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

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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)	**(IRS Employer Identification Number)**

Two Warren Place
6120 S. Yale Avenue, Suite 700
Tulsa, OK 74136-4216
(Address of principal executive offices and zip code)

(918) 524-7700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: **Yes** ☒ **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 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	☒	**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** ☒

At November 1, 2012, there were 8,389,709 common units and 8,389,709 subordinated units outstanding.

Rose Rock Midstream, L.P.

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Cautionary Note Regarding Forward-Looking Statements

Certain matters contained in this Form 10-Q include “forward-looking statements.” All statements, other than statements of historical fact, included in this Form 10-Q regarding the prospects of our industry, our anticipated financial performance, management’s plans and objectives for future operations, 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 our most recent Annual Report on 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 the minimum quarterly distribution;
- Any sustained reduction in demand for crude oil in markets served by our midstream assets;
- 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, and maintain certain financial ratios required by, our credit facility;
- Our ability to access credit markets;
- Our ability to renew or replace expiring storage contracts;
- The loss of, or a material nonpayment or nonperformance by, any of our key customers;
- 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;
- Hazards or operating risks incidental to the gathering, transporting or storing of crude oil;
- Our failure to comply with new or existing environmental laws or regulations; and
- The possibility that the construction or acquisition of new assets may not result in the corresponding anticipated revenue increases.

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

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

As used in this Form 10-Q, 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), SemGroup, L.P. (SemGroup Corporation’s predecessor), and their subsidiaries and affiliates, other than our general partner and us; (iii) “Rose Rock GP” or our “general partner” refers to Rose Rock Midstream GP, LLC; and (iv) “unitholders” refer to our common and subordinated unitholders, and not our general partner.

PART 1. **FINANCIAL INFORMATION**

Item 1. ***Financial Statements***

ROSE ROCK MIDSTREAM, L.P.
Condensed Consolidated Balance Sheets
(In thousands, except unit amounts)

	(unaudited) September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,498	$ 9,709
Accounts receivable (net of allowance of $184 at September 30, 2012 and December 31, 2011)	205,315	131,655
Receivable from affiliates	117	2,210
Inventories	29,181	21,803
Other current assets	1,531	1,205
Total current assets	249,642	166,582
Property, plant and equipment (net of accumulated depreciation of $31,545 at September 30, 2012 and $22,611 at December 31, 2011)	285,244	276,246
Other assets, net	2,665	2,666
Total assets	$ 537,551	$ 445,494
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 204,144	$ 125,681
Payable to affiliates	10,657	7,991
Accrued liabilities	9,642	4,708
Other current liabilities	2,688	2,173
Total current liabilities	227,131	140,553
Long-term debt	69	87
Commitments and contingencies (Note 4)		
Partners' capital:		
Common units – public (7,000,000 units issued and outstanding at September 30, 2012 and December 31, 2011)	129,910	127,531
Common units – SemGroup (1,389,709 units issued and outstanding at September 30, 2012 and December 31, 2011)	38,165	37,739
Subordinated units – SemGroup (8,389,709 units issued and outstanding at September 30, 2012 and December 31, 2011)	136,074	133,487
General partner	6,202	6,097
Total partners' capital	310,351	304,854
Total liabilities and partners' capital	$ 537,551	$ 445,494

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

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues, including revenues from affiliates (Note 7):				
Product	$ 120,358	$ 95,430	$ 435,814	$ 271,824
Service	11,196	9,142	32,932	27,077
Other	—	44	(59)	220
Total revenues	131,554	104,616	468,687	299,121
Expenses, including expenses from affiliates (Note 7):				
Costs of products sold, exclusive of depreciation and amortization shown below	111,790	90,660	412,847	252,804
Operating	5,698	4,530	17,146	13,695
General and administrative	4,081	2,040	8,830	6,507
Depreciation and amortization	3,066	3,122	9,032	8,505
Total expenses	124,635	100,352	447,855	281,511
Operating income	6,919	4,264	20,832	17,610
Other expenses:				
Interest expense	450	434	1,407	1,405
Other expense (income)	—	—	72	(202)
Total other expenses	450	434	1,479	1,203
Net income	$ 6,469	$ 3,830	$ 19,353	$ 16,407
General partner's interest in net income	$ 129		$ 387	
Common unitholders' interest in net income	$ 3,170		$ 9,483	
Subordinated unitholders' interest in net income	$ 3,170		$ 9,483	
Earnings per limited partner unit (Note 6):				
Common unit (basic and diluted)	$ 0.38		$ 1.13	
Subordinated unit (basic and diluted)	$ 0.38		$ 1.13	
Basic weighted average number of limited partner units outstanding:				
Common units	8,390		8,390	
Subordinated units	8,390		8,390	
Diluted weighted average number of limited partner units outstanding:				
Common units	8,409		8,404	
Subordinated units	8,390		8,390	

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

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

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash flows from operating activities:		
Net income	$ 19,353	$ 16,407
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,032	8,505
Loss on disposal of long-lived assets, net	56	12
Amortization of debt issuance costs	261	—
Recovery of uncollectible accounts receivable	—	(900)
Non-cash equity compensation	218	—
Net unrealized (gain) loss related to derivative instruments	(432)	(334)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(73,660)	(12,296)
Decrease (increase) in receivable from affiliates	2,093	(202)
Decrease (increase) in inventories	(7,557)	(296)
Decrease (increase) in margin deposits	448	1,711
Decrease (increase) in other current assets	(342)	52
Decrease (increase) in other assets	(21)	37
Increase (decrease) in accounts payable and accrued liabilities	83,408	34,938
Increase (decrease) in payable to affiliates	2,668	3
Net cash provided by operating activities	35,525	47,637
Cash flows from investing activities:		
Capital expenditures	(17,552)	(25,545)
Proceeds from sale of long-lived assets	145	3
Net cash used in investing activities	(17,407)	(25,542)
Cash flows from financing activities:		
Change in book overdrafts	—	286
Debt issuance costs	(239)	—
Borrowings on debt and other obligations	76,500	—
Principal payments on debt and other obligations	(76,500)	(8)
Principal payments on capital lease obligations	(16)	—
Net distributions to partners	(14,074)	(22,676)
Net cash used in financing activities	(14,329)	(22,398)
Net increase (decrease) in cash and cash equivalents	3,789	(303)
Cash and cash equivalents at beginning of period	9,709	303
Cash and cash equivalents at end of period	$ 13,498	$ —

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

ROSE ROCK MIDSTREAM, L.P.
Notes to Unaudited Condensed Consolidated Financial Statements

1. OVERVIEW

Rose Rock Midstream, L.P., a Delaware limited partnership, was formed in August 2011. On November 29, 2011, SemGroup Corporation contributed a wholly-owned subsidiary, Rose Rock Midstream Crude, L.P. (formerly known as SemCrude, L.P.), to Rose Rock Midstream, L.P., in return for limited partner interests, general partner interests and certain incentive distribution rights in Rose Rock Midstream, L.P. On December 14, 2011, Rose Rock Midstream, L.P. completed an initial public offering in which it sold 7,000,000 common units representing limited partner interests.

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. SemGroup Corporation is the successor entity of SemGroup, L.P., which was an Oklahoma limited partnership.

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

Basis of presentation

These condensed consolidated financial statements of Rose Rock Midstream, L.P. include the activity of its predecessor prior to November 29, 2011. The predecessor included Rose Rock Midstream Crude, L.P. (“Rose Rock Crude”), a wholly-owned subsidiary of SemGroup Corporation (exclusive of Rose Rock Crude’s ownership interest in SemCrude Pipeline, L.L.C., which holds a 51% ownership interest in White Cliffs Pipeline, L.L.C. ("White Cliffs")). Subsequent to November 29, 2011, these condensed consolidated financial statements include the accounts of Rose Rock Midstream, L.P. and its controlled subsidiaries, which include Rose Rock Crude.

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and the rules and regulations of the SEC. These condensed consolidated financial statements include all normal and recurring adjustments that, in the opinion of management, are necessary to present fairly the financial position of the Company and the results of its operations and its cash flows. All significant transactions between Rose Rock Midstream, L.P. and its consolidated subsidiaries have been eliminated.

These condensed consolidated financial statements are unaudited. The condensed consolidated balance sheet at December 31, 2011 , is derived from audited financial statements.

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. The results of operations for the three months and nine months ended September 30, 2012 , are not necessarily indicative of the results to be expected for the full year ending December 31, 2012 .

Pursuant to the rules and regulations of the SEC, the accompanying condensed consolidated financial statements do not include all of the information and notes normally included with financial statements prepared in accordance with accounting principles generally accepted in the United States. Certain reclassifications have been made to conform previously reported balances to the current presentation. These condensed consolidated financial statements should be read in conjunction with the audited condensed consolidated financial statements and notes thereto for the year ended December 31, 2011 , which are included in our Annual Report on Form 10-K for the year ended December 31, 2011 , filed with the SEC.

