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#### Allocations of Net Income

Our partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the common unitholders and general partner will receive. The partnership agreement also contains provisions for the allocation of net income and loss to the unitholders and the general partner. For purposes of maintaining partner capital accounts, the partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interests. Normal allocations according to percentage interests are made after giving effect, if any, to priority income allocations in an amount equal to incentive cash distributions allocated 100% to the general partner.

The following table details the calculation of net income applicable to the general partner:

	Three Months Ended March 31,		
	2011	2010	
	(Thousands of Dollars)		
Net income attributable to NuStar Energy L.P.	\$28,502	\$19,703	
Less general partner incentive distribution	8,568	7,799	
Net income after general partner incentive distribution	19,934	11,904	
General partner interest	2	% 2	%
General partner allocation of net income after general partner incentive distribution	398	238	
General partner incentive distribution	8,568	7,799	
Net income applicable to general partner	\$8,966	\$8,037	

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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Cash Distributions

In February 2011, we paid a quarterly cash distribution totaling \$79.6 million, or \$1.075 per unit, related to the fourth quarter of 2010. On April 27, 2011, we announced a quarterly cash distribution of \$1.075 per unit related to the first quarter of 2011. This distribution will be paid on May 13, 2011 to unitholders of record on May 9, 2011 and will total \$79.6 million.

The following table reflects the allocation of total cash distributions to the general and limited partners applicable to the period in which the distributions were earned:

	Three Months Ended March 31,	
	2011	2010
	(Thousands of Dollars, Except Per Unit Data)	
General partner interest	\$1,592	\$1,467
General partner incentive distribution	8,568	7,799
Total general partner distribution	10,160	9,266
Limited partners' distribution	69,456	64,126
Total cash distributions	\$79,616	\$73,392
Cash distributions per unit applicable to limited partners	\$1.075	\$1.065

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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## 10. NET INCOME PER UNIT

We have identified the general partner interest and incentive distribution rights (IDR) as participating securities and use the two-class method when calculating the net income per unit applicable to limited partners, which is based on the weighted-average number of common units outstanding during the period. Basic and diluted net income per unit applicable to limited partners are the same because we have no potentially dilutive securities outstanding.

The following table details the calculation of earnings per unit:

	Three Months Ended March 31,	
	2011	2010
	(Thousands of Dollars, Except Unit and Per Unit Data)	
Net income attributable to NuStar Energy L.P.	\$28,502	\$19,703
Less general partner distribution (including IDR)	10,160	9,266
Less limited partner distribution	69,456	64,126
Distributions greater than earnings	\$(51,114)	\$(53,689)
General partner earnings:		
Distributions	\$10,160	\$9,266
Allocation of distributions greater than earnings (2%)	(1,023)	(1,074)
Total	\$9,137	\$8,192
Limited partner earnings:		
Distributions	\$69,456	\$64,126
Allocation of distributions greater than earnings (98%)	(50,091)	(52,615)
Total	\$19,365	\$11,511
Weighted average limited partner units outstanding	64,610,549	60,210,549
Net income per unit applicable to limited partners	\$0.30	\$0.19

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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## 11. STATEMENTS OF CASH FLOWS

Changes in current assets and current liabilities were as follows:

	Three Months Ended March 31,	
	2011	2010
	(Thousands of Dollars)	
Decrease (increase) in current assets:		
Accounts receivable	\$(94,104 )	\$(24,587 )
Inventories	(184,765 )	(115,921 )
Other current assets	(21,572 )	28,956
Increase (decrease) in current liabilities:		
Accounts payable	76,922	106,271
Payable to related party	1,826	9,956
Accrued interest payable	(6,070 )	358
Accrued liabilities	(5,702 )	(26,967 )
Taxes other than income tax	(830 )	(6 )
Income tax payable	1,396	3,514
Changes in current assets and current liabilities	\$(232,899 )	\$(18,426 )

Cash flows related to interest and income taxes were as follows:

	Three Months Ended March 31,	
	2011	2010
	(Thousands of Dollars)	
Cash paid for interest, net of amount capitalized	\$32,512	\$21,922
Cash paid for income taxes, net of tax refunds received	\$2,856	\$4,374

## 12. SEGMENT INFORMATION

Our reportable business segments consist of storage, transportation, and asphalt and fuels marketing. Our segments represent strategic business units that offer different services and products. We evaluate the performance of each segment based on its respective operating income, before general and administrative expenses and certain non-segmental depreciation and amortization expense. General and administrative expenses are not allocated to the operating segments since those expenses relate primarily to the overall management at the entity level. Our principal operations include terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and asphalt and fuels marketing. Intersegment revenues result from storage and throughput agreements with related parties at lease rates consistent with rates charged to third parties for storage and at pipeline tariff rates based upon the published tariff applicable to all shippers.

