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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2010

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 1-16417

NUSTAR ENERGY L.P.

(Exact name of registrant as specified in its charter)

Delaware	**74-2956831**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2330 North Loop 1604 West

San Antonio, Texas

(Address of principal executive offices)

78248

(Zip Code)

Registrant s telephone number, including area code (210) 918-2000

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 x 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 x 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 Rule12b-2 of the Exchange Act:

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The number of common units outstanding as of July 31, 2010 was 64,610,549.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

NUSTAR ENERGY L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Thousands of Dollars, Except Unit Data)

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 34,554	$ 62,006
Accounts receivable, net of allowance for doubtful accounts of $1,338 and $1,351 as of June 30, 2010 and December 31, 2009, respectively	283,969	211,797
Inventories	577,905	387,794
Other current assets	45,348	73,122
Total current assets	941,776	734,719
Property, plant and equipment, at cost	3,849,441	3,721,904
Accumulated depreciation and amortization	(760,298)	(693,708)
Property, plant and equipment, net	3,089,143	3,028,196
Intangible assets, net	49,131	44,127
Goodwill	812,172	807,742
Investment in joint venture	68,795	68,728
Deferred income tax asset	8,626	13,893
Other long-term assets, net	81,023	77,268
Total assets	$ 5,050,666	$ 4,774,673
Liabilities and Partners Equity		
Current liabilities:		
Current portion of long-term debt	$ 770	$ 770
Accounts payable	294,194	205,605
Payable to related party	24,298	10,639
Notes payable	0	20,000
Accrued interest payable	21,551	21,529
Accrued liabilities	32,886	64,651
Taxes other than income tax	12,307	15,534
Income tax payable	1,887	26
Total current liabilities	387,893	338,754
Long-term debt, less current portion	1,845,506	1,828,993
Long-term payable to related party	8,975	7,663
Deferred income tax liability	28,485	26,909

Other long-term liabilities	84,899	87,386
Commitments and contingencies (Note 5)		
Partners equity:		
Limited partners (64,610,549 and 60,210,549 common units outstanding as of June 30, 2010 and December 31, 2009, respectively)	2,636,632	2,423,689
General partner	58,242	53,469
Accumulated other comprehensive income	34	7,810
Total partners equity	2,694,908	2,484,968
Total liabilities and partners equity	$ 5,050,666	$ 4,774,673

See Condensed Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited, Thousands of Dollars, Except Unit and Per Unit Data)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues:				
Service revenues	$ 195,087	$ 176,042	$ 384,382	$ 358,694
Product sales	929,854	811,800	1,686,088	1,263,152
Total revenues	1,124,941	987,842	2,070,470	1,621,846
Costs and expenses:				
Cost of product sales	842,588	731,861	1,561,809	1,148,656
Operating expenses:				
Third parties	85,868	79,370	173,361	151,932
Related party	34,075	31,135	67,919	61,895
Total operating expenses	119,943	110,505	241,280	213,827
General and administrative expenses:				
Third parties	8,875	9,826	18,906	17,422
Related party	13,320	16,026	30,558	30,894
Total general and administrative expenses	22,195	25,852	49,464	48,316
Depreciation and amortization expense	38,185	35,548	76,114	71,537
Total costs and expenses	1,022,911	903,766	1,928,667	1,482,336
Operating income	102,030	84,076	141,803	139,510
Equity in earnings of joint venture	2,102	3,011	5,117	5,324
Interest expense, net	(18,890)	(20,265)	(37,476)	(40,735)
Other income, net	14,816	19,240	15,117	27,844
Income before income tax expense	100,058	86,062	124,561	131,943
Income tax expense	636	2,327	5,436	8,853
Net income	$ 99,422	$ 83,735	$ 119,125	$ 123,090
Net income per unit applicable to limited partners (Note 11)	$ 1.43	$ 1.38	$ 1.64	$ 1.96
Weighted average limited partner units outstanding	62,289,670	54,460,549	61,255,853	54,460,549

See Condensed Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, Thousands of Dollars)

