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AP

More questions than answers for troubled SemGroup

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By Justin Juozapavicius, Associated Press Writer

Troubled energy company SemGroup faced with more questions in wake of bankruptcy filing

TULSA, Okla. (AP) -- There are far more questions than answers as to what the future holds for troubled SemGroup LP, the Tulsa-based energy company that filed for bankruptcy more than two weeks ago.

How many of its 2,000 employees -- 400 of which are based here -- will be laid off? Which of the company's properties will be sold? How will debts to the mass of creditors be paid? Will SemGroup still exist in Tulsa in some form?

Company officials have been spare with details and a timetable, but some local analysts predict a trying period ahead for the 8-year-old firm, even if it somehow can recover from the fallout.

"They have such a tremendous amount of debt and so many lawsuits that would be directly or indirectly coming at the company (and its) officers, that even if they survive, they will not be a very powerful entity," predicted Fred Russell, chief executive of Fredric E. Russell Investment Management Co. in Tulsa. "It will really be a case of the walking wounded."

"They do have assets, but assets without revenue is like an Armani suit on a morbidly obese executive," he said.

SemGroup, an oil and asphalt transportation and storage provider, among other services, filed for Chapter 11 bankruptcy on July 22 after apparently losing a reported \$2.4 billion on the oil futures markets. It listed at least \$2.5 billion owed to creditors.

The filing came as a shock to some who saw the firm as one of the city's best-run companies. It also was counted among Tulsa's civic leaders, sponsoring a local PGA tournament.

On the heels of the filing, federal regulators and the U.S. Attorney's Office began an investigation into the company's rapid collapse.

Some positive news came Tuesday, when a Delaware bankruptcy judge approved a \$150 million debtor in possession loan financed by Bank of America and others to help keep the company afloat. The judge is expected to rule on the rest of the loan request -- \$100 million -- later this month.

"Yesterday's decision was a positive step for the company," said SemGroup spokesman Lance Ignon, who added it was typical for a company to receive such interim financing in these situations. "It reassures suppliers and employees we have additional wherewithal.

"We want to ensure we enter into a sales process whereby we can transfer as many of our assets as possible to other well-established companies," he said.

As for who could be laid off while the assets are unloaded, or a timetable of when it might take place, Ignon said the decision will remain "in-house."

Court documents suggest 276 employees could lose their jobs.

"The company has been very forthcoming with its employees about the challenges we face, including the head count, but there have been no specifics mentioned," Ignon said.

In a statement, Terry Ronan, SemGroup acting president and CEO, said the company has "already received significant interest in our assets because of our talented and experienced employees, unique industry position, expansive customer base and

premiere service capabilities."

While the company remains in limbo, Russell noted its collapse as a "tragedy" that "reminded us that ... there are real true costs to debt."

"Debt has no mercy and mistakes have no mercy, especially in the commodities market," he said.

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