Our significant accounting policies are consistent with those described in our Annual Report on Form 10-K for the year ended December 31, 2011 .

SemGroup bankruptcy

On July 22, 2008 (the “Petition Date”), SemGroup, L.P., SemCrude, L.P. (“SemCrude”) 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

ROSE ROCK MIDSTREAM, L.P.
Notes to Unaudited Condensed Consolidated Financial Statements

1. OVERVIEW, Continued

emergence. SemGroup, SemCrude, and Eaglwing emerged from bankruptcy protection on November 30, 2009 (the “Emergence Date”).

Recent accounting pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-4, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS),” which creates common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. We adopted this guidance on January 1, 2012. The impact of adoption was not material.

2. FINANCIAL INSTRUMENTS

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 were comprised of crude oil and natural gas liquids 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. The tables below summarize the balances of these assets and liabilities at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012		
	Level 1	Netting*	Total
Assets	$ 609	$ (15)	$ 594
Liabilities	15	(15)	—
Net assets at fair value	$ 594	$ —	$ 594

	December 31, 2011		
	Level 1	Netting*	Total
Assets	$ 393	$ (231)	$ 162
Liabilities	231	(231)	—
Net assets at fair value	$ 162	$ —	$ 162

* 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 use as inputs unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. These include futures contracts that are traded on an exchange.

ROSE ROCK MIDSTREAM, L.P.
Notes to Unaudited Condensed Consolidated Financial Statements

2. FINANCIAL INSTRUMENTS, Continued

“Level 2” measurements use as inputs market observable and corroborated prices for similar derivative contracts. Assets and liabilities classified as Level 2 include over-the-counter (“OTC”) traded physical fixed price purchases and sales forward contracts.

“Level 3” measurements use as inputs information from a pricing service and internal valuation models incorporating observable and unobservable market data. For 2011, these included physical fixed price purchases and sales forward contracts with an affiliate for which there was not a highly liquid OTC market and, therefore, were not included in Level 1 or Level 2 above.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value levels. At September 30, 2012 , 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 3 during the three months and nine months ended September 30, 2012 . The following tables reconcile changes in the fair value of commodity derivatives classified as Level 3 in the fair value hierarchy (in thousands):

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011
Beginning balance	$ —	$ 481
Total loss (realized and unrealized) included in product revenues	—	(1,032)
Settlements	—	(291)
Ending balance	$ —	$ (842)
Amount of total loss included in earnings for the period attributable to the change in unrealized gain or loss relating to commodity derivative assets and liabilities still held at the reporting date	$ —	$ (842)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Beginning balance	$ —	$ 1,619
Total loss (realized and unrealized) included in product revenues	—	(842)
Settlements	—	(1,619)
Ending balance	$ —	$ (842)
Amount of total loss included in earnings for the period attributable to the change in unrealized gain or loss relating to commodity derivative assets and liabilities still held at the reporting date	$ —	$ (842)

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Sales	470	820	1,153	5,440
Purchases	380	785	1,066	5,570

We have not designated any of our commodity derivative instruments as accounting hedges. We record the fair value of the derivative instruments on our condensed consolidated balance sheets in other current assets and other current

ROSE ROCK MIDSTREAM, L.P.
Notes to Unaudited Condensed Consolidated Financial Statements

2. FINANCIAL INSTRUMENTS, Continued

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):

	September 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Commodity contracts	$ 594	$ —	$ 162	$ —

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Commodity contracts	$ (631)	$ (106)	$ (342)	$ 1,313

3. LONG-TERM DEBT

At September 30, 2012 , we did not have any outstanding borrowings on our $150 million revolving credit facility. We had $38.2 million in outstanding letters of credit and the rate per annum was 2.25% . In addition, a fronting fee of 0.25% is charged on outstanding letters of credit. A commitment fee that ranges from 0.375% to 0.5% , depending on a leverage ratio specified in the credit agreement, is charged on any unused capacity of the revolving credit facility.

In September 2012, we amended the credit agreement such that our borrowing capacity under this credit facility can be increased by $400 million , subject to commitments from new lenders or additional commitments from existing lenders. The previous agreement provided for an increase of up to $200 million .

At September 30, 2012 , $1.6 million in capitalized loan fees, net of accumulated amortization, was recorded in other noncurrent assets, which is being amortized over the life of the facility.

At September 30, 2012 , we had $69 thousand ($93 thousand including current portion) of capital lease obligations reported as long-term debt on the consolidated balance sheet. At September 30, 2012, we had $8.4 million of secured bilateral letters of credit outstanding and the interest rate on $2.7 million of secured bilateral letters of credit was 1.75% . The interest rate in effect on $5.7 million of secured bilateral letters of credit was 2.00% . Secured bilateral letters of credit are external to the facility and do not reduce revolver availability.

4. COMMITMENTS AND CONTINGENCIES

Bankruptcy matters

(a) *Confirmation order appeal*

Luke Oil appeal. On October 21, 2009, Luke Oil Company, C&S Oil/Cross Properties, Inc., Wayne Thomas Oil and Gas and William R. Earnhardt Company (collectively, “Luke Oil”) filed an objection to the Plan of Reorganization “to the extent that the Plan of Reorganization may alter, impair, or otherwise adversely affect Luke Oil’s legal rights or other interests.” On October 28, 2009, the bankruptcy court overruled the Luke Oil objection and entered the confirmation order. On November 6, 2009, Luke Oil filed a notice of appeal. On December 23, 2009, Luke Oil’s appeal was docketed in the United States District Court for the District of Delaware. SemGroup filed a motion to dismiss the appeal as equitably moot. On May 21, 2012, the District Court entered an order granting our motion to dismiss Luke Oil’s appeal of the confirmation order. On June 18, 2012, Luke Oil filed its Notice of Appeal, notifying the District Court and the parties to the lawsuit that it was appealing the decision of the District Court to the United States Court of Appeals for the Third Circuit. While SemGroup believes that this action is without merit and is vigorously defending this matter on appeal, an adverse ruling on this account could have a material adverse impact on us. We are indemnified by SemGroup against any loss in this matter pursuant to the terms of the omnibus agreement.

(b) *Claims reconciliation process*

A large number of parties have made claims against SemGroup for obligations alleged to have been incurred prior to the Petition Date. On September 15, 2010, the bankruptcy court entered an order estimating the

ROSE ROCK MIDSTREAM, L.P.
Notes to Unaudited Condensed Consolidated Financial Statements

4. COMMITMENTS AND CONTINGENCIES, Continued

contingent, unliquidated and disputed claims and authorizing distributions to holders of allowed claims. Pursuant to that order SemGroup has begun making distributions to the claimants. SemGroup continues to attempt to settle unresolved claims.

Pursuant to the Plan of Reorganization, SemGroup committed to settle all pre-petition claims by paying a specified amount of cash, issuing a specified number of warrants, and issuing a specified number of shares of SemGroup Corporation common stock. The resolution of most of the outstanding claims will not impact the total amount of consideration SemGroup will give to the claimants; instead, the resolution of the claims will impact the relative share of the total consideration that each claimant receives.

However, there is a specified group of claims for which SemGroup could be required to pay additional funds to settle. Pursuant to the Plan of Reorganization, SemGroup set aside a specified amount of restricted cash at the Emergence Date, which SemGroup expected to be sufficient to settle this group of claims. Since the Emergence Date, SemGroup has made significant progress in resolving these claims, and continues to believe that the cash set aside at the Emergence Date will be sufficient to pay these claims. However, SemGroup has not yet reached a resolution of all of these claims and, if the total settlement amount of these claims exceeds the specified amount, SemGroup will be required to pay additional funds to these claimants, and we could be required to share in this expense. We are indemnified by SemGroup against any loss in this matter pursuant to the terms of the omnibus agreement.

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 KDHE believed, based on their historical use, may have soil or groundwater contamination in excess of state standards. KDHE sought our agreement to undertake assessments of these sites to determine whether they are contaminated. SemGroup entered into a Consent Agreement and Final Order with KDHE to conduct environmental assessments on the sites and to pay KDHE’s costs associated with their oversight of this matter. SemGroup has conducted Phase II investigations at all sites. Three of the five sites have limited amounts of soil contamination that will be excavated and/or remediated on site. Three of the five sites appear to have ground water contamination that may require further delineation and/or on-going monitoring. Work plans have been submitted to, and approved by, the KDHE. 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.

Blueknight claim

Blueknight Energy Partners, L.P. (“Blueknight”), which was formerly a subsidiary of SemGroup, together with other entities related to Blueknight, entered into a Shared Services Agreement on April 7, 2009, with SemCrude and SemManagement, L.L.C. (which are currently subsidiaries of SemGroup). The services provided by SemCrude to Blueknight under this agreement included the coordination of movement of crude oil belonging to Blueknight’s customers and the operation of Blueknight’s Oklahoma pipeline system and its Cushing, Oklahoma terminal. Under the subsequent amendments to the agreements beginning in May 2010, certain of these services were phased out and Blueknight began to manage the movement of its crude oil and the operation of its Cushing terminal.

