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HD **SemGroup Works to Turn It Around --- After a Disastrous Bet and a Bankruptcy Stay, Firm Tries to Forge New Identity**

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NEW YORK -- A year after emerging from bankruptcy protection, SemGroup Corp. isn't shying away from its notorious name.

The Tulsa-based energy company is still closely linked to the multibillion-dollar wrong-way bets on oil futures that drove it to ruin in July 2008.

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Now, SemGroup is trying out a new identity as a conservative middleman to the Midwestern oil and **gas** industry. Once ranked by Forbes Magazine as the 12th-largest private company in America, SemGroup was listed on the New York Stock Exchange in November and is slimming down. Earlier this month, it sold its Canadian operations.

The company, which transports and stores oil, refined products and natural **gas**, reported a third-quarter loss of $15.4 million, down by more than half from a year ago.

Coaxing former customers to trust the company again is still proving a tough sell, with "emotions trumping economics" in many cases, said Chief Executive Norman Szydlowski. The bankruptcy filing was ill-timed for many of SemGroup's suppliers, who had given a month's worth of oil to SemGroup on credit just before the company imploded.

A name change wouldn't erase that from the collective memory of an oil industry that values creditworthiness and has a low tolerance for counterparty risk.

"Everyone who we deal with knows who we are anyway," Mr. Szydlowski said.

SemGroup shocked the oil market by filing for Chapter 11 bankruptcy protection days after crude futures spiked to nearly $150 a barrel.

An investigation arranged by creditors and headed by former FBI chief Louis Freeh concluded that SemGroup's founder and CEO, Tom Kivisto, had made risky and "inappropriate" bets that oil prices would fall, leading to the company's bankruptcy filing. Mr. Kivisto and other senior management settled with creditors for $30 million in September 2010 but didn't admit wrongdoing.

The SemGroup that emerged from bankruptcy protection in December 2009 bears only a passing resemblance to Mr. Kivisto's company.

SemGroup now only trades to protect its core transport and storage businesses from the effects of shifting prices, Mr. Szydlowski said.

The company has a risk specialist on its board and management oversight of its trading operation.

"They're back doing their mission as far as just being a dependable oil services firm. . . It's almost like a **utility**," said Jake Dollarhide, chief executive of Longbow Asset Management, a Tulsa investment firm.

Some of the company's marquee assets were split off during the bankruptcy process. Vitol Inc. now operates the former SemGroup Energy Partners -- Blueknight Energy Partners today -- a publicly traded subsidiary that owns oil-storage tanks in Cushing, Okla. Those tanks can hold oil delivered against crude futures contracts traded on the New York Mercantile Exchange, making them some of the most important -- and consistently profitable -- storage in the world.

On Friday, Dell Inc. founder Michael Dell's private investing firm accused Vitol of "self dealing" by bringing in private-equity firm Charlesbank Capital Partners as a co-general partner, reducing the value of other investors' stakes. Vitol said it is "confident that the actions Vitol took were appropriate and fair and in accordance with our aim to make the necessary changes for Blueknight to realize its potential for the benefit of all shareholders."

SemGroup operates four million barrels of new storage capacity in Cushing and will have added another 850,000 barrels of tank space by early next year, Mr. Szydlowski said.

The company also sold a 49% stake in its White Cliffs pipeline linking Colorado oil fields to Cushing in order to pay off debt. The pipeline was viewed by analysts as one of SemGroup's most valuable assets when the company filed for bankruptcy protection.

"When you go through bankruptcy, you pull back," Mr. Szydlowski said. "Now we're going back to try to talk with customers . . . and ask them to give us a chance."

The next step for SemGroup will be to refinance its debt, borrowed at higher rates than competitors pay because of the company's tumultuous history, Mr. Szydlowski said. Management is also considering whether to convert SemGroup into a master limited partnership, a corporate structure favored by many pipeline firms that doesn't pay corporate income taxes and distributes profits directly to shareholders.

Both steps are essential for SemGroup to prosper in the competitive transport and storage businesses, Mr. Dollarhide said.

"They are operating up against some pretty respectable firms with deep pockets and longstanding banking relationships," he said.

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The Road Back

-- July 2008: SemGroup LP files for Chapter 11 bankruptcy protection

-- October 2009: Firm wins confirmation for reorganization plan

-- December 2009: Emerges from bankruptcy court

-- October 2010: Sells 49% of White Cliffs oil pipeline

-- November 2010: SemGroup shares listed on New York Stock Exchange

-- December 2010: Company sells SemCanada assets

CO semgl : SemGroup Corp.

IN i1 : Energy | i13 : Crude Oil/Natural Gas | i1300006 : Pipeline Transportation | itsp : Transportation/Shipping

NS c16 : Bankruptcy | m14 : Commodity Markets | mcat : Commodity/Financial Market News | ncashc : Cash Commodities Commentaries | nedc : Commentary/Opinion | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpex : FC&E Executive News Filter | nfcpin : FC&E Industry News Filter | niwe : IWE Filter | nrmf : Routine Market/Financial News

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