	Six Months Ended June 30, 2010	2009
Cash Flows from Operating Activities:		
Net income	$ 119,125	$ 123,090
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	76,114	71,537
Amortization of debt related items	(3,868)	(3,461)
Loss (gain) on sale or disposition of assets	688	(21,050)
Deferred income tax (benefit) expense	(2,301)	1,065
Equity in earnings of joint venture	(5,117)	(5,324)
Distributions of equity in earnings of joint venture	5,050	4,000
Changes in current assets and current liabilities (Note 12)	(175,515)	(239,137)
Other, net	(523)	642
Net cash provided by (used in) operating activities	13,653	(68,638)
Cash Flows from Investing Activities:		
Reliability capital expenditures	(21,262)	(16,491)
Strategic capital expenditures	(96,423)	(52,516)
Acquisition	(43,026)	0
Proceeds from sale or disposition of assets	157	29,151
Proceeds from insurance claims	13,500	10,162
Investment in other long-term assets	(3,224)	0
Net cash used in investing activities	(150,278)	(29,694)
Cash Flows from Financing Activities:		
Proceeds from long-term debt borrowings	671,355	588,189
Proceeds from short-term debt borrowings	175,791	189,600
Long-term debt repayments	(636,633)	(340,922)
Short-term debt repayments	(195,791)	(191,720)
Proceeds from issuance of common units, net of issuance costs	240,297	0
Contributions from general partner	5,078	0
Distributions to unitholders and general partner	(146,784)	(131,676)
Decrease in cash book overdrafts	(5,511)	(8,508)
Net cash provided by financing activities	107,802	104,963
Effect of foreign exchange rate changes on cash	1,371	2,719
Net (decrease) increase in cash and cash equivalents	(27,452)	9,350
Cash and cash equivalents as of the beginning of the period	62,006	45,375
Cash and cash equivalents as of the end of the period	$ 34,554	$ 54,725

See Condensed Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

NuStar Energy L.P. (NuStar Energy) (NYSE: NS) is engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and asphalt and fuels marketing. Unless otherwise indicated, the terms NuStar Energy, the Partnership, we, our and us are used in this report to refer to NuStar Energy L.P., to one or more of our consolidated subsidiaries or to all of them taken as a whole. NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) wholly owns our general partner, Riverwalk Logistics, L.P., and owns a 17.5% total interest in us as of June 30, 2010.

We conduct our operations through our wholly owned subsidiaries, primarily NuStar Logistics, L.P. (NuStar Logistics) and NuStar Pipeline Operating Partnership L.P. (NuPOP). We have three business segments: storage, transportation, and asphalt and fuels marketing.

Basis of Presentation

These unaudited consolidated financial statements include the accounts of the Partnership and subsidiaries in which the Partnership has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation. We account for investments in 50% or less-owned entities using the equity method.

These unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and all disclosures made are adequate. All such adjustments are of a normal recurring nature unless disclosed otherwise. Financial information for the three and six months ended June 30, 2010 and 2009 included in these Condensed Notes to Consolidated Financial Statements is derived from our unaudited consolidated financial statements. Operating results for the three and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. The consolidated balance sheet as of December 31, 2009 has been derived from the audited consolidated financial statements as of that date. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Reclassifications

Certain previously reported amounts in the 2009 audited consolidated financial statements have been reclassified to conform to the 2010 presentation.

Acquisition

On May 21, 2010, we acquired the capital stock of Asphalt Holdings, Inc. for $44.1 million. The acquisition includes three storage terminals with 24 storage tanks and an aggregate capacity of approximately 1.8 million barrels located in Alabama along the Mobile River. The acquisition of Asphalt Holdings, Inc. was accounted for using the acquisition method. The purchase price has been preliminarily allocated based on the estimated fair values of the individual assets acquired and liabilities assumed at the date of acquisition pending completion of an independent appraisal and other evaluations. The consolidated statements of income include the results of operations for Asphalt Holdings, Inc. commencing on May 21, 2010.

2. NEW ACCOUNTING PRONOUNCEMENTS

Fair Value Measurements

In January 2010, the Financial Accounting Standards Board (FASB) issued additional guidance that requires new disclosures regarding significant transfers in and out of Level 1 and Level 2 fair value measurements and additional information on the roll forward of Level 3 fair value measurements. This guidance also clarified the existing provisions on determining the appropriate classes of assets and liabilities to be reported and disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This additional guidance is effective for interim and annual periods beginning after December 15, 2009, with the exception of the new requirements in the Level 3 roll forward, which will be effective for fiscal years beginning after December 15, 2010. We adopted these provisions effective January 1, 2010, and they did not have a

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NUSTAR ENERGY L.P. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

material impact on our disclosures. We do not expect the new requirements related to the Level 3 roll forward to have an impact on our disclosures.