In a letter dated August 18, 2011, Blueknight claimed that SemCrude owes Blueknight approximately 141,000 barrels of crude oil. SemGroup responded to Blueknight’s letter denying their charges and requesting documentation from Blueknight of its claim. On February 14, 2012, after months of interaction between the parties through which SemGroup requested Blueknight to substantiate its claim, Blueknight filed suit against SemGroup in the District Court of Oklahoma County, Oklahoma. On May 1, 2012, the court approved SemGroup’s motion to transfer this case to Tulsa County, Oklahoma. On July 2, 2012, the Tulsa County District Court appointed a Special Master to conduct a review of whether Blueknight is missing 141,000 barrels of crude oil from operations occurring during the months of April through June, 2010. The Special Master will prepare an advisory report to the Court of her findings and conclusions. SemGroup

4. COMMITMENTS AND CONTINGENCIES, Continued

believes this matter is without merit and will vigorously defend their position; however, they cannot predict the outcome. We are indemnified by SemGroup against any loss in this matter pursuant to the terms of the omnibus agreement.

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.

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 September 30, 2012 , such commitments included the following (in thousands):

	Volume (Barrels)	Value
Fixed price purchases	77	$ 6,922
Fixed price sales	88	$ 8,440
Floating price purchases	25,422	$ 2,397,146
Floating price sales	25,177	$ 2,405,088

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

5. PARTNERS’ CAPITAL AND DISTRIBUTIONS

Unaudited condensed consolidated statement of changes in partners’ capital

The following table shows the changes in our consolidated partners’ capital accounts from December 31, 2011 to September 30, 2012 (in thousands):

	Common Units - Public	Common Units - SemGroup	Subordinated Units	General Partner Interest	Total Partners’ Capital
Balance at December 31, 2011	$ 127,531	$ 37,739	$ 133,487	$ 6,097	$ 304,854
Net income	7,915	1,568	9,483	387	19,353
Distributions	(5,754)	(1,142)	(6,896)	(282)	(14,074)
Non-cash equity compensation	218	—	—	—	218
Balance at September 30, 2012	$ 129,910	$ 38,165	$ 136,074	$ 6,202	$ 310,351

5. PARTNERS' CAPITAL AND DISTRIBUTIONS, Continued

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;
- *second,* 98.0% to the holders of subordinated units and 2.0% to our general partner, until each subordinated unit has received the minimum quarterly distribution of $0.3625 ; and
- *third,* 98.0% to all unitholders, pro rata, 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:

					Marginal Percentage Interest in Distributions		
	Total Quarterly Distribution Per Unit Target Amount				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%

Distribution declared in January 2012

On January 23, 2012, we declared a distribution of $0.0670 (calculated as the $0.3625 minimum quarterly distribution, prorated based on the length of time during the three months ended December 31, 2011, that was subsequent to our initial public offering). This distribution was paid on February 13, 2012, to unitholders of record as of February 3, 2012.

Distribution declared in April 2012

On April 24, 2012, we declared a distribution of $0.3725 per unit, or $1.49 per unit on an annualized basis. This was a 2.8% increase over the prior quarter. This distribution was paid on May 15, 2012, to all unitholders of record as of May 7, 2012.

Distribution declared in July 2012

On July 24, 2012, we declared a distribution of $0.3825 per unit, or $1.53 per unit on an annualized basis. This was a 2.7% increase over the prior quarter. This distribution was paid on August 14, 2012, to all unitholders of record as of August 6, 2012.

Distribution declared in October 2012

On October 24, 2012, we declared a distribution of $0.3925 per unit, or $1.57 per unit on an annualized basis. This was a 2.6% increase over the prior quarter. This distribution will be paid on November 14, 2012, to all unitholders of record as of November 5, 2012.

ROSE ROCK MIDSTREAM, L.P.
Notes to Unaudited Condensed Consolidated Financial Statements

5. PARTNERS' CAPITAL AND DISTRIBUTIONS, Continued

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. At September 30, 2012 , there are 38,359 unvested restricted unit awards that have been granted pursuant to 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.

The holders of these restricted units are entitled to equivalent distributions (“Unvested Unit Distributions” or “UUD’s”) to be received upon vesting of the restricted unit awards. The distributions will be 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. The UUD’s are subject to the same forfeiture and acceleration conditions as the associated restricted units. At September 30, 2012 , the value of the UUD’s was approximately $32 thousand . This is equivalent to approximately 981 common units based on the quarter end close of business market price of our common units of $32.10 per unit.

6. EARNINGS PER LIMITED PARTNER 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 for incentive distributions that are allocated to the general partner.

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.

The following table sets forth the computation of basic and diluted earnings per limited partner unit for the three months and nine months ended September 30, 2012 (amounts in thousands, except per unit data):

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Net income	$ 6,469	$ 19,353
Less: General partner’s incentive distribution earned (*)	—	—
Less: General partner’s 2.0% ownership	129	387
Net income allocated to limited partners	$ 6,340	$ 18,966
Numerator for basic and diluted earnings per limited partner unit:		
Allocation of net income among limited partner interests:		
Net income allocable to common units	$ 3,170	$ 9,483
Net income allocable to subordinated units	$ 3,170	$ 9,483
Net income allocated to limited partners	$ 6,340	$ 18,966
Denominator for basic and diluted earnings per limited partner unit:		
Basic weighted average number of limited partner common units outstanding	8,390	8,390
Effect of dilutive securities	19	14
Diluted weighted average number of limited partner common units outstanding	8,409	8,404
Basic and diluted weighted average number of subordinated units outstanding	8,390	8,390
Basic & diluted net income per limited partner unit:		
Common units	$ 0.38	$ 1.13
Subordinated units	$ 0.38	$ 1.13

6. EARNINGS PER LIMITED PARTNER UNIT, Continued

(*) Based on the amount of the distribution declared per common and subordinated unit related to earnings for the three months and nine months ended September 30, 2012 , our general partner was not entitled to receive any incentive distribution for this period.

7. 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 $2.9 million and $2.6 million during the three months ended September 30, 2012 and 2011 , respectively, for direct employee costs. SemGroup charged us $8.9 million and $7.7 million during the nine months ended September 30, 2012 and 2011 , respectively, for direct employee costs. These expenses were recorded to operating expenses and general and administrative expenses in our condensed 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. SemGroup charged us $2.8 million and $1.0 million during the three months ended September 30, 2012 and 2011 , respectively, for such allocated costs. SemGroup charged us $4.8 million and $3.4 million during the nine months ended September 30, 2012 and 2011 , respectively, for such allocated costs. These expenses were recorded to general and administrative expenses in our condensed consolidated statements of income.

The increase in the allocation, as compared to prior year, is primarily due to the reallocation of SemGroup overhead to its subsidiaries based on a transfer pricing study which was completed during the third quarter. The year to date adjustment was recorded in the third quarter and not allocated to prior periods.

SemGroup credit facilities

SemGroup was a borrower under various credit agreements during the periods included in these financial statements. Prior to our initial public offering, SemCrude, along with other subsidiaries of SemGroup, served as subsidiary guarantors under certain of these agreements. SemGroup did not allocate this debt to its subsidiaries and our condensed consolidated statements of income do not include any allocated interest expense prior to our initial public offering. SemGroup did not charge us interest expense on intercompany payables.

Prior to our initial public offering, we utilized letters of credit under SemGroup’s credit facilities. Our condensed consolidated statements of income include direct charges from SemGroup for letter of credit usage, which is reported within interest expense.

Subsequent to our initial public offering, which was completed on December 14, 2011, our assets no longer serve as collateral under SemGroup’s credit agreement.

Predecessor cash management

Prior to our initial public offering, we participated in SemGroup’s cash management program. Under this program, cash we received from customers was transferred to SemGroup on a regular basis; when we remitted payments to suppliers, SemGroup transferred cash to us to cover the payments. Such cash transfers were recorded to intercompany accounts.

NGL Energy

SemGroup acquired certain ownership interests in NGL Energy Partners LP (“NGL Energy”) and its general partner on November 1, 2011 . During the three months and nine months ended September 30, 2012 , we made purchases of natural gasoline and condensate at market prices from NGL Energy in the amount of $10.9 million and $36.6 million , respectively.

ROSE ROCK MIDSTREAM, L.P.
Notes to Unaudited Condensed Consolidated Financial Statements

7. RELATED PARTY TRANSACTIONS, Continued

SemStream

We purchased condensate at market prices from SemStream, L.P. ("SemStream"), which is a wholly-owned subsidiary of SemGroup. Certain of these purchases were fixed price forward purchases, which we recorded at fair value at each balance sheet date, with the unrealized gains (losses) being recorded to revenue. Our transactions with SemStream consisted of the following (in thousands):

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Sales	$ —	$ (1,322)	$ —	$ (2,460)
Purchases	$ —	$ 14,725	$ —	$ 44,248

SemGas

We purchase condensate at market prices from SemGas, L.P. ("SemGas"), which is a wholly-owned subsidiary of SemGroup. Our purchases from SemGas included the following (in thousands):

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Purchases	$ 2,251	$ 1,245	$ 7,534	$ 4,526

White Cliffs Pipeline, L.L.C.

