 60% and 15%, respectively. Shell Trading (US) Company and Tesoro Refining and Marketing Co., each accounted for more than 10% of our total revenue for the year ended December 31, 2013, at approximately 31% and 15%, respectively. Although we have contracts with customers of varying duration, if one or more of our major customers were to default on their contract or if we were to be 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 make cash distributions to our unitholders 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 revenue.

Contractual Obligations

In the ordinary course of business we enter into various contractual obligations for varying terms and amounts. The following table includes our contractual obligations as of December 31, 2015 , and our best estimate of the period in which the obligations will be settled:

	2016	2017	2018	2019	2020	Thereafter
			(in thousands)			
Long-term debt (1)	$ —	$ —	$ —	$ —	$ —	$ 750,000
Interest (1)	43,837	43,832	43,373	42,187	42,187	90,422
Capital leases	31	26	26	—	—	—
Operating leases	1,280	1,104	496	152	12	126
Purchase commitments (2)	563,970	159,861	—	—	—	—
Throughput commitment (3)	12,412	21,312	21,312	21,312	18,959	32,700
Capital expenditure project (4)	2,300	—	—	—	—	—
Total	$ 623,830	$ 226,135	$ 65,207	$ 63,651	$ 61,158	$ 873,248

(1) Assumes interest rates, fee rates and letters of credit and loans outstanding are as of December 31, 2015, and remain constant thereafter until maturity except for required principal payments. Letters of credit fees account for $1.6 million per year in 2016 and 2017 and $1.2 million in 2018.

(2) The commitments shown in the table above relate to agreements to purchase product from a counterparty in connection with buy/sell agreements. 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). See Note 9 for information related to purchase and sale commitments.

(3) We have a 5 year throughput commitment with White Cliffs for transportation of approximately 5,000 barrels per day which began in October 2015 and a 7 year throughput commitment for 5,000 barrels per day on the Dakota Access Pipeline which is expected to begin in the fourth quarter of 2016.

(4) This capital expenditure represents investments in the White Cliffs Pipeline expansion project.

In addition to the items in the table above, we have entered into certain derivative instruments that are recorded at fair value on our consolidated balance sheet as of December 31, 2015 .

Letters of Credit

In connection with our purchasing activities, we provide certain suppliers and transporters with irrevocable standby and performance letters of credit to secure our obligation for the purchase of crude oil. Our liabilities with respect to these purchase obligations are recorded as accounts payable on our balance sheet in the month the crude oil is purchased. Generally, these letters of credit are issued for 50- to 70-day periods (with a maximum of a 364-day period) and are terminated upon completion of each transaction. At December 31, 2015 and December 31, 2014 , we had outstanding letters of credit of approximately $78.2 million and $85.1 million , respectively.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

Our significant accounting policies are summarized in Note 2 of our audited consolidated financial statements shown beginning on page F-1 of this Form 10-K. We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and results of operations, and that require the most difficult, subjective and complex judgments by management regarding estimates about matters that are inherently uncertain.

Derivative Instruments

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

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

We routinely enter into agreements to purchase and sell petroleum products at specified future dates. We establish a margin for these purchases by entering into various types of physical and financial sales and exchange transactions through which we seek to maintain a position that is substantially balanced between purchases on the one hand and sales and future delivery obligations on the other. We account for these commitments as normal purchases and sales, and therefore we do not record assets or liabilities related to these agreements until the product is purchased or sold.

Our results of operations and cash flows are impacted by changes in market prices for petroleum products. We manage this exposure to commodity price risk, 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 crude oil to create back-to-back transactions that are intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered or (ii) derivative contracts. Our storage and transportation assets also can be used to mitigate location and time basis risk. All marketing activities are subject to our Comprehensive Risk Management Policy, which establishes limits in order to manage risk and mitigate financial exposure.

Our commodity derivatives are comprised of crude oil forward contracts and futures contracts. These are defined as follows:

Forward contracts – Over the counter 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.

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.

We record certain commodity derivative assets and liabilities at fair value at each balance sheet date. 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. We have not designated any of our commodity derivatives as hedges.

Additional discussion of the accounting for derivative instruments at fair value is included in Note 6 to our consolidated financial statements beginning on page F-1 of this Form 10-K.

Evaluation of Long-Lived Assets for Impairment

In accordance with ASC 360, "Property, Plant and Equipment," we evaluate property, plant and equipment for impairment whenever indicators of impairment exist. Examples of such indicators are:

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

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

Goodwill and Other Intangible Assets

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

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

Contingencies

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

While we have disclosed a number of contingencies (as described in Note 9 to our audited consolidated financial statements, which are included in this Form 10-K beginning on page F-1), we have not accrued for any contingent loss at December 31, 2015 .

Recent accounting pronouncements

See Note 2 to our audited consolidated financial statements, which are included in this Form 10-K.

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

This discussion on market risks represents an estimate of possible changes in future earnings that would occur assuming hypothetical future movements in commodity prices and interest 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 interest rates or commodity prices and the timing of transactions.

We are exposed to various market risks, including volatility in crude oil prices and interest rates. We have in the past used, and expect that in the future we will continue to use, 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 sales locations and purchase and sale timing. We have a risk management function that has responsibility and authority for our Comprehensive Risk Management Policy, which governs our enterprise-wide risks, including the market risks discussed in this item. Subject to our Comprehensive Risk Management Policy, our finance and treasury function has responsibility and authority for managing exposure to interest rates.

Commodity Price Risk

The table below outlines the range of NYMEX prompt month daily settle prices for crude oil futures provided by an independent, third-party broker for the years ended December 31, 2015 , 2014 and 2013 .

	Light Sweet Crude Oil Futures ($ per Barrel)	
Year Ended December 31, 2015		
High	$	61.43
Low	$	34.73
High/Low Differential	*$*	*26.70*
Year Ended December 31, 2014		
High	$	107.26
Low	$	53.27
High/Low Differential	*$*	*53.99*
Year Ended December 31, 2013		
High	$	110.53
Low	$	86.68
High/Low Differential	*$*	*23.85*

Revenue from our asset-based activities is dependent on throughput volume, tariff rates, the level of fees generated from our pipeline systems, capacity contracted to third parties, capacity that we use for our own operational or marketing activities and the level of other fees generated at our storage facilities and from our trucking operations. Profit from our marketing activities is dependent on our ability to sell crude oil 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 crude oil marketing activities are generally not directly affected by the absolute level of crude oil prices, but are affected by overall levels of supply and demand for crude oil and relative fluctuations in market-related indices at various locations.

Based on our open derivative contracts at December 31, 2015 , an increase in the applicable market price or prices for each derivative contract would result in a decrease in the contribution from these derivatives to our crude oil sales revenues. A decrease in the applicable market price or prices for each derivative contract would result in an increase in the contribution from these derivatives to 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	798	(339)	$ (2,956)	$ 2,956	January 2016

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 have exposure to changes in interest rates under our revolving credit facility. The credit markets have recently experienced very low interest rates. If the overall economy strengthens, it is likely that monetary policy will tighten, resulting in higher interest rates to counter possible inflation. Interest rates on our floating rate credit facility and future debt offerings could be higher than current levels, causing our financing costs to increase accordingly.

We had an average daily balance of approximately $67 million drawn on our revolver credit facility for the year ended December 31, 2015 . An increase in interest rates of 1% would have increased our interest expense by $0.7 million for the year ended December 31, 2015 .

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

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

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

None

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

Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of our general partner have concluded that the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) are effective as of December 31, 2015 . This conclusion is based on an evaluation conducted under the supervision and participation of the Chief Executive Officer and Chief Financial Officer of our general partner 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 the Chief Executive Officer and Chief Financial Officer of our general partner, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control-Integrated Framework (* 2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of December 31, 2015 .

Our internal control over financial reporting as of December 31, 2015 , has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report that is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the most recently completed fiscal quarter ended December 31, 2015 , that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None

PART III

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

Board of Directors of our General Partner

We are managed under the direction of the Board of Directors of our sole general partner, Rose Rock GP, which consists of seven members appointed by SemGroup, the parent corporation of our general partner. We refer to the Board of Directors of Rose Rock GP as our Board of Directors. Once a member is appointed to our Board of Directors, such member continues in office until the resignation or removal of such member or until the death of such member. Because the members of our Board of Directors are not elected by unitholders, we do not have a procedure by which unitholders may recommend nominees to our Board of Directors.

Because we are a limited partnership, certain listing standards of the NYSE are not applicable to us. Accordingly, Section 303A.01 of the NYSE Listed Company Manual, which would require that the Board of Directors of our general partner be comprised of a majority of independent directors, and Sections 303A.04 and 303A.05 of the NYSE Listed Company Manual, which would require that the Board of Directors of our general partner maintain a nominating committee and a compensation committee, each consisting entirely of independent directors, are not applicable to us. However, our Board of Directors has affirmatively determined that three of the seven members of our Board of Directors, Robert E. Dunn, Rodney L. Gray and Mark E. Monroe, have no material relationship with us and are “independent” under our Governance Guidelines and the listing standards of the NYSE.

In evaluating director candidates, SemGroup considers factors that are in the best interests of the Partnership and its unitholders, including the knowledge, experience, integrity and judgment of each candidate; the potential contribution of each candidate to the diversity of backgrounds, experience and competencies that the Board desires to have represented on the Board; each candidate’s ability to devote sufficient time and effort to his or her duties as a director; and any core competencies or technical expertise necessary to staff Board committees. In addition, SemGroup assesses whether a candidate possesses the integrity, judgment, knowledge, experience, skills and expertise that are likely to enhance the Board’s ability to manage and direct the affairs and business of the Partnership.

The Audit Committee

Our Board of Directors has appointed an Audit Committee consisting of three members of our Board of Directors, each of whom (Messrs. Dunn, Gray and Monroe) are independent under our Governance Guidelines and the listing standards of the NYSE. Our guidelines for determining the independence of members of the Audit Committee are included in our Governance Guidelines. The Board of Directors has determined that two members of the Audit Committee qualify as an “audit committee financial expert” as defined by the rules of the SEC (Messrs. Gray and Monroe).

The Audit Committee has oversight responsibility with respect to the integrity of our financial statements, the performance of our internal audit function, the independent registered public accountant’s qualifications and independence and our compliance with legal and regulatory requirements. The Audit Committee directly appoints, retains, evaluates and may terminate our independent registered public accounting firm. The Audit Committee reviews our annual audited and quarterly unaudited financial statements. The Audit Committee has all other responsibilities required by the applicable NYSE listing standards and applicable SEC rules. Our Board of Directors has adopted a written charter for our Audit Committee which is available online and may be printed from our website at www.rrmidstream.com and is also available from the corporate secretary of our general partner.

The Conflicts Committee

Our Board of Directors has appointed a Conflicts Committee consisting of the three members of our Board of Directors (Messrs. Dunn, Gray and Monroe) who are independent under our Governance Guidelines and the listing standards of the NYSE and who are not also executive officers or members of the Board of Directors of SemGroup. The Conflicts Committee has the authority to review specific matters that may present a conflict of interest in order to determine if the resolution of such conflict is “fair and reasonable” to our unitholders. In making any such determination, the Conflicts Committee has the authority to engage advisors to assist it in carrying out its duties.

Risk Oversight

Enterprise risk management is a company-wide process that involves our Board of Directors and management in identifying, assessing and managing risks that could affect our ability to fulfill our business objectives or execute our business strategy. Our enterprise risk management activities involve the identification and assessment of a broad range of risks and the development of plans to mitigate their effects. These risks generally relate to strategic, operations, financial and regulatory compliance issues.

Not all risks can be dealt with in the same way. Some risks may be easily perceived and controllable, and other risks are unknown; some risks can be avoided or mitigated by particular behavior, and some risks are unavoidable as a practical matter. For some risks, the potential adverse impact would be minor and, as a matter of business judgment, it may not be appropriate to allocate significant resources to avoid the adverse impact; in other cases, the adverse impact could be significant, and it is prudent to expend resources to seek to avoid or mitigate the potential adverse impact. In some cases, a higher degree of risk may be acceptable because of a greater perceived potential for reward. Management is responsible for identifying risk and risk controls related to our significant business activities, mapping the risks to our partnership strategy; and developing programs and recommendations to determine the sufficiency of risk identification, the balance of potential risk to potential reward and the appropriate manner in which to control and mitigate risk.

Our Board of Directors is responsible for oversight of our enterprise-wide risk and has approved our Comprehensive Risk Management Policy. The Comprehensive Risk Management Policy is designed to ensure we identify and communicate our risk appetite and risk tolerances; establish an organizational structure that prudently separates responsibilities for executing, valuing and reporting our business activities; value (where appropriate), report and manage all material business risks in a timely and accurate manner; effectively delegate authority for committing our resources; foster the efficient use of capital and collateral; and minimize the risk of a material adverse event.

In addition, our Board of Directors exercises its risk oversight responsibilities by requiring management to provide periodic briefing and informational sessions on the significant voluntary and involuntary risks that the Partnership faces and how the Partnership seeks to control and mitigate these risks if and when appropriate. In some cases, as with risks relating to any significant acquisitions, risk oversight will be addressed as part of the full Board's engagement with the Chief Executive Officer and management.

The Board annually reviews a management assessment of the primary operational and regulatory risks facing the Partnership, their relative magnitude and management's plan for mitigating these risks. The Board also reviews risks related to the Partnership's business strategy at its annual strategic planning meeting and at other meetings as appropriate.

Our Audit Committee oversees risk issues associated with our overall financial reporting and disclosure process and legal compliance, as well as reviews policies and procedures on risk control assessment and accounting risk exposure, including our business continuity and disaster recovery plans. The Audit Committee meets with the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Director – Internal Audit as well as our independent registered public accounting firm in executive sessions, at which risk issues are discussed, at in-person meetings held during the year.

Directors and Executive Officers

The following table sets forth the members of our Board of Directors, Audit Committee, Conflicts Committee and the executive officers of our general partner. The persons designated as our executive officers serve in that capacity at the discretion of our Board of Directors. There are no family relationships between any of our executive officers or members of the Board of Directors, Audit Committee or the Conflicts Committee. Some of these individuals are also officers of certain of our subsidiaries and affiliates.

Name	Age	Position with Rose Rock GP
Carlin G. Conner	48	President, Chief Executive Officer and Chairman
Peter L. Schwiering (1)	71	Chief Operating Officer and Director
Robert N. Fitzgerald	56	Senior Vice President, Chief Financial Officer and Director
Timothy R. O'Sullivan	59	Vice President and Director
Robert E. Dunn	64	Director, Audit Committee member and Conflicts Committee member
Rodney L. Gray	63	Director, Conflicts Committee Chairman and Audit Committee member
Mark E. Monroe	61	Director, Audit Committee Chairman and Conflicts Committee member
Candice L. Cheeseman	60	General Counsel
Paul F. Largess (2)	65	Vice President, Chief Accounting Officer and Controller

(1) Mr. Schwiering intends to retire once a successor is in place.

(2) Mr. Largess intends to retire on March 15, 2016.

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

Mr. Conner provides the Board more than 24 years of experience in the midstream industry and executive level experience gained through his services with Oiltanking GmbH and its affiliates as described above. He also has substantial board experience related to management and oversight of a midstream publicly traded master limited partnership. In addition, Mr. Conner serves as our president and chief executive officer and is able to provide the Board valuable insight with respect to our management and operations. His industry knowledge, board experience and positions as president and chief executive officer allow him to be a valuable contributor to the Board.

Peter L. Schwiering **.** Mr. Schwiering has served as the chief operating officer and a director of our general partner since 2011. He also serves as vice president of SemGroup, a position he has held since 2012. Mr. Schwiering joined SemCrude, L.P. in 2000 as vice president of operations and eventually served as its president. Prior to joining SemCrude, L.P., Mr. Schwiering worked for Dynegy Pipeline as manager of pipeline and commercial business. He also served with Sun Company for 25 years in various positions, last serving as the company's manager of business development - Western Region, based in Oklahoma.

Mr. Schwiering's over 40 years of experience in the energy industry, along with his knowledge of our assets from his experience as president of SemCrude, L.P., provide him with the necessary skills to serve as a member of the Board of Directors of our general partner.

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

Mr. Fitzgerald's 30+ years of financial and operational experience, in general, and experience in the energy industry, in particular, including his experience with SemGroup, provide him with the necessary skills to serve as a member of the Board of Directors of our general partner.

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

Mr. O'Sullivan's experience with SemGroup and its affiliates along with his over 30 years of experience in the energy industry provide him with the necessary skills to serve as a member of the Board of Directors of our general partner.

Rodney L. Gray. Mr. Gray has served as a director of our general partner and the Chairman of its Conflicts Committee and a member of its Audit Committee since 2011. From 2009 until 2010, Mr. Gray served as Chief Financial Officer and Executive Vice President of Cobalt International Energy, Inc. From 2003 to 2009, Mr. Gray served as Chief Financial Officer of Colonial Pipeline, an interstate carrier of petroleum products. From 2010 to present, Mr. Gray is the co-founder and a member of the Management Committee of Tidewater Resources, LLC, a manager and aggregator of renewable natural resources. He served from 2008 to April 2015 as a director and Chairman of both the audit and risk management committees and the conflicts committee of the board of directors of Regency Energy Partners LP. He currently serves as the Chief Executive Officer for Inflection Energy LLC, an exploration and production company active in the Marcellus Shale in Lycoming County, Pennsylvania. Mr. Gray received a Bachelor of Science degree in Accounting from the University of Wyoming and a Bachelor of Science degree in Mathematics and Economics from Rock Mountain College in Billings, Montana.

Mr. Gray brings more than 40 years of experience in the energy industry, including as an executive with financial leadership responsibility, to the board. He also has experience serving as an independent member of the board of directors of a master limited partnership. We believe that this experience provides him with the necessary skills to serve on the Board of Directors of our general partner and its Audit Committee.

Mark E. Monroe . Mr. Monroe has served as a director of our general partner since 2011. Mr. Monroe served as president and chief operating officer of Continental Resources, Inc., an NYSE-listed oil and gas exploration and production company, from 2005 until his retirement in 2008. Mr. Monroe has been a director of Continental Resources since 2001, and currently serves as Chairman of its Audit Committee. Mr. Monroe was a consultant and served as a member of the Board of Directors of Unit Corporation, an NYSE-listed onshore drilling and oil and gas exploration and production company, from 2003 to 2005. Mr. Monroe served in various positions with Louis Dreyfus Natural Gas Corp beginning in 1980, including serving as its chief executive officer and president from 1996 until its merger with Dominion Resources, Inc. in 2001. He currently serves on the Board of Directors of the Oklahoma Independent Petroleum Association. He has served as chairman of the Oklahoma Independent Petroleum Association, and has served on the Domestic Petroleum Council and the National Petroleum Council, as well as on the boards of directors of the Independent Petroleum Association of America, the Oklahoma Energy Explorers, and the Petroleum Club of Oklahoma City. Mr. Monroe is a certified public accountant and received his B.A. in business administration from the University of Texas at Austin.

Mr. Monroe brings extensive executive and financial experience to the Board from his positions as chief executive officer, president and chief financial officer at various publicly-traded oil and gas companies and his background as a certified public accountant. We believe these experiences and skills qualify him to serve on the Board of Directors of our general partner and its Audit Committee and Conflicts Committee.

Robert E. Dunn. Mr. Dunn has served as a director of our general partner since 2012. Since 2012, Mr. Dunn has served as president and chief executive officer of Prism Midstream LLC, a Texas based oil and gas company. In 2000, Mr. Dunn founded Prism Gas Systems to develop and acquire midstream assets. In 2005, that company was acquired by Martin Midstream Partners, a publicly traded master limited partnership engaged in storage, transportation and distribution of petroleum products, where Mr. Dunn continued as senior vice president until 2012. From 1982-1999, he was employed by Union Pacific Resources Company, an independent oil and gas exploration and production company, last serving as vice president of gathering and processing. Beginning his career in the energy industry in 1975, Mr. Dunn's background includes significant acquisition and organic growth experience as well as oil and natural gas operation and management. Mr. Dunn has a master's degree in business administration from Harvard Business School and a bachelor of science degree in civil engineering from the University of Tennessee.

Mr. Dunn has nearly 40 years of experience in the energy industry and provides a vast knowledge and understanding of the midstream sector. This industry knowledge and executive-level leadership experience make him a valued contributor to our Board and its Audit Committee and Conflicts Committee.

Candice L. Cheeseman . Ms. Cheeseman has served as the general counsel for our general partner since 2011. Ms. Cheeseman joined SemGroup in 2010 and serves as SemGroup's general counsel. Prior to joining SemGroup, Ms. Cheeseman served as general counsel of Global Power Equipment Group Inc., a comprehensive provider of power generation equipment and maintenance services for energy customers, since 2004. In 2006, Global Power Equipment Group Inc. and its domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. Global Power Equipment Group and its subsidiaries emerged from bankruptcy protection in 2008. Prior to Global Power, she was employed by WilTel Communications Group (formerly known as Williams Communications Group), a global communication company, where she served in a variety of capacities, including general counsel and secretary, commencing in

2002. Ms. Cheeseman has been a practicing attorney for over 20 years serving in various capacities for Wiltel Communications, Marriott International and law firms in the Washington D.C. area.

Paul Largess. Mr. Largess has served as the vice president, chief accounting officer and controller of our general partner since 2011. He has also serves as vice president, chief accounting officer and controller of SemGroup, a position held since 2009. From 2007 to 2009, he worked as a consultant and at the University of Tulsa as an adjunct professor of accounting. Mr. Largess retired as controller of CITGO Petroleum Corporation in 2006, after 21 years of service in a number of positions in accounting, finance and audit. Prior to joining CITGO, Mr. Largess worked as an auditor with Texaco and in public accounting. Mr. Largess is a certified public accountant.

Additional Governance Matters

Executive Sessions of the Board of Directors

Our Board of Directors has documented its governance practices in our Governance Guidelines. Our Board of Directors holds regular executive sessions in which non-management board members meet without any members of management present. The chairman of our Audit Committee, Mr. Monroe, presides at regular sessions of the non-management members of our Board of Directors. Meetings of the non-management board members are scheduled in connection with each in-person meeting of our Board of Directors.

Governance Guidelines

Our Board of Directors has adopted Governance Guidelines that address several Partnership governance matters, including responsibilities of our directors, the composition and responsibility of the Audit Committee, the conduct and frequency of board meetings, management succession, director access to management and outside advisors, director orientation and continuing education, and annual self-evaluation of the board. Our Board of Directors recognizes that effective governance is an ongoing process, and the Board will review our Governance Guidelines periodically as deemed necessary.