3. INVENTORIES

Inventories consisted of the following:

	June 30, 2010	December 31, 2009
	(Thousands of Dollars)	
Crude oil	$ 140,158	$ 74,250
Finished products	427,586	302,980
Materials and supplies	10,161	10,564
Total	$ 577,905	$ 387,794

4. DEBT

Revolving Credit Agreement

During the six months ended June 30, 2010, we borrowed an aggregate $671.4 million under our $1.2 billion five-year revolving credit agreement (the 2007 Revolving Credit Agreement) to fund a portion of our capital expenditures and working capital requirements. Additionally, we repaid $636.6 million during the six months ended June 30, 2010. The 2007 Revolving Credit Agreement bears interest based on either an alternative base rate or a LIBOR based rate, which was 0.9% as of June 30, 2010. We had $606.1 million available for borrowing under the 2007 Revolving Credit Agreement as of June 30, 2010. Due to a covenant in our 2007 Revolving Credit Agreement that requires us to maintain, as of the end of each four consecutive fiscal quarters, a consolidated debt coverage ratio not to exceed 5.00-to-1.00, we may not be able to borrow the maximum available amount. As of June 30, 2010, the consolidated debt coverage ratio was 4.5x.

Lines of Credit

As of June 30, 2010, we had one short-term line of credit with an uncommitted borrowing capacity of up to $20.0 million. We had no outstanding borrowings on this line of credit as of June 30, 2010. During the six months ended June 30, 2010, we borrowed $175.8 million and repaid $195.8 million related to this line of credit.

5. COMMITMENTS AND CONTINGENCIES

Contingencies

We have contingent liabilities resulting from various litigation, claims and commitments, the most significant of which are discussed below. We record accruals for loss contingencies when losses are considered probable and can be reasonably estimated. Legal fees associated with defending the Partnership in legal matters are expensed as incurred. As of June 30, 2010, we have accrued $0.3 million related to settled matters and $73.3 million for contingent losses. The amount that will ultimately be paid related to these matters may differ from the recorded accruals, and the timing of such payments is uncertain.

Grace Energy Corporation Matter. In 1997, Grace Energy Corporation (Grace Energy) sued subsidiaries of Kaneb Pipeline Partners, L.P. (KPP) and Kaneb Services LLC (KSL and collectively with KPP and their respective subsidiaries, Kaneb) in Texas state court. We acquired Kaneb on July 1, 2005. The complaint sought recovery of the cost of remediation of fuel leaks in the 1970s from a pipeline that had once connected a former Grace Energy terminal with Otis Air Force Base in Massachusetts (Otis AFB). Grace Energy alleges the Otis AFB pipeline and related environmental liabilities had been transferred in 1978 to an entity that was part of Kaneb s acquisition of Support Terminal Services, Inc. and its subsidiaries from Grace Energy in 1993. Kaneb contends that it did not acquire the Otis AFB pipeline and never assumed any responsibility for any associated environmental damage.

In 2000, the court entered final judgment that: (i) Grace Energy could not recover its own remediation costs of $3.5 million, (ii) Kaneb owned the Otis AFB pipeline and its related environmental liabilities and (iii) Grace Energy was awarded $1.8 million in attorney costs. Both Kaneb and Grace Energy appealed the final judgment of the trial

NUSTAR ENERGY L.P. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

court to the Texas Court of Appeals in Dallas. In 2001, Grace Energy filed a petition in bankruptcy, which created an automatic stay of actions against Grace Energy. In September 2008, Grace Energy filed its Joint Plan of Reorganization and Disclosure Statement.

The Otis AFB is a part of a Superfund Site pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). The site contains a number of groundwater contamination plumes, two of which are allegedly associated with the Otis AFB pipeline. Relying on the final judgment of the Texas state court assigning ownership of the Otis AFB pipeline to Kaneb, the U.S. Department of Justice (the DOJ) advised Kaneb in 2001 that it intends to seek reimbursement from Kaneb for the remediation costs associated with the two plumes. In November 2008, the DOJ forwarded information to us indicating that the past and estimated future remediation expenses associated with one plume are $71.9 million. The DOJ has indicated that they will not seek recovery of remediation costs for the second plume. The DOJ has not filed a lawsuit against us related to this matter, and we have not made any payments toward costs incurred by the DOJ. We are currently in settlement discussions with other potentially responsible parties and the DOJ, and a change in our estimate of this liability may occur in the near term. However, any settlement agreement that is reached must be approved by multiple parties and requires the approval of the bankruptcy court and the federal district court. We cannot currently estimate when or if a settlement will be finalized.