SemGroup owns 51% of White Cliffs and exercises significant influence over it. We generated storage revenues from White Cliffs of $0.6 million and $0.6 million for the three months ended September 30, 2012 and September 30, 2011 , respectively. We generated storage revenues from White Cliffs of $1.8 million and $1.6 million for the nine months ended September 30, 2012 and September 30, 2011 , respectively.

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 and Secretary. Mr. Berman does not perform any legal services for us. We paid $0.1 million and $0.1 million in legal fees and related expenses to this law firm during the three months ended September 30, 2012 and 2011 , respectively. We paid $0.4 million and $0.2 million in legal fees and related expenses to this law firm during the nine months ended September 30, 2012 and 2011 , respectively.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and our Annual Report on Form 10-K for the year ended December 31, 2011 , filed with the SEC.

Overview of Business

We are a growth-oriented Delaware limited partnership formed in 2011 by SemGroup 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 and marketing in Colorado, Kansas, Montana, North Dakota, Oklahoma and Texas. We serve areas that are experiencing strong production growth and drilling activity through our exposure to the Bakken Shale in North Dakota and Montana, the DJ Basin and the Niobrara Shale in the Rocky Mountain region, and the Granite Wash and the Mississippian oil trend 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 all NYMEX crude oil futures contracts and is one of the largest crude oil marketing hubs in the United States. We believe that our connectivity in Cushing and our numerous interconnections 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.

We own and operate all of our assets, which at September 30, 2012 include:

- 7 million barrels of crude oil storage capacity in Cushing, Oklahoma;
- a 640 -mile crude oil gathering and transportation pipeline system with over 660,000 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;
- a crude oil gathering, storage, transportation and marketing business in the Bakken Shale in North Dakota and Montana in which we marketed an average of 6,500 barrels of crude oil per day for the three months ended September 30, 2012 ; and
- a modern, ten -lane crude oil truck unloading facility with 220,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of SemGroup’s White Cliffs Pipeline, with an additional six truck unloading lanes and 10,000 barrels of storage expected to be completed by the end of 2012.

For the three months and nine months ended September 30, 2012 , approximately 79% and 78% , respectively, of our Adjusted gross margin was generated from fee-based services or fixed-margin transactions. For a definition of Adjusted gross margin and a reconciliation of Adjusted gross margin to operating income, its most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles (“GAAP”), please see “Non-GAAP Financial Measures”.

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 operating results between our fee-based activities, which do not involve the purchase or sale of crude oil, and our fixed-margin and marketing operations, which do. In particular, Adjusted gross margin provides a way to compare the actual transportation fee received under fixed-fee contracts with the effective transportation fee realized through a fixed-margin transaction. In addition, Adjusted gross margin allows us to make a meaningful comparison of the results of our fixed-margin and marketing operations 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”.

Because Adjusted gross margin may be defined differently by other companies in our industry, our definition may not be comparable to similarly titled measures of other companies.

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.

The current high levels of crude oil exploration, development and production activities are increasing competition for personnel and equipment. This increased competition is placing upward pressure on the prices we pay for labor, supplies and miscellaneous equipment. To the extent we are unable to procure necessary services or offset higher costs, our operating results will be negatively impacted.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization and any non-cash adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities. 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, 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 marketing 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.

How We Generate Adjusted Gross Margin

We generate Adjusted gross margin by providing fee-based services, by entering into fixed-margin transactions and through marketing activities. Revenues from our fee-based services are included in service revenue, and revenues from our fixed-margin and marketing activities are included in product revenue.

Fee-Based Services

We charge a capacity or volume-based fee for the unloading, transportation and storage of crude oil and related ancillary services. Our fee-based services include substantially all of our operations in Cushing, Oklahoma and Platteville, Colorado and a portion of the transportation services we provide on our Kansas and Oklahoma pipeline system. Some of our fee-based contracts are take-or-pay contracts whereby the customer is required to pay us a fixed minimum monthly fee regardless of usage. For the three months ended September 30, 2012 and 2011 , approximately 58% and 61% , respectively, of our Adjusted gross margin was generated by providing fee-based services to customers. For both the nine months ended September 30, 2012 and 2011 , our Adjusted gross margin generated by fee-based services to customers remained constant at 59% .

Fixed-Margin Transactions

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. We refer to these arrangements as “fixed-margin” or “buy/sell” transactions. These fixed-margin transactions account for a portion of the Adjusted gross margin we generate on our Kansas and Oklahoma pipeline system and through our Bakken Shale operations. For the three months ended September 30, 2012 and 2011 , approximately 21% and 12% , respectively, of our Adjusted gross margin was generated through fixed-margin transactions. For the nine months ended September 30, 2012 and 2011 , approximately 19% and 14% , respectively, of our Adjusted gross margin was generated through fixed-margin transactions.

Marketing Activities

We conduct marketing activities by purchasing crude oil for our own account from producers, aggregators and traders and selling crude oil to traders and refiners. Our marketing activities account for a portion of the Adjusted gross margin we generate on our Kansas and Oklahoma pipeline system and through our Bakken Shale operations. For the three months ended September 30, 2012 and 2011 , approximately 21% and 27% , respectively, of our Adjusted gross margin was generated through marketing activities. For the nine months ended September 30, 2012 and 2011 , approximately 22% and 27% , respectively, of our Adjusted gross margin was generated through marketing activities.

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 utilize 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 a fixed or 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.

Adjusted Gross Margin

The following table shows Adjusted gross margin generated by product revenue and service revenue for the three months and nine months ended September 30, 2012 and 2011 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Product	$ 120,358	$ 95,430	$ 435,814	$ 271,824
Service	11,196	9,142	32,932	27,077
Other	—	44	(59)	220
Total Revenues	131,554	104,616	468,687	299,121
Less: Costs of products sold, exclusive of depreciation and amortization	111,790	90,660	412,847	252,804
Less: Unrealized gain (loss) on derivatives	554	(1,190)	432	334
Adjusted gross margin	$ 19,210	$ 15,146	$ 55,408	$ 45,983

The following tables show the Adjusted gross margin generated by our storage, transportation and marketing activities for the three months ended September 30, 2012 and September 30, 2011 (in thousands):

Three Months Ended September 30, 2012	Storage	Transportation	Marketing Activities	Other [(1)]	Total
Revenues	$ 8,367	$ 4,768	$ 116,318	$ 2,101	$ 131,554
Less: Costs of products sold, exclusive of depreciation and amortization	—	—	111,790	—	111,790
Less: Unrealized gain (loss) on derivatives	—	—	554	—	554
Adjusted gross margin	$ 8,367	$ 4,768	$ 3,974	$ 2,101	$ 19,210

Three Months Ended September 30, 2011	Storage	Transportation	Marketing Activities	Other [1]	Total
Revenues	$ 6,108	$ 3,365	$ 93,591	$ 1,552	$ 104,616
Less: Costs of products sold, exclusive of depreciation and amortization	—	—	90,660	—	90,660
Less: Unrealized gain (loss) on derivatives	—	—	(1,190)	—	(1,190)
Adjusted gross margin	$ 6,108	$ 3,365	$ 4,121	$ 1,552	$ 15,146

(1) This category includes fee-based services such as unloading and ancillary storage terminal services.

The following tables show the Adjusted gross margin generated by our storage, transportation and marketing activities for the nine months ended September 30, 2012 and September 30, 2011 (in thousands):

Nine Months Ended September 30, 2012	Storage	Transportation	Marketing Activities	Other [1]	Total
Revenues	$ 24,205	$ 13,425	$ 425,439	$ 5,618	$ 468,687
Less: Costs of products sold, exclusive of depreciation and amortization	—	—	412,847	—	412,847
Less: Unrealized gain (loss) on derivatives	—	—	432	—	432
Adjusted gross margin	$ 24,205	$ 13,425	$ 12,160	$ 5,618	$ 55,408

Nine Months Ended September 30, 2011	Storage	Transportation	Marketing Activities	Other [1]	Total
Revenues	$ 18,123	$ 11,181	$ 265,449	$ 4,368	$ 299,121
Less: Costs of products sold, exclusive of depreciation and amortization	—	—	252,804	—	252,804
Less: Unrealized gain (loss) on derivatives	—	—	334	—	334
Adjusted gross margin	$ 18,123	$ 11,181	$ 12,311	$ 4,368	$ 45,983

(1) This category includes fee-based services such as unloading and ancillary storage terminal services.

Selected Consolidated Financial and Operating Data

The following table provides selected historical condensed consolidated financial operating data as of and for the periods shown. The statement of income data for the three months and nine months ended September 30, 2012 and 2011 have been derived from our unaudited financial statements for those periods. The selected financial data provided below should be read in conjunction with our condensed consolidated financial statements and related notes included in this Form 10-Q.