Codes of Business Conduct and Ethics

Our Board of Directors has adopted both a Code of Business Conduct and Ethics applicable to the members of our Board of Directors, our officers and the employees of SemGroup and Rose Rock GP, who provide services to us and an additional separate Code of Ethics for CEO and Senior Financial Officers, which is applicable to the chief executive officer and all senior financial officers, including the chief financial officer and chief accounting officer, of our general partner. We intend to promptly post on our website any amendments to, or waivers (including any implicit waiver) from, any provision of our Code of Business Conduct and Ethics or Code of Ethics for CEO and Senior Financial Officers in accordance with the applicable rules of the SEC and NYSE.

Web Access

We provide access through our website at www.rrmidstream.com to current information relating to Partnership governance, including our Audit Committee Charter, Conflicts Committee Charter, our Code of Business Conduct and Ethics, our Code of Ethics for CEO and Senior Financial Officers, our Governance Guidelines and other matters impacting our governance principles. You may access copies of each of these documents from our website. You may also contact the office of the secretary of Rose Rock GP for printed copies of these documents free of charge. Our website and any contents thereof are not incorporated by reference into this Form 10-K.

Communications with Directors

Our Board of Directors believes that it is management's role to speak for the Partnership. Our Board of Directors also believes that any communications between members of the Board of Directors and interested parties, including unitholders, should be conducted with the knowledge of our chairman, president and chief executive officer. Interested parties, including unitholders, may contact one or more members of our Board of Directors, including non-management directors and non-management directors as a group, by writing to the director or directors in care of the secretary of Rose Rock GP at our principal executive offices. A communication received from an interested party or unitholder will be promptly forwarded to the director or directors to whom the communication is addressed. A copy of the communication will also be provided to our chairman, president and chief executive officer. We will not, however, forward sales or marketing materials or correspondence primarily commercial in nature, materials that are abusive, threatening or otherwise inappropriate, or correspondence not clearly identified as interested party or unitholder correspondence.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires executive officers, members of our Board of Directors and persons who own more than 10 percent of our common units to file reports of ownership and changes in ownership with the SEC and the NYSE and to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us during and with respect to the 2015 fiscal year or written representations from certain reporting persons that no Form 5s were required for those persons, we believe that during 2015 our reporting persons complied with all applicable filing requirements in a timely manner; except that one report was filed late with respect to one transaction by SemGroup Corporation and Rose Rock Midstream Holdings, LLC.

Item 11. *Executive Compensation*

Compensation Discussion and Analysis

All of our executive officers and other employees necessary for our business to function are employed and compensated by SemGroup, subject to reimbursement by us. We and our general partner were formed in 2011. We are managed by the executive officers of our general partner. Executive officers include our principal executive officer, Carlin G. Conner, our principal financial officer, Robert N. Fitzgerald, our general counsel, Candice L. Cheeseman, our vice president, Tim O'Sullivan and our chief operating officer, Peter L. Schwiering (collectively, our “named executive officers”). Each of our named executive officers is also a named executive officer of SemGroup and, with the exception of Mr. Schwiering, our named executive officers devote less than a majority of their total business time to our general partner. Compensation described in the Summary Compensation Table below with respect to the named executive officers reflects only the portion of the compensation expense that is payable by us, which includes (1) all of the expense of awards made to our named executive officers under the Rose Rock Midstream Equity Incentive Plan (the “EIP”) and (2) the amount allocated to us by SemGroup (and reimbursed to SemGroup by us), which is determined by the amount of time each named executive officer actually spent working for us relative to the amount of time each spent working for SemGroup. Compensation described below in the Grants of Plan-Based Awards During 2015 table, the Outstanding Equity Awards at Fiscal Year-End 2015 table and the Option Exercises and Stock Vested During 2015 table reflects only the awards made to our named executive officers under the EIP.

Neither we nor our general partner have a compensation committee. Except for awards made under the EIP, the named executive officers of our general partner are compensated directly by SemGroup. All decisions as to the compensation of the named executive officers of our general partner who are involved in our management (other than decisions to make awards under the EIP, which awards are determined and approved by the SemGroup Board of Directors, which are then approved by the Board of Directors of our general partner) are made by the Compensation Committee of SemGroup. Therefore, other than with respect to awards made under the EIP, we do not have any policies or programs relating to compensation of the named executive officers of our general partner and we make no decisions relating to such compensation. None of the named executive officers of our general partner have employment agreements with us other than Carlin G. Conner, who has an employment agreement with SemGroup and our general partner. A full discussion of our employment agreement with Mr. Conner and the policies and programs of the Compensation Committee of SemGroup will be set forth in the proxy statement of SemGroup's 2016 annual meeting of stockholders which will be available upon its filing on the SEC website at http://www.sec.gov and on SemGroup's website at http://semgroupcorp.com under the heading “Investors—SEC Filings.” The compensation paid by SemGroup to our named executive officers is allocated to us and reimbursed by us to SemGroup.

To determine the value of equity awards to be granted to the named executive officers under the EIP, the Board of Directors of our general partner considers the following factors:

- the named executive officer's impact on our performance and ability to create value;
- our long-term business objectives;
- awards made to executives in similar positions with other comparably sized energy companies; and
- the named executive officer's performance.

Role of the Independent Compensation Consultant

The Compensation Committee of the Board of Directors of SemGroup retained Pearl Meyer and Partners to serve as its independent compensation consultant on certain compensation matters, including the compensation structure with respect to the non-employee directors of our general partner. The Compensation Committee of the Board of Directors of SemGroup assessed the independence of Pearl Meyer and Partners pursuant to SEC rules and concluded that Pearl Meyer and Partners' work did not raise any conflict of interest.

Board Report on Compensation

Neither we nor our general partner have a compensation committee. The Board of Directors of our general partner has reviewed and discussed with management the Compensation Discussion and Analysis set forth above and based on this review and discussion has approved it for inclusion in this Form 10-K.

The Board of Directors of Rose Rock GP consists of:

Carlin G. Conner
Peter L. Schwiering
Robert N. Fitzgerald
Timothy R. O'Sullivan
Robert E. Dunn
Rodney L. Gray
Mark E. Monroe

Equity Incentive Plan

Our general partner has adopted the EIP for the employees and directors of our general partner and its affiliates, including SemGroup, and any consultants who perform services for us, our general partner and any of our and our general partner's affiliates, including SemGroup. The description of the EIP set forth below is a summary of the material features of the EIP.

The EIP consists of options, unit appreciation rights, restricted units, phantom units and other unit-based awards, including any tandem distribution equivalent rights that may be granted with respect to an award, other than an award of restricted units. The EIP limits the number of common units that may be delivered pursuant to awards under the plan to 840,000 common units. If an award expires, is forfeited, canceled or otherwise terminated without the issuance of common units or if such award is otherwise settled for cash, the common units subject to such award, to the extents of such expiration, forfeiture, cancellation, termination or settlement for cash, will again be available for new awards under the EIP. Common units to be delivered pursuant to awards under the EIP may be common units acquired in the open market, from us, from any of our affiliates or from any other person, or any combination of the foregoing.

Administration

The EIP is administered by our Board of Directors. Our Board of Directors may terminate or amend the EIP at any time with respect to any common units for which a grant has not yet been made. Our Board of Directors also has the right to amend, alter, suspend, discontinue or terminate the EIP or any portion thereof at any time, including increasing the number of common units available under the EIP, subject in each case to unitholder approval as may be required under the EIP or by the exchange upon which the common units are listed at that time, if any. No change may be made in any outstanding grant that would materially reduce the benefits of the participant without the consent of the participant. Unless earlier terminated by the Board of Directors of our general partner, the EIP will terminate on the tenth anniversary of its effective date. Upon termination of the EIP, awards then outstanding will continue pursuant to the terms of their grants.

Options

An option represents the right to purchase a stated number of common units at a specified exercise price, subject to such terms and conditions as may be established by the Board of Directors in its sole discretion. Options may be granted to such eligible individuals and with such terms as our Board of Directors may determine that are consistent with the EIP. However, an option must have an exercise price greater than or equal to the fair market value of a common unit on the date of grant. The term of each option will be determined by our Board of Directors at the time of grant, but in no event shall such term be greater than ten years from the date of grant.

In general, an option will become exercisable over a period determined by our Board of Directors. An option may be exercised for all, or from time to time any part, of the common units for which it is then exercisable. The aggregate exercise price for the common units as to which an option is exercised must be paid in full at the time of exercise. At the participant's election, the exercise price may be paid (i) in cash, (ii) in common units with a fair market value equal to the aggregate exercise price for the common units being purchased (to the extent permitted, and subject to conditions imposed, by the Board of Directors), (iii) partly in cash and partly in common units (to the extent permitted, and subject to conditions imposed, by the Board of Directors), or (iv) if there is a public market for the common units at the time of exercise, through the delivery of irrevocable instructions to a broker to sell common units obtained upon the exercise of the option and to deliver promptly an amount out of the proceeds of such sale equal to the aggregate exercise price for the common units being purchased.

Unit Appreciation Rights

A unit appreciation right represents the right to receive the appreciation in the value of a specified number of common units on the date of exercise over the grant price of such unit appreciation right, as determined by our Board of Directors on the date of grant. Payment on a unit appreciation right will be made either in cash, common units, other property or any combination thereof, as determined by our Board of Directors in its sole discretion. Unit appreciation rights may be granted to such eligible individuals and with such terms as our Board of Directors may determine that are consistent with the EIP. However, a unit appreciation right must have a grant price greater than or equal to the fair market value of a common unit on the date of grant. The term of each unit appreciation right will be determined by our Board of Directors at the time of grant, but in no event shall such term be greater than ten years from the date of grant.

Our Board of Directors may also grant tandem unit appreciation rights, which are unit appreciation rights that are granted in tandem with an option at the same time such option is granted. A tandem unit appreciation right may be exercisable only to the extent that the related option is exercisable and will expire no later than the expiration of the related option. Upon the exercise of all or a portion of a tandem unit appreciation right, a participant will be required to forfeit the right to exercise an equivalent portion of the related option (and, when a common unit is purchased under the related option, the participant shall be required to forfeit an equivalent portion of the tandem unit appreciation right).

Restricted Units

A restricted unit is a common unit that is subject to forfeiture upon the occurrence of certain specified events. Restricted units may be granted to such eligible individuals and with such terms as our Board of Directors may determine that are consistent with the EIP. Each award agreement evidencing a restricted unit will specify the restriction period(s), the number of restricted units subject to the award, and the performance, employment or other conditions (including termination as the result of death, disability or other reason) under which the restricted units will vest or be forfeited. Our Board of Directors may condition the grant of restricted units or the expiration of the restriction period(s) upon the participant's achievement of one or more performance goal(s) specified in the award agreement. If the participant fails to achieve the specified performance goal, or goals, our Board of Directors will not grant the restricted units to the participant or the participant will forfeit such restricted units, as applicable. At the end of the restriction period(s), the restrictions imposed under the EIP and the applicable award agreement will lapse and the vested common units will be delivered to the participant. Our Board of Directors will determine and set forth in the participant's award agreement whether or not the participant shall have the right to exercise voting rights with respect to the restricted units during the restriction period(s).

Each restricted unit will include one unit distribution right, which is a contingent right to receive a cash payment equal to the cash distributions made on each common unit subject to the award. Unless provided otherwise in the applicable award agreement, distributions made pursuant to the unit distribution rights will be paid to the holder of the restricted unit without restriction at the same time distributions are paid to our other unitholders. The applicable award agreement may provide that distributions made pursuant to the unit distribution rights with respect to the restricted units will be subject to the same forfeiture and other restrictions as the restricted units and, if so restricted, such distributions shall be held, without interest, until the restricted units vest or are forfeited, as the case may be, in which case such distributions shall similarly be paid or forfeited, as the case may be.

Phantom Units

A phantom unit entitles the grantee to receive a common unit upon the vesting of the phantom unit or, in the discretion of our Board of Directors, cash equivalent to the value of a common unit. Our Board of Directors will determine the number of phantom units to be granted to a participant, the restriction period, the conditions under which the phantom units may vest or be forfeited, which conditions may include, without limitation, accelerated vesting upon the achievement of specified performance goals, and such other terms and conditions as the Board of Directors may establish, including whether distribution equivalent rights will be granted with respect to such phantom units. If the participant fails to achieve the specified performance goal(s) set forth in applicable award agreement, our Board of Directors will not grant the phantom units to the participant or the participant will forfeit such phantom units, as applicable. Upon vesting of each phantom unit, the participant shall receive one common unit or cash equal to the fair market value of a common unit on the date of vesting, as determined by our Board of Directors in its discretion. All unvested phantom units shall be forfeited by the participant except as otherwise provided by the applicable award agreement, upon termination of a participant's service for any reason during the applicable restriction period.

Other Unit-Based Awards

Our Board of Directors, in its sole discretion, may grant other unit-based awards, including awards of common units and awards that are valued, in whole or in part, by reference to, or are otherwise based on, the fair market value of common units.

Such other unit-based awards will be granted on such conditions as our Board of Directors may determine, including the right to receive one or more common units (or the equivalent cash value of such common units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of certain performance goals. Other unit-based awards may be granted alone or in addition to any other awards granted under the EIP. Our Board of Directors will determine to whom and when other unit-based awards will be made, the number of common units to be awarded under (or otherwise related to) such other unit-based awards, whether such other unit-based awards will be settled in cash, common units or a combination of cash and common units, and all other terms and conditions of such awards.

Distribution Equivalent Rights

To the extent provided by our Board of Directors, an award, other than an award of restricted units, may include a tandem distribution equivalent right grant. A tandem distribution equivalent right entitles the participant to receive a cash payment equal to the cash distributions made on a common unit during the period in which the underlying award is outstanding. Distribution equivalent rights will be subject to the same vesting restrictions as the underlying award, or be subject to such other provisions or restrictions as may be determined by our Board of Directors in its discretion. Any grant of distribution equivalent rights will be evidenced in the award agreement for the underlying award. Unless provided otherwise in the applicable award agreement, distributions made pursuant to the tandem distribution equivalent right will be paid to the participant without restriction at the same time distributions are paid to our other unit holders. A tandem distribution equivalent right will expire upon the forfeiture, vesting or exercise (as applicable), expiration or settlement of the underlying award.

Summary Compensation Table

The following table sets forth certain information with respect to (1) our compensation of our general partner's named executive officers for the years ended December 31, 2015, 2014 and 2013, and (2) SemGroup's compensation of our general partner's named executive officers attributable to us for the years ended December 31, 2015, 2014 and 2013.

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)	Option Awards	Non-Equity Incentive Plan Compen-sation (3)	Change in Pension Value and Non-qualified Deferred Compen-sation Earnings	All Other Compensa-tion (4)	Total
Carlin G. Conner (5)	2015	$ 103,171	$ —	$ 480,225	$ —	$ 70,794	$ —	$ 3,666	$ 657,856
President and Chief Executive Officer	2014	$ 75,012	$ 108,000	$ 1,514,998	$ —	$ 180,000	$ —	$ 33,315	$ 1,911,325
Robert N. Fitzgerald	2015	$ 100,166	$ —	$ 306,598	$ —	$ 50,243	$ —	$ 3,313	$ 460,320
Senior Vice President and Chief Financial	2014	$ 126,478	$ —	$ 314,344	$ —	$ 168,960	$ —	$ 4,290	$ 614,072
Officer	2013	$ 122,683	$ —	$ 364,279	$ —	$ 139,920	$ —	$ 4,208	$ 631,090
Candice L. Cheeseman	2015	$ 85,264	$ —	$ 152,800	$ —	$ 41,658	$ —	$ 3,313	$ 283,035
General Counsel	2014	$ 81,926	$ —	$ 146,592	$ —	$ 109,075	$ —	$ 3,250	$ 340,843
	2013	$ 79,468	$ —	$ 206,960	$ —	$ 93,250	$ —	$ 3,188	$ 382,866
Timothy R. O'Sullivan	2015	$ 57,484	$ —	$ 129,933	$ —	$ 24,054	$ —	$ 2,385	$ 213,856
Vice President Corporate Planning	2014	$ 55,437	$ —	$ 98,408	$ —	$ 52,704	$ —	$ 2,340	$ 208,889
and Strategic Initiatives	2013	$ 53,776	$ —	$ 129,374	$ —	$ 48,420	$ —	$ 2,295	$ 233,865
Peter L. Schwiering	2015	$ 254,111	$ —	$ 400,510	$ —	$ 107,254	$ —	$ 9,938	$ 771,813
Chief Operating	2014	$ 240,699	$ —	$ 391,577	$ —	$ 265,500	$ —	$ 9,563	$ 907,339
Officer	2013	$ 220,875	$ —	$ 502,508	$ —	$ 221,294	$ —	$ 9,563	$ 954,240

(1) Represents a signing bonus paid to Mr. Conner as an inducement to accept our employment offer.

(2) The amount represents the grant date fair value computed in accordance with ASC 718 " *Stock Compensation* ," which excludes the effect of estimated forfeitures, of the shares of SemGroup restricted stock and SemGroup performance

based shares granted under the SemGroup equity incentive plan and the Rose Rock restricted units granted under the EIP. The amounts shown do not represent amounts paid to such executive officers.

Rose Rock has not issued any performance based awards. The value included above for SemGroup performance based shares is based on 100 percent of the SemGroup performance shares vesting at the end of the three-year performance period. Using the maximum number of shares of SemGroup issuable upon vesting of the performance shares (200 percent of the shares granted in 2015, 2014 and 2013), the aggregate grant date fair value of the performance based shares attributable to us would be as follows:

Name	2015 (a)	2014 (b)	2013 (c)
Carlin G. Conner	$ 305,987	$ —	$ —
Robert N. Fitzgerald	$ 222,987	$ 250,725	$ 290,557
Candice L. Cheeseman	$ 111,144	$ 106,601	$ 150,503
Timothy R. O'Sullivan	$ 82,794	$ 61,696	$ 82,442
Peter L. Schwiering	$ 369,701	$ 361,407	$ 418,843

(a) Based on the SemGroup closing price per share of $77.75 on March 2, 2015
(b) Based on the SemGroup closing price per share of $67.32 on February 28, 2014
(c) Based on the SemGroup closing price per share of $47.65 on March 1, 2013

(3) Reflects the amounts attributable to us for awards under SemGroup’s short-term incentive program based on achievement of certain performance metrics specified therein.

(4) All Other Compensation for 2015 includes amounts allocated under SemGroup's 401(k) matching contributions and perquisites. The table below shows the components of this column for 2015.

Name	Tax and Financial Planning	401(k) Matching Contribution	Total Other Compensation
Carlin G. Conner	$ 1,281	$ 2,385	$ 3,666
Robert N. Fitzgerald	$ —	$ 3,313	$ 3,313
Candice L. Cheeseman	$ —	$ 3,313	$ 3,313
Timothy R. O'Sullivan	$ —	$ 2,385	$ 2,385
Peter L. Schwiering	$ —	$ 9,938	$ 9,938

(5) Mr. Conner commenced his service as President and Chief Executive Officer as of April 1, 2014.

Grants of Plan-Based Awards During 2015

The following table provides information about restricted units granted to our named executive officers during the year ended December 31, 2015. No stock options were granted to our named executive officers in 2015. There can be no assurance that the Grant Date Fair Value of Stock and Option Awards will ever be realized.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	Grant Date	Approval Date	Threshold	Target	Maximum	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards (2)
Carlin G. Conner	3/2/15	2/25/15	$ —	$ —	$ —	—	—	—	4,521	—	$ —	$ 212,487
Robert N. Fitzgerald	3/2/15	2/25/15	$ —	$ —	$ —	—	—	—	2,372	—	$ —	$ 111,484
Candice L. Cheeseman	3/2/15	2/25/15	$ —	$ —	$ —	—	—	—	1,182	—	$ —	$ 55,554
Timothy R. O'Sullivan	3/2/15	2/25/15	$ —	$ —	$ —	—	—	—	1,223	—	$ —	$ 57,481
Peter L. Schwiering	3/2/15	2/25/15	$ —	$ —	$ —	—	—	—	2,622	—	$ —	$ 123,234

(1) These restricted unit awards were granted under our EIP and are described in the Outstanding Equity Awards at Fiscal Year-End 2015 table below.

(2) Represents the grant date fair value computed in accordance with ASC 718, " *Stock Compensation* ," which excludes the effect of estimated forfeitures, of the restricted units granted under our EIP.

Outstanding Equity Awards at Fiscal Year-End 2015

The following table shows the outstanding equity awards held by our named executive officers as of December 31, 2015.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Carlin G. Conner	—	—	—	$ —	—	18,638	$ 280,316	—	$ —
Robert N. Fitzgerald	—	—	—	$ —	—	8,011	$ 120,485	—	$ —
Candice L. Cheeseman	—	—	—	$ —	—	4,740	$ 71,290	—	$ —
Timothy R. O'Sullivan	—	—	—	$ —	—	4,006	$ 60,250	—	$ —
Peter L. Schwiering	—	—	—	$ —	—	9,777	$ 147,046	—	$ —

(1) Vesting dates for restricted units have a 3-year cliff vesting period from the date of grant for all NEOs except for the restricted unit awards granted to Mr. Conner upon his hiring, which have a 5-year pro-rata vesting on each of the anniversaries of the grant. Vesting dates are shown in the following table:

Name	Number of RRMS Common Units That Have Not Vested	Vesting Date
Carlin G. Conner	3,530	April 1, 2016
Carlin G. Conner	3,529	April 1, 2017
Carlin G. Conner	4,521	March 2, 2018
Carlin G. Conner	3,529	April 1, 2018
Carlin G. Conner	3,529	April 1, 2019
Robert N. Fitzgerald	3,199	March 1, 2016
Robert N. Fitzgerald	2,440	February 28, 2017
Robert N. Fitzgerald	2,372	March 2, 2018
Candice L. Cheeseman	2,188	March 1, 2016
Candice L. Cheeseman	1,370	February 28, 2017
Candice L. Cheeseman	1,182	March 2, 2018
Timothy R. O'Sullivan	1,664	March 1, 2016
Timothy R. O'Sullivan	1,119	February 28, 2017
Timothy R. O'Sullivan	1,223	March 2, 2018
Peter L. Schwiering	4,059	March 1, 2016
Peter L. Schwiering	3,096	February 28, 2017
Peter L. Schwiering	2,622	March 2, 2018

(2) Based on the closing price of our common units ($15.04 at December 31, 2015), as reported on the New York Stock Exchange.

Option Exercises and Stock Vested During 2015

The following table provides information about the value realized by our named executive officers upon exercise of option awards and vesting of restricted unit awards during the year ended December 31, 2015.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (1)
Carlin G. Conner	—	$ —	3,530	$ 167,675
Robert N. Fitzgerald	—	$ —	2,673	$ 102,911
Candice L. Cheeseman	—	$ —	2,049	$ 78,887
Timothy R. O'Sullivan	—	$ —	1,726	$ 66,451
Peter L. Schwiering	—	$ —	3,846	$ 148,071

(1) Based on the closing price of our common units on the day the restricted unit award vested, as reported on the New York Stock Exchange.