Eres Matter. In August 2008, Eres N.V. (Eres) forwarded a demand for arbitration to CITGO Asphalt Refining Company (CARCO), CITGO Petroleum Corporation (CITGO), NuStar Asphalt Refining, LLC (NuStar Asphalt) and NuStar Marketing LLC (NuStar Marketing, and together with CARCO, CITGO and NuStar Asphalt, the Defendants) contending that the Defendants are in breach of a tanker voyage charter party agreement, dated November 2004, between Eres and CARCO (the Charter Agreement). The Charter Agreement provides for CARCO s use of Eres vessels for the shipment of asphalt. Eres contends that NuStar Asphalt and/or NuStar Marketing (together, the NuStar Entities) assumed the Charter Agreement when NuStar Asphalt purchased the CARCO assets, and that the Defendants have failed to perform under the Charter Agreement since January 1, 2008. Eres has valued its damages for the alleged breach of contract claim at approximately $78.1 million. Pursuant to a May 2010 ruling by the U.S. District Court for the Southern District of Texas, the NuStar Entities were found to have assumed the Charter Agreement from CARCO and to be obligated to defend and indemnify CITGO and CARCO against Eres claims. The Defendants were ordered to proceed with arbitration. We intend to vigorously defend against Eres claims in arbitration.

Department of Justice Matter. In February 2008, the DOJ advised us that the U.S. Environmental Protection Agency has requested that the DOJ initiate a lawsuit against NuPOP for (a) failing to prepare adequate Facility Response Plans, as required by Section 311(j)(5) of the Clean Water Act, 33 U.S.C. §1321(j), for certain of our pipeline terminals located in Region VII, by August 30, 1994, and (b) maintaining Spill Prevention, Control and Countermeasure Plans (SPCC) Plans at the terminal that deviate from the SPCC regulations, 40 C.F.R. §112.3. A Facility Response Plan is a plan for responding to a worst case discharge, and to a substantial threat of such a discharge, of oil or hazardous substances. The SPCC rule requires specific facilities to prepare, amend and implement plans to prevent, prepare and respond to oil discharges to navigable waters and adjoining shorelines. We cooperated fully with the DOJ s investigation, and all required Facility Response Plans are now in place. On March 18, 2010, the DOJ filed a consent decree in the U.S. District Court for the District of Nebraska. Pursuant to the terms of the consent decree, we agreed to pay a penalty of $450,000 and implement a supplemental environmental project to install and operate tank monitoring and alarm systems at several of our facilities. The consent decree was entered by the court in late April 2010. Our payment was made in late May 2010.

Other. We are also a party to additional claims and legal proceedings arising in the ordinary course of business. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity. It is possible that if one or more of the matters described above were decided against us, the effects could be material to our results of operations in the period in which we would be required to record or adjust the related liability and could also be material to our cash flows in the periods we would be required to pay such liability.

Commitments

On June 18, 2010, we entered into a five-year lease to begin in 2011 for marine vessels, which will be used in our asphalt operations and represents an aggregate commitment of approximately $41.0 million.

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FAIR VALUE MEASUREMENTS

We segregate the inputs used in measuring fair value into three levels: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists.

The following assets and liabilities are measured at fair value on a recurring basis:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	$ 811	$ 0	$ 0	$ 811
Commodity derivatives	7,558	0	0	7,558
Other long-term assets, net:				
Interest rate swaps	0	11,747	0	11,747
Accrued liabilities:				
Product imbalances	(482)	0	0	(482)
Total	$ 7,887	$ 11,747	$ 0	$ 19,634

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	$ 2,096	$ 0	$ 0	$ 2,096
Other long-term assets, net:				
Interest rate swaps	0	8,623	0	8,623
Accrued liabilities:				
Commodity derivatives	(30,788)	0	0	(30,788)
Product imbalances	(676)	0	0	(676)
Total	$ (29,368)	$ 8,623	$ 0	$ (20,745)

Product Imbalances

We use quoted market prices as of the reporting date to value our assets and liabilities related to product imbalances.

Interest Rate Swaps

We estimate the fair value of the interest rate swaps using discounted cash flows, which use observable inputs such as time to maturity and market interest rates.

Commodity Derivatives

Our commodity derivative instruments consist of futures contracts and swaps traded on the NYMEX, and the fair values of these contracts are based on their quoted prices. We have consistently applied these valuation techniques in all periods presented. See Note 7. Derivatives, Financial Instruments and Risk Management Activities for a discussion of our derivative instruments.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value of Financial Instruments

We do not record our outstanding debt at fair value in our consolidated balance sheet. The estimated fair value and carrying amount of our debt was as follows:

	June 30, 2010	December 31, 2009
	(Thousands of Dollars)	
Fair value	$ 1,907,760	$ 1,877,373
Carrying amount	$ 1,846,276	$ 1,849,763

We estimated the fair values of our debt using a discounted cash flow analysis using current incremental borrowing rates for similar types of borrowing arrangements.