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 operating income to Adjusted gross margin, of net income to Adjusted EBITDA and of net cash provided by (used in) operating activities to Adjusted EBITDA, their most directly comparable financial measures calculated and presented in accordance with GAAP, please see “Non-GAAP Financial Measures” below.

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(in thousands, except per unit and operating data)			
Statement of income data:				
Total revenues	$ 131,554	$ 104,616	$ 468,687	$ 299,121
Operating income	$ 6,919	$ 4,264	$ 20,832	$ 17,610
Net income	$ 6,469	$ 3,830	$ 19,353	$ 16,407
Net income per common unit (basic and diluted)	$ 0.38		$ 1.13	
Net income per subordinated unit (basic and diluted)	$ 0.38		$ 1.13	
Distributions paid per unit	$ 0.3825	N/A	$ 0.8220	N/A
Statement of cash flows data:				
Net cash provided by (used in):				
Operating activities	$ 15,446	$ 20,913	$ 35,525	$ 47,637
Investing activities	$ (8,161)	$ (9,666)	$ (17,407)	$ (25,542)
Financing activities	$ (6,742)	$ (11,247)	$ (14,329)	$ (22,398)
Other financial data:				
Adjusted gross margin	$ 19,210	$ 15,146	$ 55,408	$ 45,983
Adjusted EBITDA	$ 9,510	$ 8,276	$ 29,634	$ 25,095
Capital expenditures	$ 8,161	$ 9,666	$ 17,552	$ 25,545
Operating data:				
Cushing storage capacity (MMBbls as of period end)	7.000	5.050	7.000	5.050
Percent of Cushing capacity contracted (as of end of period)	96%	95%	96%	95%
Transportation volumes (average Bbls/day)	48,500	32,000	47,500	30,000
Marketing volumes (average Bbls/day)	20,400	14,000	21,400	12,000
Platteville unloading volumes (average Bbls/day)	51,500	33,200	46,100	31,600

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 and any non-cash adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities. 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 provides 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 table presents a reconciliation of: (i) operating income to Adjusted gross margin, (ii) net income to Adjusted EBITDA, and (iii) net cash provided by operating activities to Adjusted EBITDA, the most directly comparable GAAP financial measures, for each of the periods indicated.

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(Unaudited; in thousands)			
Reconciliation of operating income to Adjusted gross margin:				
Operating income	$ 6,919	$ 4,264	$ 20,832	$ 17,610
Add:				
Operating expense	5,698	4,530	17,146	13,695
General and administrative	4,081	2,040	8,830	6,507
Depreciation and amortization	3,066	3,122	9,032	8,505
Less:				
Unrealized gain (loss) on derivatives, net	554	(1,190)	432	334
Adjusted gross margin	$ 19,210	$ 15,146	$ 55,408	$ 45,983
Reconciliation of net income to Adjusted EBITDA:				
Net income	$ 6,469	$ 3,830	$ 19,353	$ 16,407
Add:				
Interest expense	450	434	1,407	1,405
Depreciation and amortization	3,066	3,122	9,032	8,505
Non-cash equity compensation	79	—	218	—
Loss on impairment or sale of assets	—	—	56	12
Provision for (recovery of) uncollectible accounts receivable	—	(300)	—	(900)
Less:				
Impact from derivative instruments:				
Total gain (loss) on derivatives, net	(631)	(106)	(342)	1,313
Total realized (gain) loss (cash outflow) on derivatives, net	1,185	(1,084)	774	(979)
Non-cash unrealized gain (loss) on derivatives, net	554	(1,190)	432	334
Adjusted EBITDA	$ 9,510	$ 8,276	$ 29,634	$ 25,095
Reconciliation of net cash provided by operating activities to Adjusted EBITDA:				
Net cash provided by operating activities	$ 15,446	$ 20,913	$ 35,525	$ 47,637
Less:				
Changes in assets and liabilities	6,296	13,071	7,037	23,947
Add:				
Interest expense, excluding amortization of debt issuance costs	360	434	1,146	1,405
Adjusted EBITDA	$ 9,510	$ 8,276	$ 29,634	$ 25,095

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Results of Operations

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(Unaudited, in thousands except per unit data)			
Statement of income data:				
Revenues, including revenues from affiliates:				
Product	$ 120,358	$ 95,430	$ 435,814	$ 271,824
Service	11,196	9,142	32,932	27,077
Other	—	44	(59)	220
Total revenues	131,554	104,616	468,687	299,121
Expenses, including expenses from affiliates:				
Costs of products sold, exclusive of depreciation and amortization shown below	111,790	90,660	412,847	252,804
Operating	5,698	4,530	17,146	13,695
General and administrative	4,081	2,040	8,830	6,507
Depreciation and amortization	3,066	3,122	9,032	8,505
Total expenses	124,635	100,352	447,855	281,511
Operating income	6,919	4,264	20,832	17,610
Other expenses:				
Interest expense	450	434	1,407	1,405
Other expense (income)	—	—	72	(202)
Total other expenses	450	434	1,479	1,203
Net income	$ 6,469	$ 3,830	$ 19,353	$ 16,407
Net income per common unit (basic and diluted)	$ 0.38		$ 1.13	
Net income per subordinated unit (basic and diluted)	$ 0.38		$ 1.13	
Distribution paid per unit	$ 0.3825	N/A	$ 0.8220	N/A
Adjusted gross margin (1)	$ 19,210	$ 15,146	$ 55,408	$ 45,983
Adjusted EBITDA (1)	$ 9,510	$ 8,276	$ 29,634	$ 25,095

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

ASC 845-10-15, “ *Nonmonetary Transactions,”* requires 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, but has no effect on operating income. However, changes in the level of such purchase and sale activity between periods can have an effect on the comparison between those periods.

Three months ended September 30, 2012 vs. three months ended September 30, 2011

Revenue

Revenue increased in the three months ended September 30, 2012 , to $132 million from $105 million for the three months ended September 30, 2011 , as shown in the following table:

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011
	(in thousands)	
Gross product revenue	$ 565,595	$ 266,132
Nonmonetary transaction adjustment (ASC 845-10-15)	(445,791)	(169,512)
Unrealized gain (loss) on derivatives, net	554	(1,190)
Product revenue	120,358	95,430
Service revenue	11,196	9,142
Other	—	44
Total revenue	$ 131,554	$ 104,616

Gross product revenue increased in the three months ended September 30, 2012 , to $566 million from $266 million in the three months ended September 30, 2011 . The increase was primarily a result of an increase in sales volumes to 6.2 million barrels for the three months ended September 30, 2012 from 3.0 million barrels for the same period in 2011 , and an increase in the average sales price of crude oil to $91 per barrel for the three months ended September 30, 2012 from $89 per barrel for the same period in 2011 . The increase in volume relates primarily to increased buy/sell and marketing activity as a result of new crude oil production around our assets and directed efforts to maximize the use of those assets.

Service revenue increased in the three months ended September 30, 2012 , to $11 million from $9 million for the three months ended September 30, 2011 , due to fees earned on 1.950 million barrels additional storage capacity at Cushing, Oklahoma, brought on line during the first four months of 2012.

Costs of Products Sold

Costs of products sold increased in the three months ended September 30, 2012 , to $112 million from $91 million for the same period in 2011 . Costs of products sold were reduced by $446 million and $170 million in the three months ended September 30, 2012 and 2011 , respectively, in accordance with ASC 845-10-15. Costs of products sold increased in the three months ended September 30, 2012 , primarily as a result of an increase in the volume sold and an increase in the average cost of crude oil per barrel to $89 from $87 per barrel for the same period in 2011 .

Adjusted Gross Margin

We define Adjusted gross margin as total revenues minus costs of products sold and unrealized gain (loss) on derivatives. (See “Non-GAAP Financial Measures” for Adjusted gross margin tables.) Adjusted gross margin increased in the three months ended September 30, 2012 , to $19 million from $15 million in the three months ended September 30, 2011 , due to:

- an increase in marketing volume (which is a subset of the total gross product revenue volume sold as shown above) of approximately 0.6 million barrels in the three months ended September 30, 2012 , over the same period in 2011, offset by a lower spread between the purchase and sale price for volumes of crude oil sold, as the excess of our average sales price per barrel over our average purchase cost per barrel decreased to approximately $2 for the three months ended September 30, 2012 , from approximately $3 for the three months ended September 30, 2011 . This lower realized spread resulted in a $0.1 million reduction in Adjusted gross margin during the three months ended September 30, 2012 , compared to the same period in 2011;
- an increase in transportation volumes of approximately 1.5 million barrels, contributing an additional $1.4 million Adjusted gross margin during the three months ended September 30, 2012 , compared to the same period in 2011;
- an increase in unloading volumes from our Platteville operations of approximately 1.7 million barrels, contributing an additional $0.3 million Adjusted gross margin, during the three months ended September 30, 2012 , compared to the same period in 2011; and
- an increase from our storage operations of approximately 5.0 million barrels in storage capacity at September 30, 2011 , to 7.0 million barrels at September 30, 2012 , contributing an additional $2.3 million Adjusted gross margin.