Potential Payments upon Termination or Change of Control as of December 31, 2015

Each award agreement pursuant to which our named executive officers have been granted restricted units under our EIP provides that (1) if such named executive officer is terminated for Good Reason, within two (2) years after a Change of Control, all unvested restricted common units shall vest and become nonforfeitable on the date of such termination and (2) if such named executive officer is involuntarily terminated without Cause, then any unvested restricted common units shall become fully vested upon such termination. The award agreements use the following definitions:

“Cause” means, with respect to a named executive officer, one or more of the following:

- the plea of guilty or nolo contendere to, or conviction of, the commission of a felony offense;
- any act of willful fraud, dishonesty or moral turpitude that causes a material harm to us;
- gross negligence or gross misconduct with respect to us;
- willful and deliberate failure to perform his or her employment duties in any material respect; or
- breach of a material written employment policy of ours to which the named executive officer is subject;

provided, however, that in the case of a named executive officer who has an employment agreement with us in which “Cause” is defined, “Cause” shall be determined in accordance with such definition. Carlin G. Conner currently has an employment agreement with SemGroup and our general partner. Under Mr. Conner's employment agreement, "Cause" is defined as:

- his conviction of or a plea of nolo contendere to a felony or a crime involving fraud, dishonesty or moral turpitude;
- his commission of a willful wrongful act intending to enrich himself at the expense of, or that causes serious injury, monetary or otherwise, to, the Company or any of its subsidiaries or affiliates;
- his willful or reckless neglect or misconduct in the performance of his duties which results in a material adverse effect on the Company;
- his willful or reckless violation or disregard of the Company's code of business conduct and ethics or, if applicable, the written code of ethics for our CEO and senior financial officers previously provided to him;
- his material willful or reckless violation or disregard of a written Company policy previously provided to him; or
- his habitual or gross neglect of duties.

“Good Reason” means the occurrence of one or more of the following without the consent of the named executive officer:

- a material reduction in the named executive officer's base salary or incentive compensation opportunity (other than a general reduction that affects all similarly situated employees equally);
- a material reduction of the named executive officer's duties and responsibilities or an adverse change in the named executive officer's title; or
- a transfer of the named executive officer's primary workplace by more than thirty-five (35) miles from the location of the named executive officer's current primary workplace;

provided that the named executive officer shall first have given us written notice that an event or condition constituting Good Reason has occurred and specifying in reasonable detail the circumstances constituting such Good Reason within thirty (30) days after such occurrence, and we shall have a period of thirty (30) days after receiving such written notice to effectively cure or remedy such occurrence; and *provided, further* , that in the case of a named executive officer who has an employment agreement with us in which “Good Reason” is defined, “Good Reason” shall be determined in accordance with such definition. "Good Reason" is defined in Mr. Conner's employment agreement as the occurrence of one or more of the following without his prior written consent:

- a material adverse reduction in the nature or scope of his duties, functions, responsibilities or authority;
- a reduction in his base salary or target annual bonus;
- a material reduction in the kind or level of his aggregate benefits not applicable to all other executives;
- a relocation of generally more than 50 miles; or
- the failure of the Company to materially comply with its obligations under the employment agreement.

“Change of Control” means the occurrence of any of the following events:

- any sale, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of our general partner's or Rose Rock's assets to any other person, unless immediately following such sale, exchange or other transfer such assets are owned, directly or indirectly, by our general partner or Rose Rock, as the case may be, or our general partner or Rose Rock, as the case may be, owns or controls such other person;
- the dissolution or liquidation of our general partner or Rose Rock;
- the consolidation or merger of our general partner or Rose Rock with or into another person, other than any such transaction where (i) the outstanding voting securities of our general partner or Rose Rock, as the case may be, are changed into or exchanged for voting securities of the surviving person or its parent and (ii) the holders of the voting securities of our general partner or Rose Rock, as the case may be, immediately prior to such transaction own, directly or indirectly, not less than a majority of the outstanding voting securities of the surviving person or its parent immediately after such transaction; or
- a “person” or “group” (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act) other than our general partner, Rose Rock or affiliates being or becoming the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of all of the then outstanding voting securities of our general partner or Rose Rock, except in a merger or consolidation that would not constitute a Change of Control under the third clause of this definition.

The following table shows the value of restricted common unit awards that would vest upon a Change of Control event (followed by a termination for Good Reason within two years of such Change of Control) or upon a termination without Cause, in each case assuming a termination date of December 31, 2015, and using the closing price of our common units of $15.04 (as reported on the New York Stock Exchange) as of December 31, 2015. These amounts are estimates only. The actual amounts can only be determined at the time of such named executive officer's separation from us.

Name		Acceleration of Restricted Common Unit Awards
Carlin G. Conner	$	280,316
Robert N. Fitzgerald	$	120,485
Candice L. Cheeseman	$	71,290
Timothy R. O'Sullivan	$	60,250
Peter L. Schwiering	$	147,046

Other Compensation Tables

We have not included tables with information about pension benefits and non-qualified deferred compensation because there is nothing to include in such tables for 2015.

Compensation Committee Interlocks and Insider Participation

As previously discussed, our general partner's Board of Directors is not required to maintain, and does not maintain a compensation committee. During 2015, Carlin G. Conner served as our general partner's President and Chief Executive Officer, Chairman of the Board of Directors and also served as President and Chief Executive Officer of SemGroup. Also, during 2015, Robert N. Fitzgerald, Timothy R. O'Sullivan and Peter L. Schwiering, who were directors of our general partner, also served as executive officers of SemGroup. However, all compensation decisions with respect to each of these persons are made by SemGroup and none of these individuals receive any compensation directly from us or our general partner, other than awards under our EIP. Please read "Certain Relationships and Related Transactions, and Director Independence" below for information about relationships among us, our general partner and SemGroup.

Compensation Policies and Practices as They Relate to Risk Management

We do not have any employees. We are managed and operated by the directors and officers of our general partner and employees of SemGroup perform services on our behalf. Please read "Compensation Discussion and Analysis" and "Certain Relationships and Related Transactions, and Director Independence" for more information about this arrangement. For an analysis of any risks arising from SemGroup's compensation policies and practices, please read SemGroup's 2016 Proxy Statement. We have made awards of restricted units subject to time-based vesting under our EIP, which we believe drive a long-term perspective and which we believe make it less likely that executive officers will take unreasonable risks because the restricted units retain value even in a depressed market.

Compensation of Directors

The officers or employees of our general partner or of SemGroup who also serve as directors of our general partner will not receive additional compensation for their service as a director of our general partner. Directors of our general partner who are not officers or employees of our general partner or of SemGroup receive compensation for their service as directors consisting of a $75,000 annual cash retainer and restricted units worth $80,000. The chairman of the Conflicts Committee and Audit Committee receive additional annual cash retainers in the amount of $12,500 and $15,000, respectively. In addition, non-employee directors will be reimbursed for out-of-pocket expenses in connection with attending meetings of the Board of Directors or its committees. Each director will be indemnified for his actions associated with being a director to the fullest extent permitted under Delaware law.

Director Compensation Table for 2015

The following table sets forth the compensation of our non-employee directors in 2015.

Name	Fees Earned or Paid in Cash	Unit Awards (1)	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Robert E. Dunn	$ 75,000	$ 80,000	$ —	$ —	$ —	$ —	$ 155,000
Rodney L. Gray	$ 87,500	$ 80,000	$ —	$ —	$ —	$ —	$ 167,500
Mark E. Monroe	$ 90,000	$ 80,000	$ —	$ —	$ —	$ —	$ 170,000

(1) These amounts represent the grant date fair value computed in accordance with ASC 718, " *Stock Compensation,"* which excludes the effect of estimated forfeitures of the restricted units granted. The following table provides information on the restricted unit awards in 2015 for the directors. The following table represents all restricted unit awards outstanding as of December 31, 2015.

Name	Award Date (a)	# of Units Awarded	Grant Date Fair Value ($/Unit)	Grant Date Fair Value of Restricted Unit Awards
Robert E. Dunn	12/1/15	3,783	$ 21.15	$ 80,000
Rodney L. Gray	12/1/15	3,783	$ 21.15	$ 80,000
Mark E. Monroe	12/1/15	3,783	$ 21.15	$ 80,000

(a) Awards granted in December 2015 reflect the Annual Equity Grants earned for the Board plan year December 1, 2015 through November 30, 2016.

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

Except as otherwise indicated, we believe that the beneficial owners of our units and SemGroup Class A common stock listed in the tables below, based on information furnished by such owners, have sole investment and voting power with respect to such shares and units, as the case may be, subject to community property laws where applicable.

All information with respect to beneficial ownership has been furnished by the respective directors, officers or more than 5% unitholders as the case may be.

The following table sets forth certain information regarding the beneficial ownership of units that, as of January 31, 2016, are held by:

- each person who is known to us to beneficially own more than 5% of such units to be outstanding;
- each of the directors and named executive officers of our general partner; and
- all of the directors and executive officers of our general partner as a group.

The percentage of units beneficially owned is based on a total of 36,798,678 common units outstanding.

Name of Beneficial Owner (1)	Common Units Beneficially Owned (2)	Percentage of Common Units Beneficially Owned
SemGroup Corporation (3)	20,704,418	56.3%
Clear Bridge Investments, LLC (4)	3,007,206	8.2%
Mark E. Monroe	12,277	*
Rodney L. Gray	7,277	*
Candice L. Cheeseman (5)	8,511	*
Robert E. Dunn	5,397	*
Robert N. Fitzgerald	7,859	*
Timothy R. O’Sullivan	5,236	*
Peter L. Schwiering	6,515	*
Carlin G. Conner	1,951	*
Paul F. Largess	1,197	*
All directors and executive officers as a group (9 persons)	56,220	*

* Less than 1%.

(1) Unless otherwise indicated, the address for all beneficial owners in this table is Two Warren Place, 6120 S. Yale Avenue, Suite 700, Tulsa, Oklahoma 74136-4216.

(2) Includes units which were not outstanding but which could be acquired by a person upon vesting of a restricted unit award within 60 days of January 31, 2016 as follows: Ms. Cheeseman - 2,188 units; Mr. Fitzgerald - 3,199 units; Mr. O'Sullivan - 1,664 units; Mr. Schwiering - 4,059 units and Mr. Largess - 589 units. Such units are included in units beneficially owned and deemed outstanding for the purpose of computing the percentage of outstanding units beneficially owned by such person. Such units, however, are not deemed to be outstanding for the purpose of computing the percentage of outstanding units beneficially owned by any other person.

(3) SemGroup may be deemed to beneficially own the 20,704,418 common units beneficially owned by Rose Rock Midstream Holdings, LLC.

(4) This information is as of December 31, 2015, as reported in a Schedule 13G/A filed by Clear Bridge Investments, LLC, 620 8th Avenue, New York, New York 10018.
(5) Includes 50 units held by child and 6,273 units held of record by the Berman-Cheeseman Family Trust, of which Ms. Cheeseman and her husband are co-trustees.

The following table sets forth, as of January 31, 2016, the number of shares of SemGroup's Class A common stock owned by each of the directors and executive officers of our general partner and all directors and executive officers of our general partner as a group. None of the directors or executive officers beneficially owns any of SemGroup's Class B common stock.

Name of Beneficial Owner (1)	Shares of Class A Common Stock Beneficially Owned (2)	Percentage of Total Shares of Class A Common Stock Beneficially Owned
Carlin G. Conner	66,170	*
Peter L. Schwiering	23,149	*
Robert N. Fitzgerald (3)	31,800	*
Timothy R. O'Sullivan	25,011	*
Robert E. Dunn	—	—
Rodney L. Gray	—	—
Mark E. Monroe	—	—
Candice L. Cheeseman (4)	34,271	*
Paul F. Largess	13,478	*
All directors and executive officers as a group (9 persons)	193,879	*

* Less than 1%.
(1) The address for all beneficial owners in this table is Two Warren Place, 6120 S. Yale Avenue, Suite 700, Tulsa, Oklahoma 74136-4216.
(2) Shares beneficially owned include shares of restricted Class A common stock held by the directors and executive officers over which they have voting power but not investment power as follows: Mr. Conner - 59,211 shares; Mr. Fitzgerald - 15,463 shares; Mr. O'Sullivan - 7,763 shares; Mr. Schwiering - 6,305 shares; Ms. Cheeseman - 9,257 shares; Mr. Largess - 3,089 shares; and all executive officers as a group - 101,088 shares.
(3) Includes 10 shares held by child.
(4) Of the 34,271 shares held by Ms. Cheeseman, 25,014 shares are held of record by the Berman-Cheeseman Family Trust, of which Ms. Cheeseman and her husband are co-trustees.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information with respect to the securities that may be issued under the EIP as of December 31, 2015. For more information regarding the EIP, which did not require approval by our unitholders, please see "Item 11. Executive Compensation—Equity Incentive Plan."

	Column A	Column B	Column C
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders (1)	—	—	682,640 (2)
Total	—	—	682,640

(1) The Board of Directors of our general partner adopted the EIP in connection with our initial public offering.

(2) Common units may be issued under the EIP pursuant to the following type of awards: options, unit appreciation rights, restricted units, phantom units and other unit-based awards.

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

Relationship with SemGroup

SemGroup owns our sole general partner, Rose Rock GP, and appoints members of our Board of Directors and/or Audit and Conflicts Committees. Other relationships with Rose Rock GP include the following:

Cash Distributions

SemGroup and its affiliates own 20,704,418 of our common units, which constitutes a 55.1% limited partnership interest in us at December 31, 2015 . In addition, SemGroup owns our general partner, which owns a 2.0% general partner interest in us and all of our incentive distribution rights. Information about our cash distribution policy is included under the caption "Cash Distributions" in Item 5.

Direct Employee Expenses

We do not directly employ any persons to manage or operate our business. These functions are performed by employees of SemGroup. SemGroup charged us $44.8 million during the year ended December 31, 2015 , for direct employee costs.

Allocated Expenses

SemGroup incurs expenses to provide certain indirect corporate general and administrative services to us. Such expenses include employee compensation costs, professional fees and rental fees for office space, among other expenses. SemGroup charged us $13.1 million during the year ended December 31, 2015 , for such allocated costs.

Agreements with SemGroup and its Affiliates

We have entered into various documents and agreements with SemGroup and certain of its affiliates, as described in more detail below. These agreements have been negotiated among affiliated parties and, consequently, are not the result of arm's-length negotiations.

Contribution Agreement

On June 23, 2014, we entered into a Contribution Agreement with SemGroup and certain of its subsidiaries. The terms of the Contribution Agreement and the transaction relating thereto were approved by the Conflicts Committee of our Board of Directors. The Conflicts Committee, which is comprised entirely of independent directors, retained independent legal and financial counsel to assist it in evaluating and negotiating the Contribution Agreement and the terms of the transaction. Pursuant to the terms of the Contribution Agreement, we acquired a one-third interest in SCPL in exchange for (i) cash of approximately $114.4 million, (ii) the issuance of 2.425 million common units, (iii) the issuance of 1.25 million Class A units, and (iv) an increase in the capital account of our general partner and a related issuance of general partner interest, to allow our general partner to maintain its 2% general partner interest in us. The Class A units were not entitled to receive any distributions of available cash (other than upon liquidation) prior to the first day of the month immediately following the first month for which the average daily throughput volumes on the White Cliffs Pipeline for such month are 125,000 barrels per day or greater. On January 1, 2015, the Class A units converted into common units.

As this transaction was between parties under common control, we recorded our interest in SCPL at SemGroup's historical cost and as a result, no gain on the sale was recognized by SemGroup. Proceeds in excess of the historical cost were accounted for as a dividend from us to SemGroup.

As a result of this transaction, we own 100% of SCPL, giving us an indirect 51% interest in White Cliffs.

On February 13, 2015, we entered into a Contribution Agreement with SemGroup and certain of its subsidiaries. The terms of the Contribution Agreement and the transaction relating thereto were approved by the Conflicts Committee of our Board of Directors. The Conflicts Committee, which is comprised entirely of independent directors, retained independent legal and financial counsel to assist it in evaluating and negotiating the Contribution Agreement and the terms of the transaction. We acquired the Wattenberg Oil Trunkline and a 50% interest in Glass Mountain from SemGroup in exchange for (i) cash of approximately $251.2 million, (ii) the issuance of 1.75 million common units and (iii) an increase of the capital account of our general partner and a related issuance of general partner interest, to allow our general partner to maintain its 2% general partner interest in us.

As the transaction was between entities under common control, we recorded the acquired assets and liabilities based on SemGroup's historical cost. The purchase price in excess of historical cost was treated as an equity transaction with SemGroup, which reduced the partners' capital accounts of our general and limited partners on a pro-rata basis.

Omnibus Agreement

In connection with the closing of our initial public offering, we entered into an omnibus agreement with our general partner and SemGroup which addresses certain aspects of our relationship with them, including:

- our use of the names “Rose Rock” and “SemCrude” and related marks;
- certain indemnification obligations including, among others, the following:
    - i. SemGroup's obligation to indemnify us for losses relating to certain environmental matters relating to our assets arising on or prior to the date we closed our initial public offering;
    - ii. our obligation to indemnify SemGroup for losses relating to certain environmental matters arising after the close of our initial public offering;
    - iii. SemGroup's obligation to indemnify us for losses relating to or arising from (i) certain title and rights-of-way matters, (ii) our failure to have certain necessary governmental consents and permits, (iii) assets previously owned by SemCrude and retained by SemGroup, (iv) certain environmental liabilities retained by SemGroup, (v) certain scheduled matters and claims relating to SemGroup's bankruptcy, (vi) certain regulatory matters and (vii) certain tax liabilities; and
    - iv. our obligation to indemnify SemGroup for losses attributable to the ownership or operation of our assets and the assets of our subsidiaries after the closing of our initial public offering.

SemGroup’s obligations to indemnify us as described in the (i) and (iii) bullets above are subject to a deductible of $500,000. SemGroup’s obligations to indemnify us with respect to environmental liabilities relating to our assets, title and rights-of-way matters, failure to have certain necessary governmental consents and permits, retained assets and retained environmental liabilities has expired, and its obligation to indemnify us with respect to certain regulatory matters expires on December 14, 2016. SemGroup’s indemnity related to tax matters terminates upon the expiration of the statute of limitations. In no event will SemGroup be obligated to indemnify us for any claims, losses, expenses or liabilities to the extent any such amounts are reserved for in our financial statements as of the closing of our initial public offering. No party will be obligated to indemnify any other party for losses to the extent that such losses are recovered by the indemnified party under available insurance coverage or from a third party.

The omnibus agreement can be amended by written agreement of all parties to the agreement. However, we may not agree to any amendment or modification that would, in the determination of our general partner, be adverse in any material respect to the holders of our common units without prior approval of the Conflicts Committee. In the event of (i) a “change in control” (as defined in the omnibus agreement) of our general partner or (ii) the removal of Rose Rock GP as our general partner in circumstances where “cause” (as defined in our partnership agreement) does not exist and the common units held by SemGroup and its affiliates were not voted in favor of such removal, the omnibus agreement (other than the indemnification provisions if the triggering event is a change of control) will be terminable by SemGroup, and we will have a 90-day transition period to cease our use of the name “Rose Rock” and related marks.

SemGroup and its affiliates are not restricted, under either our partnership agreement or the omnibus agreement, from competing with us. SemGroup is permitted to compete with us and may acquire or dispose of midstream or other assets in the future without any obligation to offer us the opportunity to purchase those assets.

Other Transactions with SemGroup Related Persons

We engage in certain transactions with other subsidiaries and equity method investees of SemGroup. These transactions include:

- purchasing condensate from an affiliate. For the year ended December 31, 2015 , we made purchases from SemGas, L.P. of $20.6 million ;
- providing leased storage and management services for White Cliffs, which generated $4.8 million of revenue in the year ended December 31, 2015 . For the year ended December 31, 2015 , we incurred costs of $5.2 million related to transportation fees for shipments on the White Cliffs Pipeline;

- providing support services for Glass Mountain Pipeline operations, we received fees of $0.8 million for the year ended December 31, 2015 . We incurred $5.1 million of cost for the year ended December 31, 2015 related to transportation fees for shipments on the Glass Mountain Pipeline; and
- purchase and sale transactions with NGL Energy Partners LP and subsidiaries. For the year ending December 31, 2015 , we generated revenues from NGL Energy in the amounts of $151.8 million . For the year ending December 31, 2015 , we made purchases of condensate from NGL Energy in the amounts of $138.1 million . We received reimbursements from NGL Energy for certain services in the amount of $56 thousand for the year ended December 31, 2015 .

Legal Services

The law firm of Conner & Winters, LLP, of which Mark D. Berman is a partner, performs legal services for us. Mr. Berman is the spouse of Candice L. Cheeseman, our general partner’s General Counsel. Mr. Berman does not perform any legal services for us. We paid $27 thousand in legal fees and related expenses to this law firm for services rendered to us for the year ended December 31, 2015 .

Review, Approval and Ratification of Related Person Transactions

Conflicts of Interest with our General Partner and its Affiliates

Conflicts of interest exist and may arise in the future as a result of the relationships between our general partner and its affiliates (including SemGroup), on the one hand, and us and our unaffiliated limited partners, on the other hand. The directors and executive officers of our general partner have fiduciary duties to manage our general partner in a manner beneficial to its owners. At the same time, our general partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders.

Whenever a conflict arises between our general partner or its affiliates, on the one hand, and us and our limited partners, on the other hand, including a transaction with an affiliate, our general partner will resolve that conflict. Our partnership agreement contains provisions that modify and limit our general partner’s fiduciary duties to our unitholders. Our partnership agreement also restricts the remedies available to unitholders for actions taken by our general partner that, without those limitations, might constitute breaches of its fiduciary duty.

Our general partner will not be in breach of its obligations under the partnership agreement or its fiduciary duties to us or our unitholders if the resolution of, or course of action taken with respect to, a conflict is:

- approved by the Conflicts Committee, although our general partner is not obligated to seek such approval;
- approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner or any of its affiliates;
- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- fair and reasonable to us, taking into account the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us.

Our general partner may, but is not required to, seek the approval of the resolution of, or course of action taken, with respect to a conflict of interest from the Conflicts Committee. In connection with a situation involving a conflict of interest, any determination by our general partner involving the resolution of the conflict of interest must be made in good faith, *provided* that, if our general partner does not seek approval from the Conflicts Committee and its Board of Directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that, in making its decision, the Board of Directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in our partnership agreement, our general partner or the Conflicts Committee may consider any factors it determines in good faith to consider when resolving a conflict. When our partnership agreement requires someone to act in good faith, it requires that person to have a subjective belief that he is acting in, or not opposed to, the interests of the partnership.

