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Collapse of SemGroup To Leave Tulsa Missing Its Biggest Booster

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July 31, 2008; Page C1

Tulsa, Okla.

The collapse of **SemGroup** LP, one of this city's highest-profile companies, is sending a ripple of worry across the prosperous community in the heart of energy country.

Hundreds of people face losing good jobs. Hundreds of suppliers may end up with unpaid bills. And all sorts of organizations, from the ballet to the minor-league baseball team, will have to scramble to replace an open-handed patron in the person of Thomas L. Kivisto, the company's president and co-founder, who was ousted days before the company filed for bankruptcy protection July 22.



(left) HOV Sport; (right) Mike Simon/Tulsa World

With SemGroup co-founder Thomas L. Kivisto out of the picture, the proposed Driller Stadium in Tulsa is losing one of its biggest backers.

People here are still puzzling over the rapid rise and sudden fall of SemGroup, whose main business was running pipelines and storage facilities for oil and natural gas. The company's bad bets on oil prices sent it into bankruptcy with a \$2.4 billion trading loss.


At Starbucks, at dinner parties, at the gym and at the hairdresser, people are also wondering aloud what will happen to the many civic and charitable projects Mr. Kivisto championed since starting his company in 2000.

"He was generous all over town," said Missy Kruse, editor in chief of TulsaPeople magazine, which named Mr. Kivisto Tulsan of the Year for his charity work in 2006. "Sometimes the money would come without even a request."

Mr. Kivisto and SemGroup sponsored a professional women's golf tournament in Tulsa, paid for a football field at the University of Kansas, and gave \$6 million to the Tulsa Ballet.

Family and Children's Services got \$40,000 to \$50,000 every year from SemGroup or the Kivisto family, said Gail Lapidus, executive director of the social-services organization. Although that is a small bit of her total budget, she said, "to a particular program it's very significant. At this point, there's

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nothing on the horizon that is going to replace that yet."

One of the more prominent projects backed by Mr. Kivisto is a new 6,000-seat stadium for the local minor-league baseball team, the Drillers, which the city hopes will revitalize a slice of downtown. The city hadn't received a firm commitment, but Mr. Kivisto was expected to kick in at least \$1 million, and perhaps much more, of the \$60 million cost.

Mayor Kathy Taylor vowed to press on without him. "It's not going to take our city backward or dampen our spirit," she said.

Tulsa does have a lot of strengths at the moment. Unemployment is a low 4.2%, according to federal data. The Tulsa metropolitan area has added 18,200 new jobs during the past two years, the Chamber of Commerce said, and the housing market remains relatively strong. Per capita income is \$44,321, well above the national average.

SemGroup cut a big figure in this town of 380,000, occupying two lavishly landscaped office buildings in the hills near St. Francis Hospital. But it employs only 400 people here, none of whom have been laid off, said Lew Phelps, a company spokesman. Bankruptcy-court filings suggest the company will try to sell off its assets rather than reorganize.

While those jobs were well-paying and came with perks like an in-house gym, they may not be hard to replace. "Tulsa has been adding more than 400 energy-related jobs every couple of months," said Mark C. Snead, a research economist at Oklahoma State University.

On the other hand, many small oil companies haven't yet been paid for crude they delivered to SemGroup. Mike Terry, president of the Oklahoma Independent Petroleum Association, has fielded hundreds of calls and emails from those creditors. Some may face bankruptcy if their money doesn't come through.

And people here are just a little shaken up by the sudden demise of a highflying company. "Everyone's riveted by it, everyone's surprised by it, and everyone's wondering what's next," said Peter W. Athens, a computer consultant. "Not necessarily with SemGroup but with respect to the local economy in general."

Mr. Kivisto has made only one public comment since his ouster, in which he praised Tulsa's resilience. His lawyer, John H. Tucker, said, "It would be inappropriate to comment at this time."

Since its founding more than a century ago, Tulsa has gone through the booms and busts of the oil business. The city saw very tough times in the 1980s, and in 1999 witnessed the implosion of an even more-highflying company, Commercial Financial Services, a debt-collection agency that at one point employed several thousand people.

Tulsans expect to weather SemGroup's collapse as well. But it won't be without pain. As Ms. Kruse, the magazine editor, said, "The tendency is that when you have someone very generous, you get to depend on them."

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