Operating Expense

Operating expense increased in the three months ended September 30, 2012 , to $6 million from $5 million in the three months ended September 30, 2011 . This increase is due primarily to increased field expenses ($300 thousand), employment expense ($250 thousand) and maintenance expense ($175 thousand). In addition, we recorded a previously written off accounts receivable ($300 thousand) in the 2011 period.

General and administrative expense

General and administrative expense increased in the three months ended September 30, 2012 , to $4 million from $2 million for the three months ended September 30, 2011 . This increase is primarily the result of giving year to date effect to a recently completed transfer pricing study which increased the allocation of SemGroup corporate costs to Rose Rock by approximately $1.8 million and costs associated with being an SEC registrant of approximately $200 thousand.

Nine months ended September 30, 2012 vs. nine months ended September 30, 2011

Revenue

Revenue increased in the nine months ended September 30, 2012 , to $469 million from $299 million for the nine months ended September 30, 2011 , as shown in the following table:

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(in thousands)	
Gross product revenue	$ 1,538,806	$ 748,121
Nonmonetary transaction adjustment (ASC 845-10-15)	(1,103,424)	(476,631)
Unrealized gain (loss) on derivatives, net	432	334
Product revenue	435,814	271,824
Service revenue	32,932	27,077
Other	(59)	220
Total revenue	$ 468,687	$ 299,121

Gross product revenue increased in the nine months ended September 30, 2012 , to $1.5 billion from $748 million in the nine months ended September 30, 2011 . The increase was primarily a result of increased sales volumes to 16.4 million barrels for the nine months ended September 30, 2012 , from 8.0 million barrels for the same period in 2011, and an increase in the average sales price of crude to $94 per barrel for the nine months ended September 30, 2012 , from $93 per barrel for the same period in 2011. The increase in volume relates primarily to increased buy/sell and marketing activity as a result of new crude oil production around our assets and directed efforts to maximize the use of those assets.

Service revenue increased in the nine months ended September 30, 2012 , to $33 million from $27 million for the nine months ended September 30, 2011 , due to fees earned on 1.950 million barrels additional storage capacity at Cushing, Oklahoma, brought on line during the first four months of 2012.

Costs of Products Sold

Costs of products sold increased in the nine months ended September 30, 2012 , to $413 million from $253 million for the same period in 2011 . Costs of products sold were reduced by $1.1 billion and $477 million in the nine months ended September 30, 2012 and 2011, respectively, in accordance with ASC 845-10-15. Costs of products sold increased in the nine months ended September 30, 2012 , as a result of increased volume of barrels sold and an increase in the average cost of crude oil per barrel to $93 from $91 per barrel for the same period in 2011.

Adjusted Gross Margin

We define Adjusted gross margin as total revenues minus costs of products sold and unrealized gain (loss) on derivatives. (See “Non-GAAP Financial Measures” for Adjusted gross margin tables.) Adjusted gross margin increased in the nine months ended September 30, 2012 , to $55 million from $46 million in the nine months ended September 30, 2011 , due to:

- an increase in marketing volume (which is a subset of the total gross product revenue volume sold as shown above) of approximately 2.6 million barrels, offset by a lower spread between the purchase and sale price for

volumes of crude oil sold, as the excess of our average sales price per barrel over our average purchase cost per barrel decreased to approximately $2 from approximately $4. These offsetting factors resulted in a decrease of $0.2 million in Adjusted gross margin;

- an increase in transportation volumes of approximately 4.8 million barrels, contributing an additional $2.0 million Adjusted gross margin;
- an increase in unloading volumes from our Platteville operations of approximately 4.0 million barrels, contributing an additional $0.7 million Adjusted gross margin; and
- an increase from our storage operations of approximately 5.0 million barrels in storage capacity to 7.0 million barrels, contributing an additional $6.1 million Adjusted gross margin.

Operating expense

Operating expense increased in the nine months ended September 30, 2012 , to $17 million from $14 million in the nine months ended September 30, 2011 . This increase is due primarily to increased compensation expense ($1.2 million), field expense ($600 thousand) and maintenance expense ($350 thousand). In addition, we recovered a previously written off accounts receivable ($900 thousand) in the 2011 period.

General and administrative expense

General and administrative expense increased in the nine months ended September 30, 2012 , to $9 million from $7 million in the nine months ended September 30, 2011 . This increase is primarily the result of giving year to date effect to a recently completed transfer pricing study which increased the allocation of SemGroup corporate costs to Rose Rock by approximately $1.8 million and costs associated with being an SEC registrant of approximately $800 thousand.

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 and common units. 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 capital expenditures and working capital deficits through cash on hand and borrowings on our revolving credit facility; and
- debt principal payments through cash from operating activities and refinancing when the credit facility becomes due.

Our ability to meet our financing requirements and fund our planned capital expenditures will depend on our future operating performance, 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 our outstanding common, subordinated and general partner units, and meet our capital expenditure commitments for the coming year.

Cash Flows

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

	Nine Months Ended September 30,	
	2012	2011
	(in thousands)	
Cash flows provided by (used in):		
Operating activities	$ 35,525	$ 47,637
Investing activities	(17,407)	(25,542)
Financing activities	(14,329)	(22,398)
Change in cash and cash equivalents	3,789	(303)
Cash and cash equivalents at beginning of period	9,709	303
Cash and cash equivalents at end of period	$ 13,498	$ —

Operating Activities.

For the nine months ended September 30, 2012 , we experienced operating cash inflows of $35.5 million . Net income of $19.4 million included $9.1 million of non-cash expenses, comprised primarily of depreciation and amortization. The primary changes to working capital included an increase to accounts receivable of $73.7 million , an increase in inventory of $7.6 million and a decrease in receivables from affiliates of $2.1 million , an increase in accounts payable and accrued liabilities of $83.4 million and an increase in payables to affiliates of $2.7 million . The increases to accounts receivable and accounts payable 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. The impact to accounts receivable and accounts payable is subject to the timing of purchases and sales. The changes in affiliate receivables and payables are related to transactions with SemGroup, White Cliffs and NGL Energy.

For the nine months ended September 30, 2011 , we experienced operating cash inflows of $47.6 million . Net income of $16.4 million included $7.3 million of non-cash expenses, comprised primarily of depreciation and amortization. The primary changes to working capital included a $34.9 million increase in accounts payable and accrued liabilities, a $12.3 million increase in accounts receivable and a $1.7 million decrease in margin deposits.

Investing Activities.

For the nine months ended September 30, 2012 and 2011 , our cash outflows from investing activities related primarily to capital expenditures of $17.6 million and $25.5 million , respectively. These capital expenditures related primarily to the construction of storage tanks at our terminal in Cushing, Oklahoma. The decrease in capital expenditures for the nine months ended September 30, 2012 , compared to the same period in 2011 , is due to the majority of tank construction costs having been incurred in 2011, partially offset by expenditures for projects started in 2012.

Financing Activities.

Cash outflows from financing activities for the nine months ended September 30, 2012 , consisted primarily of distributions to our unitholders and our general partner in the amount of $14.1 million . Cash outflows from financing activities for the nine months ended September 30, 2011 , consisted primarily of distributions to SemGroup of $22.7 million .

Revolving Credit Facility

At September 30, 2012 , we had no outstanding borrowings under our $150 million revolving credit facility. We had $38.2 million in outstanding letters of credit, which are not reflected as borrowings on our balance sheet but they do reduce our borrowing capacity. We had $8.4 million outstanding in secured bilateral letters of credit which are external to the credit facility and do not reduce our borrowing capacity. In September 2012, we amended the credit agreement such that our borrowing capacity under this credit facility can be increased by $400 million, subject to commitments from new lenders or additional commitments from existing lenders. The previous agreement provided for an increase of up to $200 million. The credit facility is guaranteed by all of our material subsidiaries and is secured by a lien on substantially all of our property and assets, subject to customary exceptions. At September 30, 2012, we were in compliance with the terms of the credit facility. The credit facility matures on December 14, 2016. Borrowings under the credit facility bear interest at either an alternative base rate or an adjusted Eurodollar rate, in each case plus an applicable margin. The applicable margin varies based upon our Leverage Ratio, as defined in the credit facility. At September 30, 2012 , had there been any borrowings under our revolving credit facility, the interest rate applicable to alternate base rate borrowings would have been 4.50% and the interest rate applicable to Eurodollar rate borrowings would have been the Eurodollar margin of 2.25% plus the applicable LIBOR rate.

Fees are charged on any outstanding letters of credit at a rate that ranges from 2.25% to 3.25%, depending on a leverage ratio specified in the credit agreement. In addition, a fronting fee of 0.25% is charged on outstanding letters of credit.

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. The credit facility also allows for the use of secured bilateral letters of credit. At September 30, 2012, we had $8.4 million of bilateral letters of credit outstanding. The interest in effect was 1.75% on $2.7 million of the bilateral letters of credit and 2.00% on the remaining $5.7 million.