Related Person Transaction Policy

Our Board of Directors has adopted a Related Person Transaction Policy that establishes procedures for the identification, review and approval of related person transactions with persons and entities not addressed in the conflicts of interest provisions of our partnership agreement described above. Pursuant to the policy, the General Counsel of our general partner is charged with primary responsibility for determining whether, based on the facts and circumstances, a proposed transaction is a related person transaction. For the purposes of the policy, a "related person transaction" is any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which (i) we, our general partner or any of our subsidiaries participate or will participate, (ii) the amount involved exceeds $120,000, and (iii) any executive officer, director or director nominee of our general partner, any person who is the beneficial owner of more than 5% of any class of our voting securities other than an affiliate of our general partner, or any immediate family member of any of the foregoing individuals (a "related person") has or will have a direct or indirect material interest.

To assist our General Counsel in making this determination, the policy sets forth certain categories of transactions that are deemed not to involve a direct or indirect material interest on the part of the related person. If, after applying these categorical standards and weighing all of the facts and circumstances, our General Counsel determines that a proposed transaction is a related person transaction, our General Counsel must present the proposed transaction to the Conflicts Committee of our Board of Directors for review or, if impracticable under the circumstances, to the Chairman of such committee. The Conflicts Committee must then either approve or reject the transaction in accordance with the terms of the policy. In the course of making this determination, the Conflicts Committee will consider all relevant information available to it and, as appropriate, take into consideration the following:

- whether the transaction was undertaken in our ordinary course of business;
- whether the transaction was initiated by us or the related person;
- whether the transaction with the related person is proposed to be entered into on terms no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose, and the potential benefits to us, of the transaction;
- the approximate dollar value of the amount involved in the transaction and whether such amount is material to us;
- the related person's interest in the transaction (including the approximate dollar value of the amount of the such related person's interest in the transaction); and
- any other information regarding the transaction or related person that would be material to investors in light of the circumstances of the particular transaction.

The Conflicts Committee may approve or ratify a related person transaction only if it determines that the transaction is consistent with our best interests as a whole. Further, in approving any such transaction, the Conflicts Committee has the authority to impose any terms or conditions it deems appropriate on us or the related person. Absent this approval, no such related person transaction may be entered into by us.

In addition to the above, we require each executive officer and director of our general partner to annually provide us written disclosure of any transaction between the officer or director and us. Our Board of Directors reviews this disclosure in connection with its annual review of the independence of our Board of Directors and our Audit and Conflicts Committees. These procedures are not in writing but are documented through the meeting agendas of our Board of Directors.

Director Independence

The NYSE does not require a listed publicly traded partnership like us to have a majority of independent directors on the Board of Directors of our general partner. Please read "Directors, Executive Officers and Corporate Governance—Board of Directors of Our General Partner", in Item 10 above, for information about the independence of our general partner's Board of Directors and its committees, which information is incorporated into this Item 13 by reference.

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

Fees of Independent Registered Public Accounting Firm

We have engaged BDO USA, LLP as our independent registered public accounting firm. The following table sets forth fees billed for professional serviced rendered by BDO USA, LLP to audit our annual financial statements and for other services in 2015 and 2014 .

	2015	2014
Audit fees (1) (2)	$ 556,281	$ 535,846
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	$ 556,281	$ 535,846

(1) The 2015 amount includes fees related to the issuance of senior unsecured notes and a prospectus for the sale of common units.

(2) The 2014 amount includes fees related to the interest acquisitions in SCPL, shelf registration statements and the issuance of senior unsecured notes.

Audit Committee Pre-Approval Policy

The Audit Committee of our general partner pre-approves all audit and permissible non-audit services by the independent registered public accounting firm prior to the receipt of such services.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

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

(2) **Financial Statement Schedules.** All financial statement schedules are omitted as inapplicable or because the required information is contained in the financial statements or the notes thereto. The financial statements of White Cliffs Pipeline, L.L.C., our equity method investee, are included in this filing as Exhibit 99.1 pursuant to Rule 3-09 of Regulation S-X.

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

Exhibit Number	Description
2.1	Contribution Agreement, dated as of June 23, 2014, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, LLC (filed as Exhibit 2.1 to the Registrant's current report on Form 8-K, filed with the Commission on June 23, 2014).
2.2	Amended and Restated Contribution Agreement dated as of February 13, 2015, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, SemDevelopment, L.L.C., Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, LLC (filed as Exhibit 2.1 to the Registrant's current report on Form 8-K/A, filed with the Commission on March 25, 2015).
3.1	Certificate of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to Registrant’s registration statement on Form S-1 (the “Form S-1”), filed with the Commission on August 12, 2011).
3.2	Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to the Registrant’s current report on Form 8-K, filed with the Commission on December 20, 2011).
3.3	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. and the Purchasers identified therein (filed as Exhibit 3.1 to the Registrant's current report on Form 8-K, filed with the Commission on January 14, 2013).
3.4	Amendment No. 2, dated as of December 16, 2013, to the Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P., dated as of December 14, 2011, as amended by Amendment No. 1 thereto dated January 11, 2013 (filed as Exhibit 3.1 to the Registrant's current report on Form 8-K, filed with the Commission on December 16, 2013).
3.5	Certificate of Formation of Rose Rock Midstream GP, LLC (filed as Exhibit 3.4 to the Form S-1, filed with the Commission on August 12, 2011).
3.6	First Amended and Restated Limited Liability Company Agreement of Rose Rock Midstream GP, LLC (filed as Exhibit 3.2 to the Registrant’s current report on Form 8-K, filed with the Commission on December 20, 2011).
4.1	Indenture (and Form of 5.625% Senior Note due 2022 attached as Exhibit A thereto), dated as of July 2, 2014, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as Exhibit 4.1 to the Registrant's current report on Form 8-K, filed with the Commission on July 2, 2014).
4.2	Indenture (and Form of 5.625% Senior Note due 2023 attached as Exhibit A thereto), dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as Exhibit 4.1 to the Registrant's current report on Form 8-K, filed with the Commission on May 18, 2015).
4.3	Registration Rights Agreement, dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., the Guarantors signatory thereto and Wells Fargo Securities, LLC, as representative of the several initial purchasers (filed as Exhibit 4.3 to the Registrant's current report on Form 8-K, filed with the Commission on May 18, 2015).

10.1	Credit Agreement, dated November 10, 2011, among Rose Rock Midstream, L.P., as borrower, The Royal Bank of Scotland PLC, as administrative agent and collateral agent, the other agents party thereto and the lenders and issuing banks party thereto (filed as Exhibit 10.1 to the Form S-1, filed with the Commission on November 18, 2011).
10.2	First Amendment to the Credit Agreement, dated as of September 26, 2012, among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P., as guarantors, and The Royal Bank of Scotland plc, as administrative agent and collateral agent for the lenders (filed as Exhibit 10.1 to the Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2012, filed with the Commission on November 9, 2012).
10.3	Second Amendment to the Credit Agreement and First Amendment to the Guarantee and Collateral Agreement, dated as of September 20, 2013, by and among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P., as guarantors, the lenders party thereto and the Royal Bank of Scotland plc, as administrative agent and collateral agent (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed with the Commission on September 26, 2013).
10.4	Third Amendment to the Credit Agreement, dated as of December 10, 2013, by and among Rose Rock Midstream, L.P., as borrower, the guarantors named therein, the lenders named therein, and The Royal Bank of Scotland plc, as administrative agent and collateral agent (filed as Exhibit 10.1 to Registrant's current report on Form 8-K, filed with the Commission on December 16, 2013).
10.5	Contribution, Conveyance and Assumption Agreement, dated November 29, 2011, by and among SemGroup Corporation, certain subsidiaries of SemGroup Corporation and Rose Rock Midstream, L.P. (filed as Exhibit 10.2 to the Registrant's Form S-1, filed with the Commission on December 1, 2011).
10.6*	Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.1 to the Registrant’s current report on Form 8-K, filed with the Commission on December 14, 2011).
10.6.1*	Form of Restricted Unit Award Agreement (Employees) under the Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.3.1 to the Registrant's annual report on Form 10-K for the year ended December 31, 2011, filed with the Commission on February 29, 2012).
10.6.2*	Form of Restricted Unit Award Agreement (Directors) under the Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.3.2 to the Form S-1, filed with the Commission on November 18, 2011).
10.6.3*	Form of Phantom Unit Award Agreement under the Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.3.3 to the Form S-1, filed with the Commission on November 18, 2011).
10.6.4*	Form of Restricted Unit Award Agreement (Employees) under the Rose Rock Midstream Equity Incentive Plan for awards granted on or after March 1, 2013 (filed as Exhibit 10.4.4 to the Registrant's annual report on Form 10-K for the year ended December 31, 2012, filed with the Commission on March 1, 2013).
10.6.5*	Form of Restricted Unit Award Agreement (Directors) under the Rose Rock Midstream Equity Incentive Plan for awards granted on or after March 1, 2013 (filed as Exhibit 10.4.5 to the Registrant's annual report on Form 10-K for the year ended December 31, 2012, filed with the Commission on March 1, 2013).
10.7	Omnibus Agreement dated as of December 14, 2011, among the Registrant, SemGroup Corporation and Rose Rock Midstream GP, LLC (filed as Exhibit 10.1 to the Registrant’s current report on Form 8-K, filed with the Commission on December 20, 2011).
10.8*	Rose Rock Midstream GP, LLC Board of Directors Compensation Plan (filed as Exhibit 10.2 to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2014, filed with the Commission on August 8, 2014).
10.9*	Rose Rock Midstream GP, LLC Board of Directors Compensation Plan, effective as of December 1, 2015 (filed as Exhibit 10.3 to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2015, filed with the Commission on August 7, 2015).
10.10*	Employment Agreement dated as of March 6, 2014, by and among SemManagement, L.L.C., SemGroup Corporation, Rose Rock Midstream GP, LLC and Carlin G. Conner (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed with the Commission on March 12, 2014).

10.11	Purchase Agreement, dated May 11, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the guarantors party thereto and Wells Fargo Securities, LLC, as representative of the initial purchasers named therein (filed as Exhibit 1.1 to the Registrant's current report on Form 8-K filed with the Commission on May 13, 2015).
10.12	Equity Distribution Agreement, dated May 12, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Midstream GP, LLC, Wells Fargo Securities, LLC, Citigroup Global Markets Inc. and SunTrust Robinson Humphrey, Inc. (filed as Exhibit 1.2 to the Registrant's current report on Form 8-K filed with the Commission on May 13, 2015).
21	Subsidiaries of Rose Rock Midstream, L.P.
23.1	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
23.2	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Carlin G. Conner, Chief Executive Officer.
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of Robert N. Fitzgerald, Chief Financial Officer.
32.1	Section 1350 Certification of Carlin G. Conner, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
99.1	White Cliffs Pipeline, L.L.C. financial statements presented pursuant to Rule 3-09 of Regulation S-X.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2015 and 2014, (ii) the Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013, (iii) the Consolidated Statements of Changes in Partners' Capital for the years ended December 31, 2015, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013 and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement.

SIGNATURES

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

ROSE ROCK MIDSTREAM, L.P.

Date: February 26, 2016

By: Rose Rock Midstream GP, LLC, its general partner

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald

Senior Vice President and

Chief Financial Officer

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

Signature	Title	Date
/s/ Carlin G. Conner Carlin G. Conner	President, Chief Executive Officer and Chairman (Principal Executive Officer)	February 26, 2016
/s/ Robert N. Fitzgerald Robert N. Fitzgerald	Senior Vice President and Chief Financial Officer and Director (Principal Financial Officer)	February 26, 2016
/s/ Peter L. Schwiering Peter L. Schwiering	Chief Operating Officer and Director	February 26, 2016
/s/ Paul F. Largess Paul F. Largess	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 26, 2016
/s/ Timothy R. O'Sullivan Timothy R. O'Sullivan	Vice President and Director	February 26, 2016
/s/ Robert E. Dunn Robert E. Dunn	Director	February 26, 2016
/s/ Rodney L. Gray Rodney L. Gray	Director	February 26, 2016
/s/ Mark E. Monroe Mark E. Monroe	Director	February 26, 2016

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Rose Rock Midstream, L.P.

Report of Independent Registered Public Accounting Firm

Board of Directors of Rose Rock Midstream GP, LLC, as General Partner of Rose Rock Midstream, L.P., and the Partners of Rose Rock Midstream, L.P.
Tulsa, Oklahoma

We have audited the accompanying consolidated balance sheets of Rose Rock Midstream, L.P. (the “Partnership”) as of December 31, 2015 and 2014 and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rose Rock Midstream, L.P. at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Rose Rock Midstream, L.P.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) , and our report dated February 26, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas
February 26, 2016

Report of Independent Registered Public Accounting Firm

Board of Directors of Rose Rock Midstream GP, LLC, as General Partner of Rose Rock Midstream, L.P., and the Partners of Rose Rock Midstream, L.P.

Tulsa, Oklahoma

We have audited the internal control over financial reporting of Rose Rock Midstream, L.P. (the "Partnership") as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Partnership as of December 31, 2015 and 2014, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2015, and our report dated February 26, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas
February 26, 2016

ROSE ROCK MIDSTREAM, L.P.
Consolidated Balance Sheets
(In thousands, except units)

	December 31,	
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,059	$ 3,625
Accounts receivable, net	240,606	224,881
Receivable from affiliates	5,944	15,485
Inventories	59,121	26,722
Other current assets	4,884	4,056
Total current assets	319,614	274,769
Property, plant and equipment, net	441,596	396,066
Equity method investment	438,291	269,635
Goodwill	26,628	36,116
Other intangible assets (net of accumulated amortization of $1,443 and $370 at December 31, 2015 and 2014, respectively)	15,567	16,640
Other noncurrent assets, net	16,135	13,037
Total assets	$ 1,257,831	$ 1,006,263
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 243,548	$ 211,300
Payable to affiliates	12,995	27,909
Accrued liabilities	22,240	23,282
Other current liabilities	4,246	3,191
Total current liabilities	283,029	265,682
Long-term debt	744,597	432,092
Commitments and contingencies (Note 9)		
Partners' capital:		
Common units – public (16,094,260 and 13,765,451 units issued and outstanding at December 31, 2015 and 2014, respectively)	80,829	69,929
Common units – SemGroup (20,704,418 and 6,814,709 units issued and outstanding at December 31, 2015 and 2014, respectively)	139,470	155,367
Subordinated units – SemGroup (0 and 8,389,709 units issued and outstanding at December 31, 2015 and 2014, respectively)	—	(60,760)
Class A units - SemGroup (0 and 3,750,000 units issued and outstanding at December 31, 2015 and 2014, respectively)	—	76,321
General partner	9,906	67,632
Total Rose Rock Midstream, L.P. partners' capital	230,205	308,489
Total liabilities and partners' capital	$ 1,257,831	$ 1,006,263

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

ROSE ROCK MIDSTREAM, L.P.
Consolidated Statements of Income
(In thousands, except per unit data)

	Year Ended December 31,		
	2015	2014	2013
Revenues, including revenues from affiliates (Note 15):			
Product	$ 729,993	$ 1,185,456	$ 702,028
Service	114,718	112,641	65,174
Total revenues	844,711	1,298,097	767,202
Expenses, including expenses from affiliates (Note 15):			
Costs of products sold, exclusive of depreciation and amortization	671,769	1,131,362	663,759
Operating	83,134	80,160	36,098
General and administrative	21,085	19,415	15,557
Depreciation and amortization	41,998	40,035	23,708
Loss (gain) on disposal or impairment, net	10,257	319	(31)
Total expenses	828,243	1,271,291	739,091
Earnings from equity method investment	76,355	57,378	17,571
Operating income	92,823	84,184	45,682
Other expenses:			
Interest expense	43,188	21,279	8,181
Other income, net	(38)	(20)	(14)
Total other expenses, net	43,150	21,259	8,167
Net income	49,673	62,925	37,515
Less: net income attributable to noncontrolling interests	—	7,758	1,256
Net income attributable to Rose Rock Midstream, L.P.	$ 49,673	$ 55,167	$ 36,259
Net income allocated to general partner	$ 21,089	$ 8,142	$ 728
Net income allocated to common unitholders	$ 28,584	$ 32,914	$ 22,701
Net income allocated to subordinated unitholders	$ —	$ 13,912	$ 13,321
Net income (loss) allocated to Class A unitholders	$ —	$ 199	$ (491)
Net income (loss) per limited partner unit:			
Common unit (basic)	$ 0.79	$ 1.69	$ 1.66
Common unit (diluted)	$ 0.79	$ 1.69	$ 1.66
Subordinated unit (basic and diluted)	$ —	$ 1.66	$ 1.59
Class A unit (basic and diluted)	$ —	$ 0.06	$ (0.39)
Basic weighted average number of limited partner units outstanding:			
Common units	36,302	19,419	13,672
Subordinated units	—	8,390	8,390
Class A units	—	3,154	1,264
Diluted weighted average number of limited partner units outstanding:			
Common units	36,343	19,484	13,708
Subordinated units	—	8,390	8,390
Class A units	—	3,154	1,264

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

ROSE ROCK MIDSTREAM, L.P.
Consolidated Statements of Changes in Equity
(In thousands)

	Common Units - Public	Common Units - SemGroup	Subordinated Units	Class A Units	General Partner Interest	Non-controlling Interests	Total Equity
Balance at December 31, 2012	$ 129,134	$ 37,992	$ 135,036	$ —	$ 18,389	$ —	$ 320,551
Net income	17,710	4,991	13,321	(491)	728	1,256	37,515
Equity issuance	210,226	98,895	—	70,105	7,905	—	387,131
Consolidation of SemCrude Pipeline, L.L.C.	—	—	—	—	—	77,301	77,301
Purchase price in excess of historical cost of interest in SemCrude Pipeline, L.L.C.	(180,216)	(57,683)	(139,281)	(28,842)	(8,286)	—	(414,308)
Unvested distribution equivalent rights	(52)	—	—	—	—	—	(52)
Cash distributions to partners	(17,647)	(4,977)	(14,451)	—	(1,001)	—	(38,076)
Cash contributions from general partner	—	—	—	—	25,398	—	25,398
Non-cash equity compensation	806	—	—	—	—	—	806
Balance at December 31, 2013	159,961	79,218	(5,375)	40,772	43,133	78,557	396,266
Net income	22,817	10,097	13,912	199	8,142	7,758	62,925
Cash distributions to noncontrolling interest	—	—	—	—	—	(10,683)	(10,683)
Contributions from noncontrolling interest	—	—	—	—	—	14,367	14,367
Purchase of remaining one-third interest in SemCrude Pipeline, L.L.C.	—	—	—	—	—	(89,999)	(89,999)
Equity issuance	—	120,013	—	58,563	3,644	—	182,220
Purchase price in excess of historical cost of interest in SemCrude Pipeline, L.L.C.	(85,173)	(42,183)	(51,931)	(23,213)	(4,133)	—	(206,633)
Unvested distribution equivalent rights	(125)	—	—	—	—	—	(125)
Cash distributions to partners	(28,494)	(11,778)	(17,366)	—	(4,701)	—	(62,339)
Cash contributions from general partner	—	—	—	—	21,547	—	21,547
Non-cash equity compensation	943	—	—	—	—	—	943
Balance at December 31, 2014	69,929	155,367	(60,760)	76,321	67,632	—	308,489
Net income	12,492	16,092	—	—	21,089	—	49,673
Equity issuance	89,119	70,560	—	—	3,260	—	162,939
Equity adjustment related to common control acquisition	(51,452)	(39,246)	(26,838)	—	(61,580)	—	(179,116)
Conversion to common units	—	(16,479)	92,800	(76,321)	—	—	—
Unvested distribution equivalent rights	(203)	—	—	—	—	—	(203)
Cash distributions to partners	(40,410)	(46,824)	(5,202)	—	(20,495)	—	(112,931)
Non-cash equity compensation	1,354	—	—	—	—	—	1,354
Balance at December 31, 2015	$ 80,829	$ 139,470	$ —	$ —	$ 9,906	$ —	$ 230,205

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

ROSE ROCK MIDSTREAM, L.P.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	$ 49,673	$ 62,925	$ 37,515
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	41,998	40,035	23,708
Loss (gain) on disposal or impairment, net	10,257	319	(31)
Earnings from equity method investments	(76,355)	(57,378)	(17,571)
Distributions from equity method investments	76,355	57,378	16,999
Amortization of debt issuance costs	2,866	1,529	811
Provision for doubtful accounts receivable	257	—	—
Non-cash equity compensation	1,354	943	806
Net unrealized (gain) loss related to derivative instruments	1,900	(1,621)	(974)
Inventory valuation adjustment	2,590	5,667	—
Changes in assets and liabilities, net of the effect of acquisitions:			
Decrease (increase) in accounts receivable	(15,982)	(7,298)	13,179
Decrease (increase) in receivable from affiliates	9,541	40,735	(56,163)
Decrease (increase) in inventories	(34,989)	(1,610)	(7,465)
Decrease (increase) in other current assets	—	(461)	832
Decrease (increase) in other noncurrent assets	(2,441)	(120)	(7)
Increase (decrease) in accounts payable and accrued liabilities	30,623	11,623	(4,963)
Increase (decrease) in payable to affiliates	(14,796)	(41,573)	66,716
Net cash provided by operating activities	82,851	111,093	73,392
Cash flows from investing activities:			
Capital expenditures	(86,346)	(61,282)	(51,560)
Proceeds from sale of long-lived assets	222	1,063	38
Contributions to equity method investments	(46,730)	(54,930)	(31,832)
Acquisitions	(205,071)	(133,993)	(171,258)
Distributions from equity method investments in excess of equity in earnings	24,113	9,390	—
Net cash used in investing activities	(313,812)	(239,752)	(254,612)
Cash flows from financing activities:			
Debt issuance costs	(5,688)	(8,593)	(4,069)
Borrowings on revolving credit facility and issuance of senior unsecured notes	686,208	844,415	558,000
Principal payments on revolving credit facility	(374,000)	(657,415)	(317,500)
Principal payments on capital lease obligations	(49)	(39)	(27)
Proceeds from common limited partner unit issuance, net of offering costs	89,119	—	210,226
Contributions from general partner	—	21,547	28,640
Cash consideration in excess of historical cost in common control acquisition	(46,264)	(24,413)	(240,645)
Cash distributions to partners	(112,931)	(62,339)	(38,076)
Cash distributions to noncontrolling interests	—	(10,683)	—
Contributions from noncontrolling interests	—	14,367	—
Net cash provided by financing activities	236,395	116,847	196,549
Net increase (decrease) in cash and cash equivalents	5,434	(11,812)	15,329
Cash and cash equivalents at beginning of period	3,625	15,437	108
Cash and cash equivalents at end of period	$ 9,059	$ 3,625	$ 15,437

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

1. OVERVIEW

Rose Rock Midstream, L.P. is a Delaware limited partnership. The general partner of Rose Rock Midstream, L.P. is Rose Rock Midstream GP, LLC, which is a wholly-owned subsidiary of SemGroup Corporation. SemGroup Corporation is a Delaware corporation headquartered in Tulsa, Oklahoma that provides diversified midstream services to the energy industry.