7. DERIVATIVES, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

We utilize various derivative instruments to: (i) manage our exposure to commodity price risk, (ii) engage in a trading program and (iii) manage our exposure to interest rate risk. Our risk management policies and procedures are designed to monitor interest rates, NYMEX and over-the-counter positions, as well as physical volumes, grades, locations and delivery schedules to help ensure that our derivative activities address our market risks. We have a risk management committee that oversees our trading controls and procedures and certain aspects of commodity and trading risk management. Our risk management committee also reviews all new commodity and trading risk management strategies in accordance with our risk management policy, as approved by our board of directors.

Interest Rate Swaps

We are a party to certain interest rate swap agreements for the purpose of hedging the interest rate risk associated with a portion of our fixed-rate senior notes. The interest rate swap contracts have an aggregate notional amount of $167.5 million. We account for the interest rate swaps as fair value hedges and recognize the fair value of each interest rate swap in the consolidated balance sheet as either an asset or liability. The interest rate swap contracts qualify for the shortcut method of accounting. As a result, changes in the fair value of the derivatives will completely offset the changes in the fair value of the underlying hedged debt. As of June 30, 2010, the weighted-average interest rate for our interest rate swaps was 2.4%.

Commodity Price Risk

We are exposed to commodity price risk with respect to our product inventories and related firm commitments to purchase and/or sell such inventories. We utilize futures contracts and swaps traded on the NYMEX to manage our exposure to changes in commodity prices, with the objective of stabilizing cash flows. We also enter into forward contracts in order to attempt to profit from market fluctuations.

The volume of commodity contracts is based on open derivative positions and represents the combined volume of our long and short positions on an absolute basis, which totaled 6.2 million barrels and 11.8 million barrels as of June 30, 2010 and December 31, 2009, respectively.

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair values of our derivative instruments included in our consolidated balance sheets were as follows:

	Balance Sheet Location	Asset Derivatives June 30, 2010	Asset Derivatives December 31, 2009	Liability Derivatives June 30, 2010	Liability Derivatives December 31, 2009
		(Thousands of Dollars)			
Derivatives Designated as Hedging Instruments:					
Interest rate swaps	Other long-term assets, net	$ 11,747	$ 8,623	$ 0	$ 0
Commodity contracts	Other current assets	6,829	0	(31)	0
Commodity contracts	Accrued liabilities	0	3,797	0	(14,279)
Total		18,576	12,420	(31)	(14,279)
Derivatives Not Designated as Hedging Instruments:					
Commodity contracts	Other current assets	2,052	0	(1,292)	0
Commodity contracts	Accrued liabilities	0	9,766	0	(30,072)
Total		2,052	9,766	(1,292)	(30,072)
Total Derivatives		$ 20,628	$ 22,186	$ (1,323)	$ (44,351)

No component of the associated derivative instruments gains or losses was excluded from our assessment of hedge ineffectiveness. The earnings impact of our derivative activity was as follows:

Derivatives Designated as Fair Value Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income on Derivative (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Hedged Item	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
		(Thousands of Dollars)		
Three months ended June 30, 2010:				
Interest rate swaps	Interest expense, net	$ 1,890	$ (1,890)	$ 0
Commodity contracts	Cost of product sales	13,061	(12,002)	1,059
Total		$ 14,951	$ (13,892)	$ 1,059
Three months ended June 30, 2009:				
Interest rate swaps	Interest expense, net	$ (4,696)	$ 4,696	$ 0
Commodity contracts	Cost of product sales	(13,418)	14,799	1,381
Total		$ (18,114)	$ 19,495	$ 1,381

Six months ended June 30, 2010:				
Interest rate swaps	Interest expense, net	$ 3,124	$ (3,124)	$ 0
Commodity contracts	Cost of product sales	11,734	(8,915)	2,819
Total		$ 14,858	$ (12,039)	$ 2,819
Six months ended June 30, 2009:				
Interest rate swaps	Interest expense, net	$ (6,111)	$ 6,111	$ 0
Commodity contracts	Cost of product sales	(14,683)	17,242	2,559
Total		$ (20,794)	$ 23,353	$ 2,559

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NUSTAR ENERGY L.P. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Derivatives Designated as Cash Flow Hedging Instruments	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) (Thousands of Dollars)	Income Statement Location (a)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
			(Thousands of Dollars)	
Three months ended June 30, 2010:				
Commodity contracts	$ 1,119	Cost of product sales	$ (498)	$ 284
Six months ended June 30, 2010:				
Commodity contracts	$ 239	Cost of product sales	$ (913)	$ 284

(a) Amounts are included in specified location for both the gain (loss) reclassified from accumulated other comprehensive income (OCI) into income (effective portion) and the gain (loss) recognized in income on derivative (ineffective portion).

Derivatives Not Designated as Fair Value Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income (Thousands of Dollars)