The credit facility contains representations and warranties and affirmative and negative covenants customary for transactions of this nature. The negative covenants limit or restrict our ability (as well as the ability of our Restricted Subsidiaries, as defined in the credit facility) to:

- permit the ratio of our consolidated EBITDA to our consolidated cash interest expense at the end of any fiscal quarter, for the immediately preceding four quarter period, to be less than 2.50 to 1:00;
- permit the ratio of our consolidated net debt to our consolidated EBITDA at the end of any fiscal quarter, for the immediately preceding four quarter period to be greater than 4.50 to 1.00 (or 5.00 to 1.00 during a temporary period from the date of funding or the purchase price of certain acquisitions (as described in the credit facility) until the last day of the third fiscal quarter following such acquisitions);
- incur additional debt, subject to customary carve outs for certain permitted additional debt, incur certain liens on assets, subject to customary carve outs for certain permitted liens, or enter into certain sale and leaseback transactions;
- make investments in or make loans or advances to persons that are not Restricted Subsidiaries, subject to customary carve out for certain permitted investments, loans and advances;
- make certain cash distributions, provided that we may make distributions of available cash so long as no default under the credit agreement then exists or would result therefrom;
- dispose of assets in excess of an annual threshold amount;
- make certain amendments, modifications or supplements to organization documents, our risk management policy, other material indebtedness documents and material contracts or enter into certain restrictive agreements or make certain payments on subordinated indebtedness;
- engage in business activities other than our business as described herein, incidental or related thereto or a reasonable extension of the foregoing;
- enter into hedging agreements, subject to a customary carve out for agreements entered into in the ordinary course of business for non-speculative purposes;
- make changes to our fiscal year or other significant changes to our accounting treatment and reporting practices;
- engage in certain mergers or consolidations and transfers of assets; and
- enter into transactions with affiliates unless the terms are not less favorable, taken as a whole, than would be obtained in an arms-length transaction, subject to customary exceptions.

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 $22.5 million and $26.0 million at September 30, 2012 and December 31, 2011 , respectively.

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:

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

We budgeted $37.4 million in capital expenditures for the year ending December 31, 2012 , of which $33.7 million represents expansion capital expenditures related to the construction of 1.95 million barrels of storage capacity at our Cushing terminal, a truck unloading bay expansion at Platteville and other strategic growth projects. The $3.7 million balance represents maintenance capital expenditures, of which $0.9 million is related to truck replacements and $2.8 million is related primarily to increased pipeline integrity management expenses to comply with new regulations. We spent $17.6 million and $25.5 million in capital expenditures during the nine months ended September 30, 2012 and 2011 , respectively.

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

Distributions

The cash distribution for the fourth quarter of 2011 was $0.0670 per unit. This prorated amount corresponds to the minimum quarterly cash distribution of $0.3625 per unit, or $1.45 per unit on an annualized basis. The proration period began on December 15, 2011, immediately after the closing date of our initial public offering, and continued through December 31, 2011. The distribution was paid on February 13, 2012 to all unitholders of record as of February 3, 2012.

The cash distribution for the first quarter of 2012 was $0.3725 per unit, or $1.49 per unit on an annualized basis. This represented a 2.8% increase over the prior quarter. The distribution was paid on May 15, 2012 to all unitholders of record as of May 7, 2012.

The cash distribution for the second quarter of 2012 was $0.3825 per unit, or $1.53 per unit on an annualized basis. This represented a 2.7% increase over the prior quarter. The distribution was paid on August 14, 2012 to all unitholders of record as of August 6, 2012.

The cash distribution for the third quarter of 2012 is $0.3925 per unit, or $1.57 per unit on an annualized basis. This represents a 2.6% increase over the prior quarter. The distribution will be paid on November 14, 2012, to all unitholders of record on November 5, 2012.

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

Gavilon, LLC , Phillips 66 , Tesoro Refining and Marketing Company , Vitol S.A. and BP Oil Supply Company , each accounted for more than 10% of our total revenue for the three months ended September 30, 2012 , at approximately 14% , 13% , 13% , 12% and 11% , respectively. Shell Trading (US) Company , 4K Fuel Supply, LLC , Vitol S.A. and Phillips 66 , each accounted for more than 10% of our total revenue for the nine months ended September 30, 2012 , at approximately 15% , 14% , 14% and 10% , respectively. Although we have contracts with customers of varying durations, if one or more of our major customers were to default on their contract, or if we were unable to renew our contract with one or more of these customers on favorable terms, we might not be able to replace any of these customers in a timely fashion, on favorable terms or at all. In any of these situations, our revenues and our ability to 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 Adjusted gross margin.

Purchase and Sale Commitments

For information regarding purchase and sales commitments, see the discussion under the caption "Purchase and sale commitments" in Note 4 of our condensed consolidated financial statements on page 12 of this Form 10-Q, which information is incorporated by reference into this Item 2.

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 September 30, 2012 and December 31, 2011 , we had outstanding letters of credit of approximately $38.2 million and $39.6 million, respectively.

Off-Balance Sheet Arrangements

We do not use any off-balance sheet arrangements to enhance our liquidity and capital resources, or for any other purpose.

Critical Accounting Policies and Estimates

For disclosure regarding our critical accounting policies and estimates, see the discussion under the caption “Critical Accounting Policies and Estimates” in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2011 .

Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

This discussion on market risks represents an estimate of possible changes in future earnings that would occur assuming hypothetical future movements in commodity prices 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 three months and nine months ended September 30, 2012 and 2011 , and for the years ended December 31, 2011 and 2010 .

	Light Sweet Crude Oil Futures ($ per Barrel)			Light Sweet Crude Oil Futures ($ per Barrel)	
Three Months Ended September 30, 2012			**Three Months Ended September 30, 2011**		
High	$	99.00	High	$	99.87
Low	$	83.75	Low	$	79.20
High/Low Differential	*$*	*15.25*	*High/Low Differential*	*$*	*20.67*
Nine Months Ended September 30, 2012			**Nine Months Ended September 30, 2011**		
High	$	109.77	High	$	113.93
Low	$	77.69	Low	$	79.20
High/Low Differential	*$*	*32.08*	*High/Low Differential*	*$*	*34.73*
Year Ended December 31, 2011			**Year Ended December 31, 2010**		
High	$	113.93	High	$	91.51
Low	$	75.67	Low	$	68.01
High/Low Differential	*$*	*38.26*	*High/Low Differential*	*$*	*23.50*

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. 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 marked-related indices.

Based on our open derivative contracts at September 30, 2012 , 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	180	$ 594	$ (1,659)	$ 1,659	October 2012

Margin deposits or other credit support, including letters of credit, are generally required on derivative instruments utilized 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 credit facility. The credit markets have recently experienced historical lows in 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 credit facility and future debt offerings could be higher than current levels, causing our financing costs to increase accordingly.

We recorded interest expense related to our credit facility of $0.5 million and $1.4 million during the three months and nine months ended September 30, 2012 , respectively. An increase in interest rates of 1% would have increased our interest expense by $90 thousand and $261 thousand during the three months and nine months ended September 30, 2012 , respectively.

Item 4. Controls and Procedures

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 Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective as of September 30, 2012 . 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.

Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2012 , that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see the discussion under the captions “Bankruptcy matters,” “Other matters,” “Environmental,” and “Blueknight Claim” in Note 4 of our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, which information is incorporated by reference into this Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors involving us from those previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011 .

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

Exhibit Number	Description
10.1	First Amendment, dated as of September 26, 2012, to the Credit Agreement 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.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Norman J. Szydlowski, 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 Norman J. Szydlowski, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at September 30, 2012 and December 31, 2011, (ii) the Condensed Consolidated Statements of Income for the three months and nine months ended September 30, 2012 and 2011, (iii) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011, and (iv) the Notes to the Consolidated Financial Statements.

SIGNATURE

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

Date: November 9, 2012	ROSE ROCK MIDSTREAM, L.P.	
	By:	Rose Rock Midstream GP, LLC, its general partner
		/s/ Robert N. Fitzgerald
		Robert N. Fitzgerald Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

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FIRST AMENDMENT
TO THE CREDIT AGREEMENT

THIS FIRST AMENDMENT, dated as of September 26, 2012 (this " **Amendment** "), to the Credit Agreement, dated as of November 10, 2011 (as previously amended, the " **Credit Agreement** "), and entered into by, among others, Rose Rock Midstream, L.P., as the Borrower (the " **Borrower** "), certain subsidiaries of the Borrower, as Guarantors, the lenders party thereto (the " **Lenders** ") and The Royal Bank of Scotland plc, as administrative agent and collateral agent (in such capacities, the " **Administrative Agent** ") for the Lenders. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

W I T N E S S E T H:

WHEREAS, the Borrower desires to amend the Credit Agreement to (i) permit Incremental Revolving Commitments in an aggregate amount not to exceed $400.0 million (the " **Incremental Increase** "), (ii) acquire, directly or indirectly, in one or more related or unrelated transactions, equity interests of SemCrude Pipeline, L.L.C., a Delaware limited liability company (" **SemCrude Pipeline** ", such acquisitions, the " **SCP Acquisitions** "), (iii) invest, subject to the prior acquisition of SemCrude Pipeline, up to $71.0 million in SemCrude Pipeline for the prompt contribution or other funding thereof to White Cliffs Pipeline, L.L.C., (" **White Cliffs** "), for the purposes of funding certain expansion projects by White Cliffs (the " **White Cliffs Investment** "), and (iv) amend certain other provisions of the Credit Agreement as specified below (the " **Specified Amendments** ");

WHEREAS the Loan Parties have requested that the Required Lenders agree to amend certain provisions of the Credit Agreement in order to permit each of the Incremental Increase, the SCP Acquisitions, the White Cliffs Investment and the Specified Amendments; and

WHEREAS, subject to certain conditions, the Required Lenders are willing to agree to such amendment relating to the Credit Agreement.