The terms “we”, “our”, “us”, “Rose Rock”, the “Partnership” and similar language used in these notes to the consolidated financial statements refer to Rose Rock Midstream, L.P and its subsidiaries. The term “SemGroup” refers to SemGroup Corporation and its controlled subsidiaries, including Rose Rock Midstream GP, LLC.

At December 31, 2015, our reportable segments include the following:

- Transportation operates crude oil pipelines and truck transportation businesses. Transportation's assets include:
  - a 570 -mile crude oil gathering and transportation pipeline system with over 650,000 barrels of associated storage capacity in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries and our storage terminal in Cushing;
  - the Wattenberg Oil Trunkline ("WOT"), a 75 -mile, 12 -inch diameter crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the pipeline owned by White Cliffs Pipeline, L.L.C. ("White Cliffs"). The WOT has a capacity of approximately 85,000 barrels per day as well as 360,000 barrels of operational storage;
  - a 16 -mile crude oil pipeline that connects our Platteville, Colorado crude oil terminal to the Tampa, Colorado crude oil market;
  - a crude oil trucking fleet of over 270 transport trucks and 270 trailers;
  - a 51% interest in White Cliffs, who owns a pipeline system consisting of two 527 -mile parallel lines that transport crude oil from Platteville, Colorado in the DJ Basin to Cushing, Oklahoma (the "White Cliffs Pipeline"), which we operate. The White Cliffs Pipeline is currently undergoing an expansion which will increase the capacity from approximately 150,000 barrels per day to approximately 215,000 barrels per day; and
  - a 50% interest in Glass Mountain Pipeline, LLC ("Glass Mountain"). Glass Mountain owns a 215 -mile pipeline that transports crude oil in western and north central Oklahoma (the "Glass Mountain Pipeline"), which we operate. It has capacity of approximately 140,000 barrels per day as well as 440,000 barrels of operational storage.
- Facilities operates crude oil storage and terminal businesses. Facilities' assets include:
  - approximately 7.6 million barrels of crude oil storage capacity in Cushing, Oklahoma, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations and marketing activities; and
  - a thirty -lane crude oil truck unloading facility with 330,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline.
- Supply and Logistics operates a crude oil marketing business which utilizes our Transportation and Facilities assets for marketing purposes. Additionally, Supply and Logistics includes:
  - approximately 61,800 barrels of crude oil storage capacity in Trenton and Stanley, North Dakota.

Basis of presentation

These consolidated financial statements include the accounts of Rose Rock and its controlled subsidiaries.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. All significant transactions between Rose Rock and its consolidated subsidiaries have been eliminated. Our ownership interests in White Cliffs and Glass Mountain are accounted for as equity method investments. Our ownership interest in White Cliffs is reflected as an equity method investment as the other owners have substantive rights to participate in the management of White Cliffs.

Ownership

Our partnership interests include the following at December 31, 2015 :

- 36,798,678 common units representing limited partner interests (of which 20,704,418 units are held by SemGroup); and
- a 2% general partner interest (which is held by SemGroup).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

ACCOUNTS RECEIVABLE – Accounts receivable are reported net of the allowance for doubtful accounts. Our assessment of the allowance for doubtful accounts is based on several factors, including the overall creditworthiness of our customers, existing economic conditions, and the amount and age of past due accounts. We enter into netting arrangements with certain counterparties to help mitigate credit risk. Receivables subject to netting are presented as gross receivables (with the related accounts payable also presented gross) until such time as the balances are settled. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. The allowance for doubtful accounts was $0.3 million and $0 at December 31, 2015 and 2014 , respectively.

INVENTORIES – Inventories primarily consist of crude oil. Inventories are valued at the lower of cost or market, with cost generally determined using the weighted-average method. The cost of inventory includes applicable transportation costs. During the years ended December 31, 2015 and 2014 , we recorded non-cash charges of $2.6 million and $5.7 million , respectively, to write-down inventory to the lower of cost or market.

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

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

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment is recorded at cost. We capitalize costs that extend or increase the future economic benefits of property, plant and equipment, and expense maintenance costs that do not. When assets are disposed of, their cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is recorded within operating expenses in the consolidated statements of income.

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

Pipelines and related facilities	20 years
Storage and terminal facilities	10 –25 years
Trucking equipment and other	3 – 7 years

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

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

IMPAIRMENT OF LONG-LIVED ASSETS – We test long-lived asset groups for impairment when events or circumstances indicate that the net book value of the asset group may not be recoverable. We test an asset group for impairment by estimating the undiscounted cash flows expected to result from its use and eventual disposition. If the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

estimated undiscounted cash flows are lower than the net book value of the asset group, we then estimate the fair value of the asset group and record a reduction to the net book value of the assets and a corresponding impairment loss.

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

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

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

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

On April 7, 2015, the FASB issued ASU 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which is designed to simplify presentation of debt issuance costs. The standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard will be effective for U.S. public companies for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The new guidance shall be applied on a retrospective basis for all periods presented. We will adopt this guidance in the first quarter of 2016. The impact is not expected to be material.

COMMODITY DERIVATIVE INSTRUMENTS – We generally record the fair value of derivative instruments on the consolidated balance sheets and the change in fair value as an increase or decrease to product revenue. As shown in Note 6, the fair value of derivatives at December 31, 2015 and 2014 are recorded to other current assets or other current liabilities on the consolidated balance sheets. Related margin deposits are recorded to other current assets or other current liabilities on the consolidated balance sheets. Margin deposits have not generally been netted against derivative assets or liabilities at December 31, 2015 and 2014 .

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

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

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

ASSET RETIREMENT OBLIGATIONS – Asset retirement obligations include legal or contractual obligations associated with the retirement of long-lived assets, such as requirements to incur costs to dispose of equipment or to remediate the environmental impacts of the normal operation of the assets. We record liabilities for asset retirement

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

obligations when a known obligation exists under current law or contract and when a reasonable estimate of the value of the liability can be made.

REVENUE RECOGNITION – Product revenues relate primarily to our Supply and Logistics segment area and to certain fixed-margin transactions related to our Transportation segment. The fixed-margin transactions are structured such that we purchase crude oil from a producer or supplier at a designated receipt point at an index price less a transportation fee, and simultaneously sell an identical volume of crude oil at a designated delivery point to the same party at the same index price, thereby locking in a fixed margin that is, in effect, economically equivalent to a transportation fee. Sales of product are recognized at the time title to the product transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser. Any transportation costs we incur to ship product on third-party infrastructure are included in the price of product sold to customers, and are included within product revenues and costs of products sold. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis (excluded from revenue). As described in Note 6, product revenues include realized and unrealized gains and losses on commodity derivatives.

Under our current operations, fixed-fee service revenues relate primarily to our Facilities segment and our Transportation segment (excluding transactions whereby we take title to the product while it is in our pipeline system, as described above). Service revenues are recognized at the time the service is performed.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States ("U.S. GAAP"). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard permits using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 by one year. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard. We will adopt this guidance in the first quarter of 2018.

COSTS OF PRODUCTS SOLD – Costs of products sold consists of the cost to purchase the product and any third-party cost incurred to transport the product to the point of sale and to store the product until it is sold.

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

INCOME TAXES – We are a partnership for income tax purposes and therefore are not subject to federal or state income taxes. The tax on our net income is borne by the individual partners through the allocation of taxable income. Net income for financial statement purposes may differ significantly from taxable income allocated to our partners because of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements of our partnership agreement. The aggregate difference in the basis of our net assets for financial and tax reporting purposes cannot be readily determined because information regarding each partner's tax attributes is not available to us.

EARNINGS PER UNIT – Net income is allocated to the general partner and the limited partners in accordance with their respective partnership percentages, after giving effect to any priority income allocations, such as incentive distributions that are allocated to the general partner, which are declared and paid following the close of each quarter.

Basic and diluted earnings per limited partner unit is determined by dividing net income allocated to the limited partners by the weighted average number of limited partner units for such class outstanding during the period. Diluted earnings per limited partner unit reflects, where applicable, the potential dilution that could occur if securities or other agreements to issue additional units of a limited partner class, such as restricted unit awards, were exercised, settled or converted into such units.

On April 30, 2015, the FASB issued ASU 2015-06, "Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions (a Consensus of the FASB Emerging Issues Task Force)," which requires a master limited partnership ("MLP") to allocate earnings (losses) of the transferred business entirely to the general partner when

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

calculating earnings per unit ("EPU") for periods before the dropdown transaction occurred. The EPU that the limited partners previously reported would not change as a result of the dropdown transaction. The ASU also requires an MLP to disclose how the rights to the earnings (losses) differ before and after the dropdown transaction occurs for purposes of computing EPU under the two-class method. The standard will be effective for U.S. public companies for annual reporting periods beginning after December 15, 2015, and early adoption is permitted. The new guidance shall be applied on a retrospective basis for all periods presented. We early adopted this guidance in the first quarter of 2015 and the impact was not material.

COMMON CONTROL TRANSACTIONS – Entities and assets acquired from SemGroup and its affiliates are accounted for as common control transactions whereby the net assets acquired are recorded at their historical amounts. Any consideration in excess of the historical amount is treated as an equity transaction, similar to a dividend, which reduces the partners' equity accounts pro-rata based on their relative ownership percentages. Cash consideration up to the carrying value of net assets acquired is presented as an investing activity in our consolidated statements of cash flows. Cash consideration in excess of the carrying value of net assets acquired is presented as a financing activity.

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS – Net income attributable to noncontrolling interests represents the income allocated to the ownership interest in our consolidated subsidiary, SemCrude Pipeline, L.L.C. ("SCPL"), which was retained by SemGroup prior to our acquisition of the remaining noncontrolling interest in 2014. Income was allocated to noncontrolling interests pro-rata based on relative ownership interests in SemCrude Pipeline.

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

EQUITY-BASED COMPENSATION —We grant certain of our employees and non-managerial directors equity-based compensation awards which vest contingent on continued service of the recipient. We record compensation expense for these outstanding awards over applicable service periods based on their grant date fair value with a corresponding increase to partners' capital. The expense to be recorded over the life of the awards is discounted for expected forfeitures during the vesting period.

COMPREHENSIVE INCOME – Comprehensive income is defined as a change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Rose Rock has no items of comprehensive income, other than net income, in any period presented. Therefore, net income and comprehensive income are the same.

3. ACQUISITIONS

During the year ended December 31, 2015, we completed the following acquisition:

Wattenberg Oil Trunkline and Glass Mountain Holding, LLC

On February 13, 2015, our Transportation segment acquired WOT and Glass Mountain Holding, LLC, which owns a 50% interest in Glass Mountain, from SemGroup in exchange for (i) cash of approximately $251.2 million , (ii) the issuance of 1.75 million common units, and (iii) an increase of the capital account of our general partner and a related issuance of general partner interest, to allow our general partner to maintain its 2% general partner interest in us.

The cash consideration was funded through a borrowing under our credit facility and the issuance and sale of common units in an underwritten public offering (Note 11). As the transaction was between entities under common control, we recorded the acquired assets and liabilities based on SemGroup's historical cost. The purchase price in excess of historical cost was treated as an equity transaction with SemGroup, which reduced the partners' capital accounts of our general and limited partners on a pro-rata basis.

The acquisition of WOT created a change in reporting entity, which required our historical results to be recast as if WOT had been part of Rose Rock in prior periods. The historical financial statements have been recast to reflect this change. The impact to prior period earnings was not significant. Prior period earnings of WOT have been allocated to the general partner.

3. ACQUISITIONS, Continued

In our consolidated statements of changes in equity, the prior year balances for the general partner interest have been recast to include equity related to WOT prior to its acquisition from SemGroup. "Equity adjustment related to common control acquisition" includes a $59.2 million reduction to general partner interest which reflects the payment made to SemGroup related to the historical value of WOT, which was included in the general partner interest due to the recast. The remaining amounts in "equity adjustment related to common control acquisition" represent the excess of the acquisition price of WOT and a 50% interest in Glass Mountain over SemGroup's historical value of those assets of $205.1 million .

The acquisition of Glass Mountain Holding, LLC, is equivalent to the acquisition of an equity method investment which does not create a change in reporting entity. As such, prior periods have not been recast to include the historical results of Glass Mountain. The Glass Mountain acquisition is reflected in our results as of January 1, 2015, which was the agreed upon date of transfer between SemGroup and Rose Rock. The difference between accounting for the transfer on January 1, 2015 versus the closing date of the transaction, February 13, 2015, is not significant to our financial results.

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

SemCrude Pipeline, L.L.C.

On June 23, 2014, our Transportation segment acquired the remaining 33% interest in SCPL from SemGroup in exchange for (i) cash of approximately $114.4 million , (ii) the issuance of 2.425 million common units, (iii) the issuance of 1.25 million Class A units, and (iv) an increase of the capital account of our general partner and a related issuance of general partner interest, to allow our general partner to maintain its 2% general partner interest in us. SCPL owns a 51% membership interest in White Cliffs. As the transaction was between entities under common control, we recorded our investment in SCPL based on SemGroup's historical cost. The purchase price in excess of historical cost was treated as an equity transaction with SemGroup, which reduced the partners' capital accounts of our general and limited partners on a pro-rata basis.

Class A units were not entitled to receive any distributions of available cash (other than upon liquidation) prior to the first day of the month immediately following the first month for which the average daily throughput volume on the White Cliffs Pipeline for such month was 125,000 barrels per day or greater. The Class A units converted to common units in January 2015.

The cash consideration was funded through a borrowing under our credit facility. The 2.425 million common units were valued at $49.49 per unit, or $120.0 million , based on the closing price on June 19, 2014, which was the date on which the transaction price was determined. The Class A units were valued at $49.49 per unit discounted for the expected forbearance of distributions, or $58.6 million . The non-cash contribution to the general partner's capital account was made in the amount of $3.6 million .

Crude oil trucking assets

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

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

During the year ended December 31, 2013, we completed the following acquisitions:

SemCrude Pipeline, L.L.C.

On January 11, 2013, our Transportation segment acquired a 33% interest in SCPL from SemGroup in exchange for (i) cash of approximately $189.5 million , (ii) the issuance of 1.5 million common units, (iii) the issuance of 1.25 million Class A units, and (iv) an increase of the capital account of our general partner and a related issuance of general partner interest, to allow our general partner to maintain its 2% general partner interest in us.

The cash consideration was funded through a borrowing under our credit facility of approximately $130.3 million and the sale of 2.0 million common units through a private placement (Note 11). The 1.5 million common units were valued at $29.63 per unit, or $44.4 million , based on the sales price to third parties in the private placement on January 11, 2013. The Class A units were valued at $29.63 per unit discounted for the expected forbearance of distributions, or $30.5 million . The contribution to the general partner's capital account was made in the amount of $2.7 million .

3. ACQUISITIONS, Continued

On December 16, 2013, we acquired an additional 33% interest in SCPL from SemGroup in exchange for (i) cash of approximately $173.1 million , (ii) the issuance of 1.5 million common units, (iii) the issuance of 1.25 million Class A units, and (iv) an increase of the capital account of our general partner and a related issuance of general partner interest, to allow our general partner to maintain its 2% general partner interest in us.

The cash consideration was funded through a borrowing under our credit facility. The 1.5 million common units were valued at $36.30 per unit, or $54.5 million , based on the closing price on December 11, 2013, which was the date on which the transaction price was determined. The Class A units were valued at $36.30 per unit discounted for the expected forbearance of distributions, or $39.6 million . The non-cash contribution to the general partner's capital account was made in the amount of $1.9 million .

In conjunction with the SCPL transactions, we incurred $4.1 million of cost, of which $1.6 million of equity issuance costs were offset against proceeds, $1.6 million was related to the borrowing and was deferred, and $0.9 million was expensed as general and administrative expense in the consolidated statement of income.

As the SCPL transactions were between entities under common control, we recorded our investment in White Cliffs based on SemGroup's historical cost. The purchase price in excess of historical cost was treated as an equity transaction with SemGroup, which reduced the partners' capital accounts of our general and limited partners on a pro-rata basis.

Barcas Field Services, LLC

On September 1, 2013, our Transportation segment completed the acquisition of the assets of Barcas Field Services, LLC ("Barcas") for $49.0 million in cash. Highlights of the acquisition include the following:

- 114 trucks, 120 trailers and miscellaneous equipment; and
- a long-term take-or-pay customer transportation agreement which expired in late 2014.

Tampa Pipeline

On November 8, 2013, our Transportation segment acquired a 12 -mile, 12 -inch crude oil pipeline from Noble Energy, Inc. that extends from Platteville, Colorado to Tampa, Colorado for a purchase price of $8.2 million . The pipeline had been recently constructed by Noble Energy, Inc. and was placed into service with the acquisition. The pipeline connects our Platteville, Colorado crude oil terminal to the Tampa, Colorado crude oil market.

4. EQUITY METHOD INVESTMENT

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

	December 31,	
	2015	2014
White Cliffs	$ 297,109	$ 269,635
Glass Mountain	141,182	—
Total equity method investments	$ 438,291	$ 269,635

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

	Year Ended December 31,		
	2015	2014	2013
White Cliffs	$ 70,238	$ 57,378	$ 3,788
Glass Mountain	6,117	—	—
SCPL	—	—	13,783
Total earnings from equity method investments	$ 76,355	$ 57,378	$ 17,571

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

4. EQUITY METHOD INVESTMENT, Continued

	Year Ended December 31,		
	2015	2014	2013
White Cliffs	$ 86,845	$ 66,768	$ —
Glass Mountain	13,623	—	—
SCPL	—	—	16,999
Total cash distributions received from equity method investments	$ 100,468	$ 66,768	$ 16,999

SCPL

Prior to our December 16, 2013 acquisition of additional ownership interests in SCPL (Note 3), we accounted for our interest in SCPL under the equity method. Subsequent to our acquisition of additional ownership interests on December 16, 2013, we consolidated SCPL and reported a noncontrolling interest, the ownership interest in SCPL which was retained by SemGroup, until our purchase of the noncontrolling interest on June 23, 2014. Our consolidated income statement for the year ended December 31, 2013 includes $13.8 million of equity earnings from SCPL prior to consolidation. For the year ended December 31, 2013, we received cash distributions from SCPL of $17.0 million .

SCPL's only substantial asset is a 51% interest in White Cliffs, which is accounted for under the equity method.

White Cliffs

The equity earnings for the year ended December 31, 2013 represent one month of earnings subsequent to our consolidation of SCPL. No distributions were received from White Cliffs for the year ended December 31, 2013, as distributions are paid on a one-month lag. Our distribution of earnings related to December 2013 was received in January 2014.

Certain summarized balance sheet information of White Cliffs as of December 31, 2015 and 2014 is shown below (in thousands):

	December 31,	
	2015	2014
Current assets	$ 54,091	$ 35,623
Property, plant and equipment, net	509,068	471,179
Goodwill	17,000	17,000
Other intangible assets, net	11,974	16,043
Total assets	$ 592,133	$ 539,845
Current liabilities	$ 9,491	$ 11,108
Members’ equity	582,642	528,737
Total liabilities and members’ equity	$ 592,133	$ 539,845

Certain summarized income statement information of White Cliffs for the years ended December 31, 2015 , 2014 and 2013 is shown below (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Revenue	$ 206,395	$ 160,369	$ 133,310
Operating, general and administrative expenses	$ 33,284	$ 23,067	$ 23,825
Depreciation and amortization expense	$ 34,105	$ 23,257	$ 18,668
Net income	$ 139,000	$ 114,045	$ 90,817

The equity in earnings of White Cliffs for the three years ended December 31, 2015 , 2014 and 2013 is less than 51% of the net income of White Cliffs for the same periods. This is due to certain general and administrative expenses incurred in managing the operations of White Cliffs that the other members are not obligated to share. Such expenses are recorded

4. EQUITY METHOD INVESTMENT, Continued

by White Cliffs and are allocated to our membership interest. White Cliffs recorded $1.3 million , $1.6 million and $1.8 million of such general and administrative expense for the years ended December 31, 2015 , 2014 and 2013, respectively.

The members of White Cliffs are required to contribute capital to White Cliffs to fund various projects. For the year ended December 31, 2015 , we contributed $42.8 million to these projects, including $34.5 million of contributions for an expansion project adding approximately 65,000 barrels per day of capacity. Remaining contributions related to the expansion project will be paid in 2016 and are expected to total approximately $2.3 million . The project is expected to be completed during the first half of 2016.

For the years ended December 31, 2014 and 2013, we contributed $53.3 million and $31.8 million , respectively, related to a project which added a 12 -inch line from Platteville, Colorado to Cushing, Oklahoma and increased capacity to 150,000 barrels per day. This project was completed in August 2014. Contributions to White Cliffs in 2014 were partially funded by $14.4 million of contributions from the noncontrolling interest in SCPL.

Our membership interest in White Cliffs is significant as defined by Securities and Exchange Commission's Regulation S-X Rule 1-02(w). Accordingly, as required by Regulation S-X Rule 3-09, we have included the audited financial statements of White Cliffs as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 as an exhibit to this Form 10-K.

Glass Mountain

As discussed in Note 3, on February 13, 2015, our Transportation segment acquired the Glass Mountain Holding, LLC, which owns a 50% interest in Glass Mountain. The excess of the recorded amount of our investment over the book value of our share of the underlying net assets represents equity method goodwill and capitalized interest of $31.0 million and $4.0 million , respectively, at December 31, 2015 . Capitalized interest is amortized as a reduction of earnings from equity method investments.

Certain summarized balance sheet information of Glass Mountain as of December 31, 2015 is shown below (in thousands):

	December 31, 2015
Current assets	$ 7,856
Property, plant and equipment, net	205,920
Total assets	$ 213,776
Current liabilities	$ 1,036
Other liabilities	28
Members' equity	212,712
Total liabilities and members' equity	$ 213,776

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

	Year Ended December 31, 2015
Revenues	$ 38,526
Cost of sales	$ 3,392
Operating, general and administrative expenses	$ 6,643
Depreciation and amortization expense	$ 15,828
Net income	$ 12,657

Our equity in earnings of Glass Mountain for the year ended December 31, 2015 is less than 50% of the net income of Glass Mountain for the same period due to amortization of capitalized interest for the period.

For the year ended December 31, 2015, we contributed $2.7 million to Glass Mountain related to capital projects.

4. EQUITY METHOD INVESTMENT, Continued

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

5. PROPERTY, PLANT AND EQUIPMENT

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

	December 31,	
	2015	2014
Land	$ 18,580	$ 18,479
Pipelines and related facilities	283,316	227,586
Storage and terminal facilities	136,688	135,466
Linefill	26,383	25,507
Trucking equipment and other	50,060	40,281
Construction-in-progress	49,963	31,393
Property, plant and equipment, gross	564,990	478,712
Accumulated depreciation	(123,394)	(82,646)
Property, plant and equipment, net	$ 441,596	$ 396,066

We recorded depreciation expense of $40.9 million , $33.9 million and $22.6 million for the years ended December 31, 2015 , 2014 and 2013 , respectively.

We include within the cost of property, plant and equipment interest costs incurred while an asset is being constructed. We capitalized $0.5 million , $0.3 million and $0.7 million of interest costs during the years ended December 31, 2015 , 2014 and 2013 , respectively.

6. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK

Commodity derivative contracts

Our 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 crude oil to create back-to-back transactions that are intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered or (ii) derivative contracts. Our storage and transportation assets also can be used to mitigate location and time basis risk. All marketing activities are subject to our Comprehensive Risk Management Policy, which establishes limits in order to manage risk and mitigate financial exposure.

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

Forward contracts – Over the counter ("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.

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.

We record commodity derivative assets and liabilities at fair value at each balance sheet date with the exception of commitments which have been designated as normal purchases and sales. The table below summarizes the balances of these assets and liabilities at December 31, 2015 and 2014 (in thousands):

6. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	December 31, 2015			December 31, 2014		
	Level 1	Netting (1)	Total	Level 1	Netting (1)	Total
Assets	$ 131	$ (131)	$ —	$ 3,198	$ (1,637)	$ 1,561
Liabilities	$ 470	$ (131)	$ 339	$ 1,637	$ (1,637)	$ —

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

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

“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 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.

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 hierarchy. At December 31, 2015 , all of our physical fixed price forward purchases and sales contracts were being accounted for as normal purchases and normal sales.

There were no financial assets or liabilities classified as Level 2 or Level 3 during the years ended December 31, 2015 , 2014 and 2013 , and as such, no rollforward of Level 3 activity has been presented.

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

	Year Ended December 31,		
	2015	2014	2013
Sales	23,228	6,641	2,595
Purchases	22,946	6,477	2,575

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

December 31, 2015		December 31, 2014	
Assets	Liabilities	Assets	Liabilities
$ —	$ 339	$ 1,561	$ —

We have posted margin deposits as collateral with brokers who have the right of set off associated with these funds. Our margin deposit balances were $2.9 million and $0.8 million at December 31, 2015 and 2014 , respectively. These margin account balances have not been offset against our net commodity derivative instrument (contract) positions. Had these margin account balances been netted against our net commodity derivative instrument (contract) positions as of December 31, 2015 and 2014 , we would have had net asset positions of $2.6 million and $2.4 million , respectively.

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

6. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	Year Ended December 31,		
	2015	2014	2013
Realized and unrealized gain (loss)	$ 8,145	$ 17,531	$ (1,593)

Concentrations of risk

During the year ended December 31, 2015 , two third-party customers, primarily of our Supply and Logistics segment, accounted for more than 10% of our consolidated revenue with revenues of $457.3 million and $131.9 million . We purchased approximately $232.6 million of product from two third-party suppliers, which represented approximately 35% of our costs of products sold. At December 31, 2015 , one third-party customer accounted for 53% of our consolidated accounts receivable.

As described in Note 15, we also generated revenues and expenses from subsidiaries of SemGroup.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill relates to our Transportation segment. Changes in goodwill are shown below (in thousands):

Balance at December 31, 2012	$ —
Barcas acquisition (Note 3)	28,322
Balance at December 31, 2013	28,322
Oilfield trucking acquisition (Note 3)	7,892
Barcas purchase price adjustment	(98)
Balance at December 31, 2014	36,116
Impairment loss	(9,488)
Balance at December 31, 2015	$ 26,628

We assess our goodwill for impairment at least annually as of October 1. No impairments were indicated as of October 1, 2015. However, as a result of the continued decline in oil prices and lower forecast volumes from declining drilling activity, along with lower than expected results during the fourth quarter of 2015, we performed an interim goodwill impairment analysis as of December 31, 2015 which resulted in an impairment charge of $9.5 million related to our crude oil trucking operation which was identified as the reporting unit for purposes of the impairment test.

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

7. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

Other Intangible Assets

Other intangibles represent customer relationships of our Transportation segment. The gross carrying amount and accumulated amortization of intangible assets are shown below (in thousands):

	December 31,	
	2015	2014
Gross Intangible Assets	$ 17,010	$ 17,010
Accumulated Amortization	(1,443)	(370)
Net Intangible Assets	$ 15,567	$ 16,640

Changes in other intangible assets are shown below (in thousands):

Balance at December 31, 2012	$ —
Barcas acquisition	6,930
Amortization	(1,155)
Balance at December 31, 2013	5,775
Oilfield trucking acquisition	17,010
Barcas purchase price adjustment	(50)
Amortization	(6,095)
Balance at December 31, 2014	16,640
Amortization	(1,073)
Balance at December 31, 2015	$ 15,567

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

For the twelve months ending:	
December 31, 2016	$ 1,881
December 31, 2017	2,132
December 31, 2018	2,172
December 31, 2019	1,680
December 31, 2020	1,216
Thereafter	6,486
Total estimated amortization expense	$ 15,567

8. LONG-TERM DEBT

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

	December 31,	
	2015	2014
5.625% senior unsecured notes due 2022	$ 400,000	$ 400,000
5.625% senior unsecured notes due 2023	344,545	—
Revolving credit facility	—	32,000
Capital leases	83	132
Total long-term debt	744,628	432,132
less: current portion of long-term debt	31	40
Noncurrent portion of long-term debt	$ 744,597	$ 432,092

8. LONG TERM DEBT, Continued

Senior unsecured notes due 2022 and 2023

At December 31, 2015 , we had outstanding $400 million of 5.625% senior unsecured notes due 2022 (the “2022 Notes”) and $350 million of 5.625% senior unsecured notes due 2023 (the "2023 Notes") (collectively, the "Notes"). Rose Rock and its wholly-owned subsidiary, Rose Rock Finance Corporation ("Finance Corp."), are co-issuers of the Notes.

The 2023 Notes were sold at 98.345% of par, a discount of $5.8 million , on May 14, 2015. The discount is reported as a reduction to the face value of the 2023 Notes on our consolidated balance sheets and is being amortized over the life of the 2023 Notes using the interest method. At December 31, 2015 , the unamortized discount was $5.5 million .

The net proceeds from the 2023 Notes offering of $337.7 million , after the discount and $6.5 million of underwriters' fees and offering expenses, were used to repay amounts borrowed under our revolving credit facility and for general partnership purposes.

Interest on the 2022 Notes is payable in arrears on January 15th and July 15th to holders of record on January 1st and July 1st each year until maturity. For the years ended December 31, 2015 and 2014 , we recorded interest expense of $23.5 million and $11.7 million , respectively, including amortization of debt issuance costs on the 2022 Notes. Interest on the 2023 Notes is payable in arrears on May 15th and November 15th to holders of record on May 1st and November 1st each year until maturity. For the year ended December 31, 2015 , we recorded interest expense of $13.2 million , including amortization of debt issuance costs and amortization of discount on the 2023 Notes.

At December 31, 2015 , we had $12.2 million of debt issuance costs, net of accumulated amortization, related to the Notes included in other noncurrent assets on our consolidated balance sheet.

Indenture

The Notes are governed by an indenture between the Partnership, its subsidiary guarantors, Finance Corp. and Wilmington Trust, National Association, as trustee (the “Indenture”). The Indenture includes customary covenants, including limitations on our ability to incur additional indebtedness or issue certain preferred shares; pay dividends and make certain distributions, investments and other restricted payments; create certain liens; sell assets; enter into transactions with affiliates; merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and designate our subsidiaries as unrestricted under the Indenture.

The Indenture includes customary events of default. A default would permit the trustee or holders of at least 25% in aggregate principal amounts of the Notes then outstanding to declare all amounts owing under the Notes to be due and payable.

The Notes are effectively subordinated in right of payment to any of our, and the subsidiary guarantors', existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness.

The Partnership may issue additional Notes under the Indenture from time to time, subject to the terms of the Indenture.

At December 31, 2015 , we were in compliance with the terms of the Indenture.

Early redemption premiums

Except as described below, the 2022 and 2023 Notes are not redeemable at the Partnership's option prior to July 15, 2017 and May 15, 2019, respectively. From and after July 15, 2017, in the case of the 2022 Notes, or May 15, 2019, in the case of the 2023 Notes, the Partnership may redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if redeemed during the twelve-month period beginning on July 15 for the 2022 Notes or May 15 for the 2023 Notes of each of the years indicated below for the respective Notes:

2022 senior unsecured notes	
2017	104.219%
2018	102.813%
2019	101.406%
2020 and thereafter	100.000%

8. LONG TERM DEBT, Continued

	2023 senior unsecured notes
2019	102.813%
2020	101.406%
2021 and thereafter	100.000%

Prior to July 15, 2017, in the case of the 2022 Notes, or May 15, 2018, in the case of the 2023 Notes, the Partnership may, at its option, on one or more occasions, redeem up to 35% of the sum of the original aggregate principal amount of the Notes at a redemption price equal to 105.625% of the aggregate principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of one or more equity offerings of the Partnership, or the parent of the Partnership to the extent such net proceeds are contributed to the Partnership, subject to certain conditions.

Prior to July 15, 2017, in the case of the 2022 Notes, or May 15, 2019, in the case of the 2023 Notes, the Partnership may also redeem all or part of the Notes at a price equal to the principal plus a premium equal to the greater of 1% of the principal or the excess of the present value of the redemption price from the table above plus all required interest payments due through July 15, 2017, with respect to the 2022 Notes, or May 15, 2019, with respect to the 2023 Notes, computed using a discount rate based on a published United States Treasury Rate plus 50 basis points, over the principal value of such Note.

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

Subsidiary Guarantors

The Notes are guaranteed by all of our existing subsidiaries other than Finance Corp. Such guarantees of the Notes are full and unconditional and constitute the joint and several obligations of the subsidiary guarantors. Each of the subsidiary guarantors is 100% owned by the Partnership. The Partnership has no assets or operations independent of its subsidiaries and there are no significant restrictions upon the ability of the Partnership, or any of its subsidiaries, to obtain funds from its respective subsidiaries by dividend or loan. None of the assets of the Partnership's subsidiaries represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act.

Revolving credit facility

At December 31, 2015 , our credit agreement, as amended, provides for a revolving credit facility of $585 million and includes a $150 million sub-limit for letters of credit. The credit agreement permits the increase of the facility by not more than $200 million , subject to certain conditions. The credit agreement expires September 20, 2018, when all amounts owed will be due.

At our option, amounts borrowed under the credit agreement will bear interest at either the Eurodollar rate or an alternate base rate (“ABR”), plus, in each case, an applicable margin. The applicable margin will range from 1.75% to 3.00% in the case of a Eurodollar rate loan, and from 0.75% to 2.00% in the case of an ABR loan, in each case, based on a leverage ratio specified in the credit agreement. At December 31, 2015 , we had no outstanding borrowings under this credit facility.

Fees are charged on any outstanding letters of credit at a rate that ranges from 1.75% to 3.00% , depending on a leverage ratio specified in the credit agreement. At December 31, 2015 , there were $35.3 million in outstanding letters of credit, and the rate in effect was 2.50% . In addition, a fronting fee of 0.25% is charged on outstanding letters of credit.

The credit agreement also allows for the use of secured bilateral letters of credit, which are issued external to the credit facility and do not reduce revolver availability. At December 31, 2015 , we had $42.9 million of secured bilateral letters of credit outstanding and the interest rate in effect was 1.75% .

A commitment fee that ranges from 0.375% to 0.50% , depending on a leverage ratio specified in the credit agreement, is charged on any unused capacity of the revolving credit facility. In addition, we are charged an annual administrative fee of $0.1 million .

During the years ended December 31, 2015 , 2014 and 2013 , we recorded $6.9 million , $9.0 million and $8.7 million , respectively, of interest expense related to the credit facility, including amortization of capitalized loan fees. At

8. LONG TERM DEBT, Continued

December 31, 2015 , we had $2.8 million in capitalized loan fees, net of accumulated amortization, related to the credit facility included in other noncurrent assets.

The credit agreement contains representations and warranties and affirmative and negative covenants. The covenants in the agreement include limitations on creation of new indebtedness and liens, entry into sale and lease-back transactions, investments, and fundamental changes including mergers and consolidations, certain cash distributions and other distributions, material changes in our business and modifying certain documents.

The credit agreement restricts our ability to make certain types of payments relating to our units, including the declaration or payment of cash distributions, provided that we may make quarterly distributions of available cash so long as no default under the agreement then exists or would result therefrom. The agreement is guaranteed by all of our material subsidiaries and secured by a lien on substantially all of our property and assets, subject to customary exceptions.

At December 31, 2015 , we were in compliance with the terms of the credit agreement.

Capital lease obligations

At December 31, 2015 , we had $52 thousand ($83 thousand including current portion) of capital lease obligations reported as long-term debt on the consolidated balance sheet.

Scheduled principal payments

The following table summarizes the scheduled principal payments as of December 31, 2015 (in thousands). As described above, our debt agreements require accelerated principal payments under certain circumstances. As a result, principal payments may occur earlier than shown in the table below.

	Senior Unsecured Notes due 2022	Senior Unsecured Notes due 2023	Revolving Credit Facility	Capital Leases	Total
For the year ended:					
December 31, 2016	$ —	$ —	$ —	$ 31	$ 31
December 31, 2017	—	—	—	26	26
December 31, 2018	—	—	—	26	26
December 31, 2019	—	—	—	—	—
December 31, 2020	—	—	—	—	—
Thereafter	400,000	350,000	—	—	750,000
Total	$ 400,000	$ 350,000	$ —	$ 83	$ 750,083

Fair value

We estimate the fair value of our 2022 Notes and 2023 Notes to be $337 million and $300 million at December 31, 2015 , based on unadjusted, transacted market prices near the measurement date, which is categorized as a Level 2 measurement.

9. COMMITMENTS AND CONTINGENCIES

Bankruptcy matters

On July 22, 2008 (the "Petition Date"), SemGroup, L.P., SemCrude, L.P. ("SemCrude"), the predecessor of Rose Rock, and Eaglwing, L.P. ("Eaglwing") filed petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. While in bankruptcy, SemGroup, L.P. filed a plan of reorganization with the court, which was confirmed on October 28, 2009 (the "Plan of Reorganization"). The Plan of Reorganization determined, among other things, how pre-Petition Date obligations would be settled, the equity structure of the reorganized company upon emergence and the financing arrangements upon emergence. SemGroup, SemCrude, and Eaglwing emerged from bankruptcy protection on November 30, 2009 (the "Emergence Date").

9. COMMITMENTS AND CONTINGENCIES, Continued

Claims reconciliation process

A large number of parties made claims against SemGroup and the other debtors for obligations alleged to have been incurred prior to the bankruptcy filing. SemGroup has resolved or settled all of these outstanding claims and has made all required distributions. The Plan of Reorganization has therefore been fully administered.

On November 7, 2014, SemGroup Corporation and the other reorganized debtors moved for a final decree from the bankruptcy court closing the debtors' bankruptcy cases. The United States Bankruptcy Court for the District of Delaware granted the request and entered its Order Granting Motion of Remaining Debtors for Entry of Final Decree on December 18, 2014. Accordingly, the bankruptcy cases for SemCrude, L.P., Eaglwing, L.P., SemCanada II, L.P., SemCanada L.P., SemGas, L.P., SemGroup, L.P., SemMaterials, L.P., and SemStream, L.P. have been closed. As part of its decree, the Court retained jurisdiction over certain on-going adversary proceedings, but the debtors have estimated and paid the claims associated with these remaining adversaries, leaving the non-debtor parties to the adversaries to resolve their remaining claims amongst themselves.

On January 2, 2015, Bettina M. Whyte, the duly appointed Trustee of the SemGroup Litigation Trust (the "Litigation Trustee"), filed a notice of appeal of the Bankruptcy Court's December 18, 2014 order closing the aforementioned bankruptcy cases. However, the Bankruptcy Court's order of final decree was effective upon entry, and the appeal does not stay the effect of the order. The Litigation Trustee's appeal to the United States District Court for the District of Delaware is currently pending and will be opposed by SemGroup Corporation and the other remaining reorganized debtors.

We are indemnified by SemGroup against any loss in this matter pursuant to the terms of the omnibus agreement with SemGroup.

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 ("KDHE") initiated discussions during SemGroup's bankruptcy proceeding regarding five of our sites in Kansas that the KDHE believes, based on their historical use, may have soil or groundwater contamination in excess of state standards. The KDHE sought our agreement to undertake assessments of these sites to determine whether they are contaminated. SemGroup entered into a Consent Agreement and Final Order with the KDHE to conduct environmental assessments on the sites and to pay the KDHE's costs associated with their oversight of this matter. SemGroup has conducted Phase II investigations at all sites. Four of the five sites have limited amounts of soil contamination that will be excavated and/or remediated on site. Three of the five sites appeared to have ground water contamination requiring further delineation and/or on-going monitoring. One site has been closed. SemGroup does not anticipate any penalties or fines for these historical sites. We are indemnified by SemGroup against any loss in this matter pursuant to the terms of the omnibus agreement with SemGroup.

Dimmit County, TX claims

An employee of Rose Rock Midstream Field Services, LLC was involved in a tractor trailer accident on January 15, 2015 in Dimmit County, Texas. A second accident followed resulting in six fatalities and multiple injuries. Multiple lawsuits involving claims of wrongful death and personal injury were filed in Zavala County and Dimmit County, Texas. These lawsuits have been consolidated and the trial will be held in the District Court, 293rd Judicial District, Zavala County, Texas. The trial for cause number 15-01-13356-ZCV, Maribel Rodriguez and the Estate of David Rodriguez, et al., vs. Rose Rock Midstream Field Services, LLC, SemGroup Corporation, Rose Rock Midstream, L.P. and SemManagement LLC, et al., was set to begin on February 9, 2016, and has been postponed to April 12, 2016. We will continue to defend our position and believe that any liability that may arise from this incident will be covered by our insurance; however, we cannot predict the outcome.

9. COMMITMENTS AND CONTINGENCIES, Continued

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

Operating leases

We have entered into operating lease agreements for office space, office equipment, land and vehicles. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2015 are as follows (in thousands):

For twelve months ending:		
December 31, 2016	$	1,280
December 31, 2017		1,104
December 31, 2018		496
December 31, 2019		152
December 31, 2020		12
Thereafter		126
Total future minimum lease payments	$	3,170

We recorded lease and rental expenses of $1.8 million , $1.5 million and $1.2 million for the years ended December 31, 2015 , 2014 and 2013 , respectively.

Purchase and sale commitments

We routinely enter into agreements to purchase and sell petroleum products at specified future dates. We create a margin for these purchases by entering into various types of physical and financial sales and exchange transactions through which we seek to maintain a position that is substantially balanced between purchases on the one hand and sales and future delivery obligations on the other. We account for derivatives at fair value with the exception of commitments which 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 December 31, 2015 , such commitments included the following (in thousands):

	Volume (barrels)		Value
Fixed price purchases	1,976	$	71,709
Fixed price sales	2,907	$	116,329
Floating price purchases	17,361	$	652,122
Floating price sales	17,812	$	686,030

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 (at 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).

9. COMMITMENTS AND CONTINGENCIES, Continued

We have a throughput commitment with our equity method investee, White Cliffs, for approximately 5,000 barrels per day of space on White Cliffs' pipeline which became effective in October 2015 and has a term of five years. Annual payments to White Cliffs under the agreement are expected to be $9.4 million .

We have a throughput commitment for 5,000 barrels per day on the Dakota Access Pipeline which becomes effective upon the full service date of the pipeline which is expected in the fourth quarter of 2016. The commitment has a seven year term. Annual payments are expected to be $11.9 million .

Capital contribution requirements

See Note 4 for information related to capital funding requirements related to White Cliffs.

10. EMPLOYEE BENEFITS AND EQUITY-BASED COMPENSATION

We do not directly employ any persons to manage or operate our business, as these functions are performed by employees of SemGroup. At December 31, 2015 , SemGroup had approximately 400 employees who were dedicated primarily to the management and operation of our business. None of these employees are represented by labor unions, and none are subject to collective bargaining agreements.

Equity incentive plan

On December 8, 2011, the board of directors of our general partner adopted the Rose Rock Midstream Equity Incentive Plan (the "Incentive Plan"). We have reserved 840,000 limited partner common units for issuance to non-management directors and employees under the Incentive Plan. Generally, the awards vest three years after the date of grant for employees and one year after the date of grant for non-managerial directors, contingent upon the continued service of the recipients and may be subject to accelerated vesting in the event of involuntary terminations. Awards are valued based on the grant date closing price listed on the New York Stock Exchange. Compensation expense is recognized over the vesting period and is discounted for estimated forfeitures. We use authorized but unissued units to satisfy our equity-based payment obligations. Although these awards are to be settled in units, we may elect to give participants the option of surrendering a portion of the awards, to meet statutory minimum tax withholding requirements. The activity related to these awards is summarized below:

	Unvested Units	Average Grant Date Fair Value	Aggregate Fair Value of Units (in thousands)
Outstanding at December 31, 2012	43,960	$ 21.91	
Awards granted	49,104	$ 34.41	
Awards vested	(9,333)	$ 27.25	$ 254
Awards forfeited	(783)	$ 34.40	
Outstanding at December 31, 2013	82,948	$ 28.59	
Awards granted	46,536	$ 41.35	
Awards vested	(5,712)	$ 35.87	$ 205
Awards forfeited	(21,432)	$ 29.82	
Outstanding at December 31, 2014	102,340	$ 33.79	
Awards granted	36,527	$ 39.03	
Awards vested	(38,366)	$ 27.54	$ 1,057
Awards forfeited	(310)	$ 42.80	
Outstanding at December 31, 2015	100,191	$ 38.70	

Of the 38,366 awards vested during the year ended December 31, 2015, 12,892 units were withheld to satisfy minimum tax requirements. No units were withheld to satisfy minimum tax requirements for the years ended December 31, 2014 and 2013.