NOW, THEREFORE, in consideration of the promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. ***Amendments***

(a) Section 1.01 of the Credit Agreement is hereby amended by amending the definition of " **Unrestricted Subsidiary** " by inserting immediately after "shall mean" the following:

"(i) if White Cliffs becomes a Subsidiary, White Cliffs and (ii)"

(b) Section 1.01 of the Credit Agreement is hereby amended by adding the following definitions in alphabetical order therein:

" **Consolidated Net Tangible Assets** " shall mean with respect to any Person at any date of determination, the aggregate amount of total assets included in such Person's most recent quarterly or annual consolidated balance sheet prepared in accordance with GAAP less applicable reserves reflected in such balance sheet, after deducting the following amounts: (i) all current liabilities reflected in such balance sheet (excluding any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed), and (ii) the value (net of any applicable reserves and accumulated amortization) of all goodwill, trademarks, patents, unamortized debt discounts and expenses and other like intangibles reflected in such balance sheet.

" **SemCrude Pipeline** " shall mean SemCrude Pipeline, L.L.C., a Delaware limited liability company.

" **White Cliffs** " shall mean White Cliffs Pipeline, L.L.C., a Delaware limited liability company.

(c) Section 2.20(a) of the Credit Agreement is hereby amended by deleting "U.S.$200.0 million" in the fifth line thereof and replacing it with "U.S.$400.0 million" in lieu thereof.

(d) Section 6.02(hh) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(hh) Liens on the Equity Interests of any Unrestricted Subsidiary (other than Liens on the Equity Interests of White Cliffs if it becomes a Subsidiary) which secure indebtedness of such Unrestricted Subsidiary (other than indebtedness of White Cliffs if it becomes a Subsidiary); and"

(e) Section 6.04(j) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(j) (i) Investments constituting Permitted Business Acquisitions, so long as any Person acquired in connection with such Permitted Business Acquisitions and each of such Person's Subsidiaries becomes a Subsidiary Loan Party to the extent required by Section 5.10, and (ii) Investments constituting acquisitions of a portion of the Equity Interests of SemCrude Pipeline; *provided* that (A) such Investment satisfies each requirement of an acquisition constituting a Permitted Business Acquisition (other than the requirement that an acquisition of Equity Interests be of all of the Equity Interests in a Person), and (B) after becoming a Subsidiary, SemCrude Pipeline becomes a Subsidiary Loan Party to the extent required by Section 5.10;"

(f) Section 6.04 of the Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (n) therein, (ii) deleting the "." at the end of clause (o) therein and replacing it with a ";" in lieu thereof, and (iii) inserting the following clauses (p) and (q) at the end as follows:

"(p) if the Borrower has acquired the Equity Interests of SemCrude Pipeline, Investments in SemCrude Pipeline in an aggregate amount not to exceed U.S.$71.0 million; *provided* that SemCrude Pipeline promptly contributes or otherwise funds an amount equal to the amount of such Investment to White Cliffs and delivers evidence reasonably satisfactory to the Administrative Agent demonstrating the funding of such Investment to White Cliffs; *provided further* , that if SemCrude Pipeline has become a Subsidiary Loan Party and Guarantor hereunder, such Investments may be made by SemCrude Pipeline in White Cliffs; and

(q) Investments by Loan Parties not otherwise permitted by the other clauses of this Section 6.04 in an aggregate amount (valued at the time of the making thereof and without giving effect to any write-downs or write-offs thereof) not to exceed the greater of (i) U.S.$40.0 million and (ii) 10% of Consolidated Net Tangible Assets of the Borrower plus any return of capital actually received by the Loan Parties in respect of investments previously made by them pursuant to this clause (q), so long as immediately before and immediately after giving effect to such Investment, no Default or Event of Default shall have occurred and be continuing."

(g) Section 6.05(h) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(h) any merger or consolidation in connection with a Permitted Business Acquisition or an acquisition of Equity Interests of SemCrude Pipeline permitted by Section 6.04; *provided* , that following any such merger or consolidation (i) involving the Borrower, the Borrower is the surviving corporation, and (ii) involving a Restricted Subsidiary, the surviving or resulting entity shall be a Loan Party;"

Section 2. Conditions Precedent to the Effectiveness of this Amendment

This Amendment shall become effective as of the date on which each of the following conditions precedent shall have been satisfied (the date of satisfaction of such conditions being referred to herein as the " **First Amendment Effective Date** "):

(a) the Administrative Agent shall have received this Amendment, duly executed by each of the Borrower, the Guarantors and the Required Lenders;

(b) the representations and warranties set forth in Article III of the Credit Agreement are and will be true and correct in all material respects on and as of the First Amendment Effective Date, to the same extent as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date);

(c) as of the First Amendment Effective Date, no Event of Default or Default shall have occurred and be continuing; and

(d) the Borrower shall have paid (i) an amendment fee in an amount equal to 0.125% of the Commitments of each Lender that has consented to this Amendment prior to the deadline for submission of signature pages specified by the Administrative Agent and (ii) all fees and expenses payable to the Lenders and the Administrative Agent hereunder or under any other Loan Document, including as set forth in Section 4 hereof.

Section 3. Acknowledgment and Consent.

(a) Each Guarantor acknowledges and agrees that any of the Loan Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment.

(b) Each Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Guarantor to any future amendments to the Credit Agreement.

Section 4. Reference to and Effect on the Loan Documents

(a) This Amendment is a Loan Document executed pursuant to the Credit Agreement and shall be construed, administered and applied in accordance with the terms and provisions thereof. The Borrower agrees to pay any applicable costs and expenses incurred in connection with this Amendment in accordance with the terms set forth in the Credit Agreement, including Section 9.05 thereof.

(b) Except as specifically amended above, all of the terms and provisions of the Credit Agreement and all other Loan Documents are and shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery, effectiveness and performance of this Amendment shall not operate as a waiver of any right, power or remedy of the Lenders, the Borrower or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any other provision of any of the Loan Documents or for any purpose.

(d) Each of the Loan Documents, including the Credit Agreement, and any and all other agreements, documents or instruments now or hereafter executed and/or delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement as amended hereby, are hereby amended so that any reference in such Loan Documents to the Credit Agreement, whether direct or indirect, shall mean a reference to the Credit Agreement as amended hereby.

Section 5. Execution in Counterparts

This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Delivery of an executed counterpart by telecopy or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 6. Governing Law

THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY THE LAWS OF, THE STATE OF NEW YORK.

Section 7. Headings

Section and Subsection headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

Section 8. Notices

All communications and notices hereunder shall be given as provided in the Credit Agreement.

Section 9. Severability

The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

Section 10. Successors

The terms of this Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 11. Waiver of Jury Trial

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AMENDMENT. EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.

Section 12. Jurisdiction

Each of the parties to this Amendment hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York County, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amendment or the transactions contemplated hereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such federal court.

[SIGNATURE PAGES FOLLOW]

In Witness Whereof, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

THE ROYAL BANK OF SCOTLAND plc,
as Administrative Agent

By: ______________________________
Name:
Title:

______________________________,
as a Lender

By: ______________________________
Name:
Title:

[If a second signature is required]

By: ______________________________
Name:
Title:

EXHIBIT 31.1

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

I, Norman J. Szydlowski, certify that:

1. I have reviewed this report on Form 10-Q 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)) 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) 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

   (c) 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: November 9, 2012

/s/ Norman J. Szydlowski

Norman J. Szydlowski
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 report on Form 10-Q 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)) 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) 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

   (c) 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: November 9, 2012

/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 report of Rose Rock Midstream, L.P. (the "Company") on Form 10-Q for the quarter ended September 30, 2012 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Norman J. Szydlowski, 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: November 9, 2012

/s/ Norman J. Szydlowski

Norman J. Szydlowski
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 report of Rose Rock Midstream, L.P. (the "Company") on Form 10-Q for the quarter ended September 30, 2012 , 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: November 9, 2012

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Senior Vice President and
Chief Financial Officer