10. EMPLOYEE BENEFITS AND EQUITY-BASED COMPENSATION, Continued

Compensation cost expensed for the years ended December 31, 2015 , 2014 and 2013 was $1.4 million , $0.9 million and $0.8 million , respectively. As of December 31, 2015 , there was $1.9 million of total unrecognized compensation cost related to our nonvested awards, which is expected to be recognized over a weighted-average period of 14 months.

The holders of certain of these restricted unit awards are entitled to equivalent distributions (“UUDs”) to be received upon vesting of the restricted unit awards. For awards granted prior to 2013, the UUDs were settled in common units based on the market price of our limited partner common units as of the close of business on the vesting date. For the year ended December 31, 2015, 3,335 UUD units were issued upon the vesting of restricted units. No UUD units were issued upon vesting of restricted units for the year ended December 31, 2014. For the year ended December 31, 2013, 406 UUD units were issued upon the vesting of restricted units. As of December 31, 2015, all awards granted prior to 2013 have vested. UUDs related to the restricted unit awards granted subsequent to 2013 will be settled in cash upon vesting. At December 31, 2015 , the value of these cash settled UUDs related to unvested restricted units was approximately $381 thousand .

SemGroup stock-based compensation

Certain of SemGroup’s employees who support us participate in SemGroup’s equity-based compensation program. Awards under this program generally represent awards of restricted stock of SemGroup, which are subject to specified vesting periods. SemGroup charged us $1.1 million , $1.1 million and $0.7 million during the years ended December 31, 2015 , 2014 and 2013 , respectively, related to such equity-based compensation.

Defined contribution plan

Most of the employees of SemGroup who support us participate in one of SemGroup’s defined contribution plans. SemGroup charged us $1.2 million , $0.9 million and $0.4 million during the years ended December 31, 2015 , 2014 and 2013 , respectively, for contributions made by SemGroup to this plan.

Allocated employee compensation expenses

As described in Note 15, SemGroup allocated certain corporate general and administrative expenses to us. These allocated expenses included equity-based compensation and defined contribution plan benefits for corporate employees, and such expenses are in addition to the expenses described above for employees who directly support our operations.

11. PARTNERS’ CAPITAL AND DISTRIBUTIONS

General partner

SemGroup owns the 2% general partner interest in us, and, through this general partner interest, has the right to manage and operate us. SemGroup may not be removed as general partner except by a vote of the holders of at least 66 2/3% of the outstanding limited partner units voting together as a single class, including any limited partner units owned by our general partner and its affiliates, including SemGroup.

Limited partner interests—common units

Limited partners have the right to vote on certain matters. For example, a unit majority is required to make certain types of amendments to the partnership agreement, to allow the sale of substantially all of our assets, or to dissolve the Partnership. Limited partners also have certain distribution rights, as summarized below.

Limited partner interests – subordinated units

The holders of subordinated limited partner units had similar voting rights to holders of common limited partner units. However, as described below, the distribution rights for holders of subordinated units were different than those of common units. On February 17, 2015, all subordinated units converted to common units upon the achievement of certain targets specified in our partnership agreement. The conversion did not impact the total number of the Partnership’s outstanding units representing limited partner interests.

Limited partner interests – Class A units

As described in Note 3, Class A units were not eligible to receive cash distributions until certain operational targets were achieved by White Cliffs, at which time they would convert to common units. In December 2014, these operational targets were achieved by White Cliffs and on January 1, 2015 all 3,750,000 Class A units were converted to common units on a one-for-one basis. As the conversion took place before the date of record for our distribution of fourth quarter

11. PARTNERS' CAPITAL AND DISTRIBUTIONS, Continued

2014 earnings, the Class A units participated in those distributions. The conversion did not impact the total number of the Partnership's outstanding units representing limited partner interests.

Distribution rights

We intend to pay a minimum quarterly distribution of $0.3625 per unit to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner and its affiliates. We refer to this cash as "available cash," and it is defined in our partnership agreement. Our ability to pay the minimum quarterly distribution is subject to various restrictions and other factors.

Our partnership agreement requires that we distribute all of our available cash each quarter in the following manner:

- *first,* 98.0% to the holders of common units and 2.0% to our general partner, until each common unit has received the minimum quarterly distribution of $0.3625 , plus any arrearages from prior quarters; and
- *second,* 98.0% to common unitholders and 2.0% to our general partner, until each unit has received a distribution of $0.416875 .

If cash distributions to our unitholders exceed $0.416875 per unit in any quarter, our general partner will receive, in addition to distributions on its 2.0% general partner interest, increasing percentages, up to 48.0% , of the cash we distribute in excess of that amount. We refer to these distributions as "incentive distributions." The following table summarizes the incentive distribution levels:

	Total Quarterly Distribution Per Unit Target Amount						Marginal Percentage Interest in Distributions		
							Unitholders	General Partner Interest	Incentive Distribution Rights
Minimum Quarterly Distribution					$	0.362500	98.0%	2.0%	—%
First Target Distribution	above	$	0.362500	up to	$	0.416875	98.0%	2.0%	—%
Second Target Distribution	above	$	0.416875	up to	$	0.453125	85.0%	2.0%	13.0%
Third Target Distribution	above	$	0.453125	up to	$	0.543750	75.0%	2.0%	23.0%
Thereafter				above	$	0.543750	50.0%	2.0%	48.0%

11. PARTNERS' CAPITAL AND DISTRIBUTIONS, Continued

Distributions paid

The following table shows distributions paid in 2016, 2015, 2014 and 2013:

Quarter Ended	Record Date	Payment Date	Distribution Per Unit
December 31, 2012	February 4, 2013	February 14, 2013	$0.4025
March 31, 2013	May 6, 2013	May 15, 2013	$0.4300
June 30, 2013	August 5, 2013	August 14, 2013	$0.4400
September 30, 2013	November 5, 2013	November 14, 2013	$0.4500
December 31, 2013	February 4, 2014	February 14, 2014	$0.4650
March 31, 2014	May 5, 2014	May 15, 2014	$0.4950
June 30, 2014	August 4, 2014	August 14, 2014	$0.5350
September 30, 2014	November 4, 2014	November 14, 2014	$0.5750
December 31, 2014	February 3, 2015	February 13, 2015	$0.6200
March 31, 2015	May 5, 2015	May 15, 2015	$0.6350
June 30, 2015	August 4, 2015	August 14, 2015	$0.6500
September 30, 2015	November 3, 2015	November 13, 2015	$0.6600
December 31, 2015	February 2, 2016	February 12, 2016	$0.6600

Limited Partner Units

Changes in our limited partner units are as follows:

	Common Units - Public	Common Units - SemGroup	Subordinated Units	Class A units
Balance at December 31, 2012	7,000,000	1,389,709	8,389,709	—
January private placement	2,000,000	—	—	—
Units issued to SemGroup in SCPL transactions	—	3,000,000	—	2,500,000
August common unit offering	4,750,000	—	—	—
Vesting of equity-based compensation awards, including equivalent distributions	9,739	—	—	—
Balance at December 31, 2013	13,759,739	4,389,709	8,389,709	2,500,000
Units issued to SemGroup in SCPL transaction	—	2,425,000	—	1,250,000
Vesting of equity-based compensation awards	5,712	—	—	—
Balance at December 31, 2014	13,765,451	6,814,709	8,389,709	3,750,000
Conversion to common units	—	12,139,709	(8,389,709)	(3,750,000)
Units issued to SemGroup in WOT and Glass Mountain transaction	—	1,750,000	—	—
February common unit offering	2,300,000	—	—	—
Vesting of equity-based compensation awards, including equivalent distributions (1)	28,809	—	—	—
Balance at December 31, 2015	16,094,260	20,704,418	—	—

(1) Excludes units withheld to satisfy minimum tax requirements.

11. PARTNERS' CAPITAL AND DISTRIBUTIONS, Continued

Equity Issuances

On February 13, 2015, we issued and sold 2,300,000 common limited partner units to the public for net proceeds of $89.1 million . Proceeds were used to acquire the WOT and a 50% interest in Glass Mountain from SemGroup.

On January 8, 2013, we entered into a Common Unit Purchase Agreement with certain purchasers (the “Purchasers”), pursuant to which, on January 11, 2013, 2,000,000 common units were issued and sold to the Purchasers in a private placement at a price of $29.63 per common unit for aggregate consideration of approximately $59.3 million (the “Private Placement”). The Partnership used the net proceeds from the Private Placement to fund a portion of the purchase of the initial 33% interest in SCPL.

On August 13, 2013, we issued 4,750,000 common limited partner units to the public for proceeds of $152.5 million , net of underwriting discounts and commissions of $6.4 million . Our general partner contributed $3.2 million to the Partnership to maintain its 2% ownership. Proceeds were used to repay borrowings on our credit facility.

See Note 3 for information related to units issued to SemGroup as consideration in the SCPL and WOT and Glass Mountain transactions.

See Note 10 for information related to units issued due to vesting of equity-based compensation awards.

12. EARNINGS PER LIMITED PARTNER UNIT

The following tables set forth the computation of basic and diluted earnings per limited partner unit for the years ended December 31, 2015 , 2014 and 2013 (in thousands, except per unit data):

	Year Ended December 31,		
	2015	2014	2013
Net income attributable to Rose Rock Midstream, L.P.	$ 49,673	$ 55,167	$ 36,259
Less: General partner's incentive distribution earned	20,096	6,698	483
Less: General partner's 2.0% ownership	993	1,444	245
Net income allocated to limited partners	$ 28,584	$ 47,025	$ 35,531
Numerator for basic and diluted earnings per limited partner unit (1) :			
Allocation of net income among limited partner interests:			
Net income allocable to common units	$ 28,584	$ 32,914	$ 22,701
Net income allocable to subordinated units	—	13,912	13,321
Net income (loss) allocable to Class A units	—	199	(491)
Net income allocated to limited partners	$ 28,584	$ 47,025	$ 35,531
Denominator for basic and diluted earnings per limited partner unit:			
Basic weighted average number of common units outstanding	36,302	19,419	13,672
Effect of non-vested restricted units	41	65	36
Diluted weighted average number of common units outstanding	36,343	19,484	13,708
Basic and diluted weighted average number of subordinated units outstanding	—	8,390	8,390
Basic and diluted weighted average number of Class A units outstanding	—	3,154	1,264
Earnings (loss) per limited partner unit:			
Common units (basic)	$ 0.79	$ 1.69	$ 1.66
Common units (diluted)	$ 0.79	$ 1.69	$ 1.66
Subordinated units (basic and diluted)	$ —	$ 1.66	$ 1.59
Class A units (basic and diluted)	$ —	$ 0.06	$ (0.39)

(1) We calculate net income allocated to limited partners based on the distributions pertaining to the current period's available cash as defined by our partnership agreement. After adjusting for the appropriate period's distributions, the remaining undistributed earnings or excess distributions over earnings, if any, are allocated to the general partner, limited partners and participating securities in accordance with the contractual terms of the partnership agreement and as further prescribed under the two-class method. Incentive distribution rights do not participate in undistributed earnings. Prior to the conversion of the Class A units in January 2015, the Class A units did not participate in cash distributions, but were allocated a proportional share of undistributed earnings. Class A units received the declared distribution for the fourth quarter of 2014, as such the fourth quarter distribution is reflected in the earnings attributable to Class A units for the year ended December 31, 2014. As distributions related to the available cash exceeded net income, the Class A units reflect a loss for the year ended December 31, 2013.

13. SEGMENTS

During the year ended December 31, 2015, management made the decision to disaggregate certain activities and functions within the Partnership to provide additional granularity, both internally and externally, to our operating results. As such, the prior period results have been recast to reflect the resulting reportable segments.

Our segments are organized by our key revenue generating activities. Our Transportation segment includes revenue generated through fees charged for the physical movement of crude oil utilizing our truck and pipeline assets, as well as buy/sell activity where we generate the equivalent of a transportation fee by buying crude oil at one location and selling it back to the same counterparty at a different location for a fixed margin. Our Facilities segment includes revenue generated through crude oil storage fees, truck unloading fees and other ancillary activities related to our facilities. Our Supply and Logistics segment includes revenue generated through the marketing of crude oil and includes related derivative activity. 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 Partnership. Eliminations of transactions between segments are also included within Corporate and Other in the tables below.

	Year Ended December 31, 2015				
	Transportation	Facilities	Supply and Logistics	Corporate and Other	Consolidated
Revenues:					
External	$ 81,991	$ 45,936	$ 716,784	$ —	$ 844,711
Intersegment	15,021	—	—	(15,021)	—
Total revenues	$ 97,012	$ 45,936	$ 716,784	$ (15,021)	$ 844,711
Depreciation and amortization	$ 35,500	$ 5,829	$ 159	$ 510	$ 41,998
Earnings from equity method investment	$ 76,355	$ —	$ —	$ —	$ 76,355
Segment profit [(1)]	$ 81,038	$ 33,757	$ 30,088	$ (8,162)	$ 136,721
Additions to long-lived assets (including acquisitions and contributions to equity method investments)	$ 304,534	$ 30,118	$ 2,564	$ 179	$ 337,395
Total assets at December 31, 2015 (excluding intersegment receivables)	$ 745,612	$ 155,186	$ 328,419	$ 28,614	$ 1,257,831
Equity investments at December 31, 2015	$ 438,291	$ —	$ —	$ —	$ 438,291

	Year Ended December 31, 2014				
	Transportation	Facilities	Supply and Logistics	Corporate and Other	Consolidated
Revenues:					
External	$ 84,718	$ 44,007	$ 1,169,372	$ —	$ 1,298,097
Intersegment	10,840	—	—	(10,840)	—
Total revenues	$ 95,558	$ 44,007	$ 1,169,372	$ (10,840)	$ 1,298,097
Depreciation and amortization	$ 33,679	$ 5,365	$ 549	$ 442	$ 40,035
Earnings from equity method investment	$ 57,378	$ —	$ —	$ —	$ 57,378
Segment profit [(1)]	$ 72,835	$ 32,286	$ 24,021	$ (6,544)	$ 122,598
Additions to long-lived assets (including acquisitions and contributions to equity method investments)	$ 230,111	$ 8,207	$ 11,662	$ 234	$ 250,214
Total assets at December 31, 2014 (excluding intersegment receivables)	$ 595,781	$ 116,784	$ 271,444	$ 22,254	$ 1,006,263
Equity investments at December 31, 2014	$ 269,635	$ —	$ —	$ —	$ 269,635

13. SEGMENTS, Continued

	Year Ended December 31, 2013				
	Transportation	Facilities	Supply and Logistics	Corporate and Other	Consolidated
Revenues:					
External	$ 34,917	$ 46,697	$ 685,588	$ —	$ 767,202
Intersegment	225	—	—	(225)	—
Total revenues	$ 35,142	$ 46,697	$ 685,588	$ (225)	$ 767,202
Depreciation and amortization	$ 17,814	$ 4,833	$ 673	$ 388	$ 23,708
Earnings from equity method investment	$ 17,571	$ —	$ —	$ —	$ 17,571
Segment profit (1)	$ 22,806	$ 37,083	$ 15,010	$ (6,483)	$ 68,416
Additions to long-lived assets (including acquisitions and contributions to equity method investments)	$ 243,805	$ 11,783	$ 1,868	$ 447	$ 257,903

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

	Year Ended December 31,		
Reconciliation of segment profit to net income:	2015	2014	2013
Total segment profit	$ 136,721	$ 122,598	$ 68,416
Less:			
Net unrealized loss (gain) related to derivative instruments	1,900	(1,621)	(974)
Depreciation and amortization	41,998	40,035	23,708
Interest expense	43,188	21,279	8,181
Other income, net	(38)	(20)	(14)
Net income	$ 49,673	$ 62,925	$ 37,515

14. SUPPLEMENTAL INFORMATION —STATEMENTS OF CASH FLOWS

Acquisitions

WOT and Glass Mountain

In connection with the first quarter 2015 acquisition of the WOT and a 50% interest in Glass Mountain (Note 3), we issued 1.75 million common units valued at $70.6 million as non-cash consideration to SemGroup. The valuation of the units is based on the offering price for units concurrently sold in a public offering. In addition, a non-cash contribution of $3.3 million was recorded to the general partner's capital account.

As the transaction occurred between parties under common control, the purchase price in excess of SemGroup's historical cost was treated as an equity transaction with SemGroup, which reduced the partners' capital accounts pro-rata based on ownership percentages. The $46.3 million of cash consideration in excess of historical cost is reflected as a distribution to SemGroup in the condensed consolidated cash flow statement. The entire amount of non-cash equity consideration issued to SemGroup was in excess of the historical cost. Accordingly, the value of this equity was reduced to zero in our statement of equity through an adjustment to reflect consideration in excess of historical value as a distribution to SemGroup.

SCPL

In connection with the acquisition of the remaining interest in SCPL in 2014 (Note 3), we issued 2.425 million common units and 1.25 million Class A units, valued at $120.0 million and $58.6 million , respectively, as non-cash consideration to SemGroup. In addition a non-cash contribution of $3.6 million was recorded to the general partner's capital account.

As the transaction occurred between parties under common control, the purchase price in excess of SemGroup's historical cost of the 33% interest in SCPL was treated as an equity transaction with SemGroup, which reduced the partners' capital accounts pro-rata based on ownership percentages. Of the $206.6 million of purchase price in excess of historical cost, $24.4 million represented cash consideration in excess of historical cost and the remaining $182.2 million reduction represented the non-cash portion of the transaction related to equity consideration.

14. SUPPLEMENTAL INFORMATION —STATEMENTS OF CASH FLOWS, Continued

In connection with the acquisition of SCPL in 2013, we issued 3.0 million common units and 2.5 million Class A units, valued at $98.9 million and $70.1 million , respectively, as non-cash consideration to SemGroup. In addition, a non-cash contribution of $4.6 million was recorded to the general partner's capital account.

As the transaction occurred between parties under common control, the purchase price in excess of SemGroup's historical cost of SCPL was treated as an equity transaction with SemGroup, which reduced the partners' capital accounts pro-rata based on ownership percentages. Of the $414.3 million of purchase price in excess of historical cost, $240.6 million represented cash consideration in excess of historical cost and the remaining $173.7 million reduction represented the non-cash portion of the transaction related to equity consideration.

Other supplemental disclosures

We paid cash for interest totaling $39.6 million , $8.5 million and $7.2 million during the years ended December 31, 2015, 2014 and 2013, respectively.

We accrued $2.3 million , $1.2 million and $1.5 million for purchases of property, plant and equipment at December 31, 2015, 2014 and 2013, respectively.

15. RELATED PARTY TRANSACTIONS

Direct employee expenses

We do not directly employ any persons to manage or operate our business. These functions are performed by employees of SemGroup. SemGroup charged us $44.8 million , $34.0 million and $13.5 million during the years ended December 31, 2015 , 2014 and 2013 , respectively, for direct employee costs, including equity compensation and defined contribution plan benefits described in Note 10 and including prior year amounts related to WOT due to the change in reporting entity as a result of the acquisition described in Note 3. These expenses were recorded to operating expenses and to general and administrative expenses in our consolidated statements of income.

Allocated expenses

SemGroup incurs expenses to provide certain indirect corporate general and administrative services to its subsidiaries. Such expenses include employee compensation costs, professional fees and rental fees for office space, among other expenses. The allocation of expenses is determined based on a transfer pricing analysis which is periodically updated. The most recent update occurred in December 2015.

SemGroup charged us $13.1 million , $10.7 million and $7.3 million during the years ended December 31, 2015 , 2014 and 2013 , respectively, for such allocated costs. These expenses were recorded to general and administrative expenses in our consolidated statements of income.

Common control transactions

During 2015, we purchased WOT and Glass Mountain from SemGroup. During 2014 and 2013, we purchased interests in SCPL from SemGroup. See Note 3 for additional information.

NGL Energy Partners LP and subsidiaries

For the years ended December 31, 2015 , 2014 and 2013 , we generated revenues from NGL Energy in the amounts of $151.8 million , $400.3 million and $693.2 million , respectively. For the years ending December 31, 2015 , 2014 and 2013 , we made purchases of condensate from NGL Energy in the amounts of $138.1 million , $437.0 million and $669.4 million , respectively. We received reimbursements from NGL Energy for certain services in the amount of $56 thousand , $168 thousand and $182 thousand for the years ended December 31, 2015 , 2014 and 2013 , respectively.

SemGas

We purchase condensate from SemGas, L.P. ("SemGas"), which is also a wholly-owned subsidiary of SemGroup. Our purchases from SemGas were $20.6 million , $37.9 million and $24.0 million for the years ended December 31, 2015 , 2014 and 2013 , respectively.

White Cliffs

We provide storage and management services to White Cliffs. We generated revenues from White Cliffs of $4.8 million , $2.9 million and $2.9 million for the years ended December 31, 2015 , 2014 and 2013 , respectively. We incurred $5.2

15. RELATED PARTY TRANSACTIONS, Continued

million and $3.9 million of cost for the years ended December 31, 2015 and 2014 , respectively, related to product purchases and transportation fees for shipments on the White Cliffs Pipeline.

Glass Mountain

We incurred $5.1 million and $0.8 million of cost for the years ended December 31, 2015 and 2014 , respectively, related to product purchases and transportation fees for shipments on Glass Mountain's pipeline. We received $0.8 million and $0.5 million in fees from Glass Mountain for the year ended December 31, 2015 and 2014 , respectively, related to support services associated with Glass Mountain's pipeline operations.

Legal services

The law firm of Conner & Winters, LLP, of which Mark D. Berman is a partner, performs legal services for us. Mr. Berman is the spouse of Candice L. Cheeseman, General Counsel. Mr. Berman does not perform any legal services for us. We paid $27 thousand , $0.1 million and $0.4 million in legal fees and related expenses to this law firm during the years ended December 31, 2015 , 2014 and 2013 , respectively.

Our equity method investee, White Cliffs, paid legal fees and related expenses to this law firm of $3 thousand , $0.1 million and $0.2 million during the years ended December 31, 2015 , 2014 and 2013 , respectively.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized information on the unaudited consolidated net income of Rose Rock Midstream, L.P. for the quarters during the year ended December 31, 2015 , is shown below (in thousands) and includes all normal recurring adjustments that management considers necessary for fair presentation:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$ 134,693	$ 223,303	$ 241,086	$ 245,629	$ 844,711
Loss (gain) on disposal or impairment, net	152	(22)	27	10,100	10,257
Other operating costs and expenses	132,799	213,748	229,271	242,168	817,986
Total expenses	132,951	213,726	229,298	252,268	828,243
Earnings from equity method investment	20,864	17,683	17,115	20,693	76,355
Operating income	22,606	27,260	28,903	14,054	92,823
Other expenses, net	8,006	10,192	12,482	12,470	43,150
Net income	$ 14,600	$ 17,068	$ 16,421	$ 1,584	$ 49,673
Earnings per limited partner unit					
Common unit (basic)	$ 0.28	$ 0.32	$ 0.29	$ (0.10)	$ 0.79
Common unit (diluted)	$ 0.28	$ 0.32	$ 0.29	$ (0.10)	$ 0.79

Summarized information on the consolidated net income of Rose Rock Midstream, L.P. for the quarters during the year ended December 31, 2014 , recast to reflect the acquisition of WOT (Note 3) is shown below (in thousands) and includes all normal recurring adjustments that management considers necessary for fair presentation:

16. QUARTERLY FINANCIAL DATA (UNAUDITED), Continued

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$ 292,514	$ 292,156	$ 376,856	$ 336,571	$ 1,298,097
Loss (gain) on disposal or impairment, net	(34)	(27)	291	89	319
Other operating costs and expenses	285,015	286,677	368,324	330,956	1,270,972
Total expenses	284,981	286,650	368,615	331,045	1,271,291
Earnings from equity method investments	11,080	12,291	16,289	17,718	57,378
Operating income	18,613	17,797	24,530	23,244	84,184
Other expenses, net	2,387	2,709	8,010	8,153	21,259
Net income	16,226	15,088	16,520	15,091	62,925
Less: net income attributable to noncontrolling interests	3,676	4,082	—	—	7,758
Net income attributable to Rose Rock Midstream, L.P.	$ 12,550	$ 11,006	$ 16,520	$ 15,091	$ 55,167
Earnings (loss) per limited partner unit					
Common unit (basic)	$ 0.45	$ 0.41	$ 0.50	$ 0.34	$ 1.69
Common unit (diluted)	$ 0.45	$ 0.41	$ 0.50	$ 0.34	$ 1.69
Subordinated unit (basic and diluted)	$ 0.45	$ 0.37	$ 0.50	$ 0.34	$ 1.66
Class A unit (basic and diluted)	$ (0.05)	$ (0.25)	$ (0.07)	$ 0.34	$ 0.06

Index to Exhibits

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

Exhibit Number	Description
2.1	Contribution Agreement, dated as of June 23, 2014, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, LLC (filed as Exhibit 2.1 to the Registrant's current report on Form 8-K, filed with the Commission on June 23, 2014).
2.2	Amended and Restated Contribution Agreement dated as of February 13, 2015, by and among SemGroup Corporation, Rose Rock Midstream Holdings, LLC, SemDevelopment, L.L.C., Rose Rock Midstream GP, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream Operating, LLC (filed as Exhibit 2.1 to the Registrant's current report on Form 8-K/A, filed with the Commission on March 25, 2015).
3.1	Certificate of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to Registrant's registration statement on Form S-1 (the "Form S-1"), filed with the Commission on August 12, 2011).
3.2	Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. (filed as Exhibit 3.1 to the Registrant's current report on Form 8-K, filed with the Commission on December 20, 2011).
3.3	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P. and the Purchasers identified therein (filed as Exhibit 3.1 to the Registrant's current report on Form 8-K, filed with the Commission on January 14, 2013).
3.4	Amendment No. 2, dated as of December 16, 2013, to the Second Amended and Restated Agreement of Limited Partnership of Rose Rock Midstream, L.P., dated as of December 14, 2011, as amended by Amendment No. 1 thereto dated January 11, 2013 (filed as Exhibit 3.1 to the Registrant's current report on Form 8-K, filed with the Commission on December 16, 2013).
3.5	Certificate of Formation of Rose Rock Midstream GP, LLC (filed as Exhibit 3.4 to the Form S-1, filed with the Commission on August 12, 2011).
3.6	First Amended and Restated Limited Liability Company Agreement of Rose Rock Midstream GP, LLC (filed as Exhibit 3.2 to the Registrant's current report on Form 8-K, filed with the Commission on December 20, 2011).
4.1	Indenture (and Form of 5.625% Senior Note due 2022 attached as Exhibit A thereto), dated as of July 2, 2014, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as Exhibit 4.1 to the Registrant's current report on Form 8-K, filed with the Commission on July 2, 2014).
4.2	Indenture (and Form of 5.625% Senior Note due 2023 attached as Exhibit A thereto), dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as Exhibit 4.1 to the Registrant's current report on Form 8-K, filed with the Commission on May 18, 2015).
4.3	Registration Rights Agreement, dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., the Guarantors signatory thereto and Wells Fargo Securities, LLC, as representative of the several initial purchasers (filed as Exhibit 4.3 to the Registrant's current report on Form 8-K, filed with the Commission on May 18, 2015).
10.1	Credit Agreement, dated November 10, 2011, among Rose Rock Midstream, L.P., as borrower, The Royal Bank of Scotland PLC, as administrative agent and collateral agent, the other agents party thereto and the lenders and issuing banks party thereto (filed as Exhibit 10.1 to the Form S-1, filed with the Commission on November 18, 2011).
10.2	First Amendment to the Credit Agreement, dated as of September 26, 2012, among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P., as guarantors, and The Royal Bank of Scotland plc, as administrative agent and collateral agent for the lenders (filed as Exhibit 10.1 to the Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2012, filed with the Commission on November 9, 2012).

10.3	Second Amendment to the Credit Agreement and First Amendment to the Guarantee and Collateral Agreement, dated as of September 20, 2013, by and among Rose Rock Midstream, L.P., certain subsidiaries of Rose Rock Midstream, L.P., as guarantors, the lenders party thereto and the Royal Bank of Scotland plc, as administrative agent and collateral agent (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed with the Commission on September 26, 2013).
10.4	Third Amendment to the Credit Agreement, dated as of December 10, 2013, by and among Rose Rock Midstream, L.P., as borrower, the guarantors named therein, the lenders named therein, and The Royal Bank of Scotland plc, as administrative agent and collateral agent (filed as Exhibit 10.1 to Registrant's current report on Form 8-K, filed with the Commission on December 16, 2013).
10.5	Contribution, Conveyance and Assumption Agreement, dated November 29, 2011, by and among SemGroup Corporation, certain subsidiaries of SemGroup Corporation and Rose Rock Midstream, L.P. (filed as Exhibit 10.2 to the Registrant's Form S-1, filed with the Commission on December 1, 2011).
10.6*	Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.1 to the Registrant’s current report on Form 8-K, filed with the Commission on December 14, 2011).
10.6.1*	Form of Restricted Unit Award Agreement (Employees) under the Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.3.1 to the Registrant's annual report on Form 10-K for the year ended December 31, 2011, filed with the Commission on February 29, 2012).
10.6.2*	Form of Restricted Unit Award Agreement (Directors) under the Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.3.2 to the Form S-1, filed with the Commission on November 18, 2011).
10.6.3*	Form of Phantom Unit Award Agreement under the Rose Rock Midstream Equity Incentive Plan (filed as Exhibit 10.3.3 to the Form S-1, filed with the Commission on November 18, 2011).
10.6.4*	Form of Restricted Unit Award Agreement (Employees) under the Rose Rock Midstream Equity Incentive Plan for awards granted on or after March 1, 2013 (filed as Exhibit 10.4.4 to the Registrant's annual report on Form 10-K for the year ended December 31, 2012, filed with the Commission on March 1, 2013).
10.6.5*	Form of Restricted Unit Award Agreement (Directors) under the Rose Rock Midstream Equity Incentive Plan for awards granted on or after March 1, 2013 (filed as Exhibit 10.4.5 to the Registrant's annual report on Form 10-K for the year ended December 31, 2012, filed with the Commission on March 1, 2013).
10.7	Omnibus Agreement dated as of December 14, 2011, among the Registrant, SemGroup Corporation and Rose Rock Midstream GP, LLC (filed as Exhibit 10.1 to the Registrant’s current report on Form 8-K, filed with the Commission on December 20, 2011).
10.8*	Rose Rock Midstream GP, LLC Board of Directors Compensation Plan (filed as Exhibit 10.2 to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2014, filed with the Commission on August 8, 2014).
10.9*	Rose Rock Midstream GP, LLC Board of Directors Compensation Plan, effective as of December 1, 2015 (filed as Exhibit 10.3 to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2015, filed with the Commission on August 7, 2015).
10.10*	Employment Agreement dated as of March 6, 2014, by and among SemManagement, L.L.C., SemGroup Corporation, Rose Rock Midstream GP, LLC and Carlin G. Conner (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed with the Commission on March 12, 2014).
10.11	Purchase Agreement, dated May 11, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the guarantors party thereto and Wells Fargo Securities, LLC, as representative of the initial purchasers named therein (filed as Exhibit 1.1 to the Registrant's current report on Form 8-K filed with the Commission on May 13, 2015).
10.12	Equity Distribution Agreement, dated May 12, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Midstream GP, LLC, Wells Fargo Securities, LLC, Citigroup Global Markets Inc. and SunTrust Robinson Humphrey, Inc. (filed as Exhibit 1.2 to the Registrant's current report on Form 8-K filed with the Commission on May 13, 2015).
21	Subsidiaries of Rose Rock Midstream, L.P.

23.1	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
23.2	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Carlin G. Conner, Chief Executive Officer.
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of Robert N. Fitzgerald, Chief Financial Officer.
32.1	Section 1350 Certification of Carlin G. Conner, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
99.1	White Cliffs Pipeline, L.L.C. financial statements presented pursuant to Rule 3-09 of Regulation S-X.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2015 and 2014, (ii) the Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013, (iii) the Consolidated Statements of Changes in Partners' Capital for the years ended December 31, 2015, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013 and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement.

EXHIBIT 21

ROSE ROCK MIDSTREAM, L.P.
Subsidiaries

Entity	Place of Incorporation/Organization
Rose Rock Midstream Operating, LLC	Delaware
Rose Rock Midstream Energy GP, LLC	Delaware
Rose Rock Midstream Crude, L.P.	Delaware
Rose Rock Finance Corporation	Delaware
Rose Rock Midstream Field Services, LLC	Delaware
SemCrude Pipeline, L.L.C.	Delaware
Glass Mountain Holding, LLC	Oklahoma
Wattenberg Holding, LLC	Oklahoma

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of Rose Rock Midstream GP, LLC, as General Partner of Rose Rock Midstream, L.P., and the Partners of Rose Rock Midstream, L.P.:

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-178923), Form S-4 (File Nos. 333-198580 and 333-208195) and Form S-3 (File Nos. 333-199600, 333-186469 and 333-188635) of Rose Rock Midstream, L.P. of our reports dated February 26, 2016, relating to the consolidated financial statements, and the effectiveness of Rose Rock Midstream, L.P. 's internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP
Dallas, Texas
February 26, 2016

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of Rose Rock Midstream GP, LLC, as General Partner of Rose Rock Midstream, L.P., and the Partners of Rose Rock Midstream, L.P.:

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-178923), Form S-4 (File Nos. 333-198580 and 333-208195) and Form S-3 (File Nos. 333-199600, 333-186469 and 333-188635) of Rose Rock Midstream, L.P. of our report dated February 26, 2016, relating to the financial statements of White Cliffs Pipeline, L.L.C., which appears in this Form 10-K.

/s/ BDO USA, LLP
Dallas, Texas
February 26, 2016

EXHIBIT 31.1

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

I, Carlin G. Conner, certify that:

1. I have reviewed this annual report on Form 10-K of Rose Rock Midstream, L.P.;

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 15(d)-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: February 26, 2016

/s/ Carlin G. Conner

Carlin G. Conner
President and Chief Executive Officer

EXHIBIT 31.2

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

I, Robert N. Fitzgerald, certify that:

1. I have reviewed this annual report on Form 10-K of Rose Rock Midstream, L.P.;

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 15(d)-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: February 26, 2016

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the annual report of Rose Rock Midstream, L.P. (the "Company") on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carlin G. Conner, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 26, 2016

/s/ Carlin G. Conner

Carlin G. Conner
President and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the annual report of Rose Rock Midstream, L.P. (the “Company”) on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert N. Fitzgerald, Senior Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 26, 2016

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald

Senior Vice President and
Chief Financial Officer

Index to White Cliffs Pipeline, L.L.C. Financial Statements

Independent Auditor's Report

To the Members
White Cliffs Pipeline, L.L.C.
Tulsa, Oklahoma

We have audited the accompanying financial statements of White Cliffs Pipeline, L.L.C., which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, changes in members' equity and cash flows for each of the three years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Cliffs Pipeline, L.L.C., as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

BDO USA, LLP
Dallas, Texas
February 26, 2016

WHITE CLIFFS PIPELINE, L.L.C.
Balance Sheets
(In thousands, except unit amounts)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,423	$ 14,908
Accounts receivable	25,289	16,614
Receivable from affiliate	914	1,160
Inventories	2,545	2,237
Other current assets	920	704
Total current assets	54,091	35,623
Property, plant and equipment, net	509,068	471,179
Goodwill	17,000	17,000
Other intangible assets (net of accumulated amortization of $42,026 and $37,957 at December 31, 2015 and 2014, respectively)	11,974	16,043
Total assets	$ 592,133	$ 539,845
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 634	$ 212
Payable to affiliate	173	161
Accrued liabilities	8,684	10,735
Total current liabilities	9,491	11,108
Commitments and contingencies (Note 5)		
Members' equity (240,610 units at December 31, 2015 and 2014)	582,642	528,737
Total liabilities and members' equity	$ 592,133	$ 539,845

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Operations
(In thousands)

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Revenues	$ 206,395	$ 160,369	$ 133,310
Expenses:			
Costs of products sold, exclusive of depreciation and amortization shown below	2,913	3,636	6,023
Operating	28,835	17,480	15,541
General and administrative	1,535	1,951	2,248
Depreciation and amortization	34,105	23,257	18,668
Total expenses	67,388	46,324	42,480
Operating income	139,007	114,045	90,830
Other expenses, net	7	—	13
Net income	$ 139,000	$ 114,045	$ 90,817

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Changes in Members’ Equity
(In thousands)

		Members’ Equity
Balance at December 31, 2012	$	272,175
Net income		90,817
Distributions to members		(112,894)
Contributions from members		189,344
Balance at December 31, 2013		439,442
Net income		114,045
Distributions to members		(130,917)
Contributions from members		106,167
Balance at December 31, 2014		528,737
Net income		139,000
Distributions to members		(171,584)
Contributions from members		86,489
Balance at December 31, 2015	$	582,642

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

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash flows from operating activities:			
Net income	$ 139,000	$ 114,045	$ 90,817
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	34,105	23,257	18,668
Inventory valuation adjustment	640	1,889	—
Loss on disposal of long-lived assets	60	—	—
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	(8,675)	(5,143)	(1,198)
Decrease (increase) in receivable from affiliate	246	(1,146)	(14)
Decrease (increase) in inventories	(948)	(2,811)	2,136
Decrease (increase) in other current assets	(223)	(249)	(96)
Increase (decrease) in accounts payable and accrued liabilities	5,229	(3,075)	3,104
Increase (decrease) in payable to affiliate	11	30	30
Net cash provided by operating activities	169,445	126,797	113,447
Cash flows from investing activities:			
Capital expenditures	(74,835)	(172,348)	(112,120)
Net cash used in investing activities	(74,835)	(172,348)	(112,120)
Cash flows from financing activities:			
Distributions to members	(171,584)	(130,917)	(112,894)
Contributions from members	86,489	106,167	189,344
Net cash provided by (used in) financing activities	(85,095)	(24,750)	76,450
Net increase (decrease) in cash and cash equivalents	9,515	(70,301)	77,777
Cash and cash equivalents at beginning of period	14,908	85,209	7,432
Cash and cash equivalents at end of period	$ 24,423	$ 14,908	$ 85,209

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

1. OVERVIEW

White Cliffs Pipeline, L.L.C. (“White Cliffs”) is a Delaware limited liability company. White Cliffs owns two parallel 12" common carrier, crude oil pipelines running 527 miles with origination points in Platteville, Colorado and Healy, Kansas and a termination point in Cushing, Oklahoma.

SemGroup Corporation (“SemGroup”) owns a 51% interest in White Cliffs indirectly through its consolidated subsidiary Rose Rock Midstream, L.P. ("Rose Rock") which serves as White Cliffs' manager. Rose Rock accounts for White Cliffs under the equity method, as the other members have substantive rights to participate in the management of White Cliffs.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Although management believes these estimates are reasonable, actual results could differ materially from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ACCOUNTS RECEIVABLE - Accounts receivable are reported net of the allowance for doubtful accounts. White Cliffs’ assessment of the allowance for doubtful accounts is based on several factors, including the overall creditworthiness of its customers, existing economic conditions, and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. The allowance for doubtful accounts was $0 at December 31, 2015 and 2014.

INVENTORIES —Inventories primarily consist of crude oil. Inventories are valued at the lower of cost or market, with cost generally determined using the weighted-average method. The cost of inventory includes applicable transportation costs. During the years ended December 31, 2015 and 2014, White Cliffs recorded $0.6 million and $1.9 million, respectively, of non-cash adjustments to reduce the carrying value of inventory to the lower of cost or market value.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment is recorded at cost. White Cliffs capitalizes costs that extend or increase the future economic benefits of property, plant and equipment, and expenses maintenance costs that do not. When assets are disposed of, their cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is recorded within operating expenses in the statements of operations.

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

Pipelines and related facilities	20 years
Storage and terminal facilities	10 –25 years
Other property and equipment	3 – 7 years

GOODWILL – White Cliffs tests goodwill for impairment each year as of October 1, or more often if circumstances warrant, by estimating the fair value of the asset group to which the goodwill relates and comparing this fair value to the net book value of the asset group. If fair value is less than net book value, White Cliffs estimates the implied fair value of goodwill, reduces the book value of the goodwill to the implied fair value, and records a corresponding impairment loss.

For the October 1, 2015 goodwill impairment test, White Cliffs developed estimates of cash flows for the next nine years, and also developed an estimated terminal value. White Cliffs discounted the estimated cash flows to present value using a rate of 11%. No impairment was recorded for the period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

REVENUE RECOGNITION – Revenue for the transportation of product is recognized upon delivery of the product to its destination.

LINE LOSS DEDUCTIONS AND INVENTORY – The White Cliffs tariff allows White Cliffs to retain a pipeline loss allowance ("PLA") in the amount of two-tenths of one percent of any customer product placed in the system. The PLA is intended to compensate for expenses associated with product shrinkage and evaporation. If the PLA exceeds the actual amount of product loss, White Cliffs is entitled to sell the product overage for its own gain. The PLA is recorded to revenue and inventory in the month in which the shipment occurs. Gains or losses resulting from actual product overages or shortages are also recorded to cost of products sold and inventory during the month the overage or shortage occurs.

White Cliffs recorded $3.5 million, $4.7 million and $4.0 million of revenue related to PLA during the years ended December 31, 2015, 2014 and 2013, respectively. White Cliffs recorded $2.3 million, $1.7 million and $1.9 million of cost of sales related to actual product shortages for the years ended December 31, 2015, 2014 and 2013, respectively. There were no product sales during the years ended December 31, 2015 and 2014. White Cliffs sold $4.9 million of inventory during the year ended December 31, 2013, of which $3.3 million was sold to Rose Rock.

INCOME TAXES - White Cliffs is a pass-through entity for federal and state income tax purposes. Its earnings are allocated to its members, who are responsible for any related income taxes. Because of this, no provision for income taxes is reported in the accompanying financial statements.

SUBSEQUENT EVENTS - White Cliffs has evaluated subsequent events for accrual or disclosure in these financial statements through February 26, 2016, which is the date these financial statements were available to be issued.

3. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2015	December 31, 2014
Land	$ 31,732	$ 31,205
Pipelines and related facilities	519,248	496,713
Storage and terminal facilities	1,830	1,830
Other property and equipment	3,431	3,451
Construction-in-progress	54,632	9,749
Property, plant and equipment, gross	610,873	542,948
Accumulated depreciation	(101,805)	(71,769)
Property, plant and equipment, net	$ 509,068	$ 471,179

White Cliffs recorded depreciation expense of $30.0 million, $18.5 million and $13.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. Property, plant and equipment includes accruals for construction costs incurred but not yet paid of $0.8 million and $7.6 million at December 31, 2015 and 2014, respectively.

4. OTHER INTANGIBLE ASSETS

Other intangible assets consist of customer relationships. They are generally amortized on an accelerated basis over the estimated period of benefit and may be subject to impairments in the future if we are unable to maintain the relationships with the customers to which the assets relate. The following table shows the changes in the other intangible asset balances (in thousands):

Balance, December 31, 2012	$ 26,369
Amortization	(5,567)
Balance, December 31, 2013	20,802
Amortization	(4,759)
Balance, December 31, 2014	16,043
Amortization	(4,069)
Balance, December 31, 2015	$ 11,974

White Cliffs estimates that future amortization of other intangible assets will be as follows (in thousands):

For the year ending:	
December 31, 2016	$ 3,478
December 31, 2017	2,972
December 31, 2018	2,541
December 31, 2019	1,133
December 31, 2020	748
Thereafter	1,102
Total estimated amortization expense	$ 11,974

5. COMMITMENTS AND CONTINGENCIES

Environmental

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

Asset retirement obligations

We may be subject to removal and restoration costs upon retirement of our facilities. However, we are unable to predict when, or if, our pipelines, storage tanks and related 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.

Other matters

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

Leases

White Cliffs has entered into operating lease agreements for storage tanks with Rose Rock. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2015, are as follows (in thousands):

Years ending:		
December 31, 2016	$	3,750
December 31, 2017		3,750
December 31, 2018		2,963
December 31, 2019		2,088
December 31, 2020		187
Thereafter		—
Total future minimum lease payments	$	12,738

White Cliffs recorded lease and rental expenses of $4.6 million, $3.3 million and $3.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

6. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2015, 2014 and 2013, White Cliffs generated revenues from its owners in the amounts of $184.4 million, $134.3 million and $121.5 million, respectively. White Cliffs has storage and management services agreements with Rose Rock. White Cliffs paid $4.8 million, $2.9 million and $2.9 million for such services during the years ended December 31, 2015, 2014 and 2013, respectively.

During the years ended December 31, 2015, 2014 and 2013 White Cliffs generated revenues from its affiliates in the amounts of $3.2 million, $3.1 million and $3.3 million, respectively.

Rose Rock incurs certain general and administrative expenses on behalf of White Cliffs for which the other owners of White Cliffs are not responsible. White Cliffs records the expense and a corresponding member contribution from Rose Rock, since White Cliffs is not required to reimburse Rose Rock for these expenses. White Cliffs recorded $1.3 million, $1.6 million and $1.8 million of such general and administrative expense during the years ended December 31, 2015, 2014 and 2013, respectively.