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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Results of operations for the reportable segments were as follows:

	Three Months Ended March 31,	
	2011	2010
	(Thousands of Dollars)	
Revenues:		
Storage:		
Third-party revenues	\$125,253	\$114,413
Intersegment revenues	11,392	12,219
Related party revenues	130	—
Total storage	136,775	126,632
Transportation:		
Third-party revenues	73,010	74,882
Intersegment revenues	—	380
Total transportation	73,010	75,262
Asphalt and fuels marketing:		
Third-party revenues	1,036,223	756,234
Intersegment revenues	3,845	2,696
Total asphalt and fuels marketing	1,040,068	758,930
Consolidation and intersegment eliminations	(15,237	) (15,295
Total revenues	\$1,234,616	\$945,529
Operating income:		
Storage	\$48,696	\$42,888
Transportation	34,397	33,757
Asphalt and fuels marketing	118	(7,896
Consolidation and intersegment eliminations	65	(237
Total segment operating income	83,276	68,512
Less general and administrative expenses	25,983	27,269
Less other depreciation and amortization expense	1,562	1,470
Total operating income	\$55,731	\$39,773

Total assets by reportable segment were as follows:

	March 31,	December 31,
	2011	2010
	(Thousands of Dollars)	
Storage	\$2,586,757	\$2,454,264
Transportation	1,244,492	1,256,614
Asphalt and fuels marketing	1,455,593	1,154,499
Total segment assets	5,286,842	4,865,377
Other partnership assets	378,378	521,016
Total consolidated assets	\$5,665,220	\$5,386,393



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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## 13. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

NuStar Energy has no operations and its assets consist mainly of its investments in NuStar Logistics and NuPOP, both wholly owned subsidiaries. The senior notes issued by NuStar Logistics and NuPOP are fully and unconditionally guaranteed by NuStar Energy, and both NuStar Logistics and NuPOP fully and unconditionally guarantee the outstanding senior notes of the other. As a result, the following condensed consolidating financial statements are presented as an alternative to providing separate financial statements for NuStar Logistics and NuPOP.

## Condensed Consolidating Balance Sheets

March 31, 2011

(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
<b>Assets</b>						
Cash and cash equivalents	\$53	\$11,014	\$—	\$59,370	\$—	\$70,437
Receivables, net	—	20,112	8,200	368,940	—	397,252
Inventories	—	2,010	2,483	594,360	(23 )	598,830
Other current assets	62	8,025	1,128	55,390	—	64,605
Intercompany receivable	—	990,411	742,409	—	(1,732,820 )	—
Current assets	115	1,031,572	754,220	1,078,060	(1,732,843 )	1,131,124
Property, plant and equipment, net	—	1,039,011	608,566	1,612,675	—	3,260,252
Intangible assets, net	—	2,071	—	58,298	—	60,369
Goodwill	—	18,094	170,652	654,548	—	843,294
Investment in wholly owned subsidiaries	3,117,064	142,823	1,079,496	2,217,614	(6,556,997 )	—
Investment in joint venture	—	—	—	69,068	—	69,068
Deferred income tax asset	—	—	—	7,683	—	7,683
Other long-term assets, net	—	235,192	26,329	31,909	—	293,430
<b>Total assets</b>	<b>\$3,117,179</b>	<b>\$2,468,763</b>	<b>\$2,639,263</b>	<b>\$5,729,855</b>	<b>\$(8,289,840)</b>	<b>\$5,665,220</b>
<b>Liabilities and Partners' Equity</b>						
Current portion of long-term debt	\$—	\$832	\$—	\$—	\$—	\$832
Payables	138	35,796	4,531	330,763	—	371,228
Accrued interest payable	—	16,284	7,318	36	—	23,638
Accrued liabilities	568	8,147	3,448	40,844	—	53,007
Taxes other than income tax	—	3,104	3,248	3,552	—	9,904
Income tax payable	—	1,725	—	1,016	—	2,741
Intercompany payable	511,387	—	—	1,221,433	(1,732,820 )	—
Current liabilities	512,093	65,888	18,545	1,597,644	(1,732,820 )	461,350
Long-term debt, less current portion	—	1,815,888	511,857	33,719	—	2,361,464
Long-term payable to related party	—	4,229	—	6,504	—	10,733



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Deferred income tax liability	—	—	—	34,404	—	34,404
Other long-term liabilities	—	37,559	208	80,919	—	118,686
Total partners' equity	2,605,086	545,199	2,108,653	3,976,665	(6,557,020 )	2,678,583
Total liabilities and partners' equity	\$3,117,179	\$2,468,763	\$2,639,263	\$ 5,729,855	\$(8,289,840)	\$5,665,220

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or NuPOP.

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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Condensed Consolidating Balance Sheets

December 31, 2010

(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
<b>Assets</b>						
Cash and cash equivalents	\$53	\$107,655	\$—	\$73,413	\$—	\$181,121
Receivables, net	—	27,708	10,648	266,885	(3,188 )	302,053
Inventories	—	1,776	6,712	405,521	(472 )	413,537
Other current assets	—	10,116	1,202	31,478	—	42,796
Intercompany receivable	—	786,658	729,365	—	(1,516,023 )	—
Current assets	53	933,913	747,927	777,297	(1,519,683 )	939,507
Property, plant and equipment, net	—	1,006,479	614,762	1,566,216	—	3,187,457
Intangible assets, net	—	2,106	—	40,927	—	43,033
Goodwill	—	18,094	170,652	624,524	—	813,270
Investment in wholly owned subsidiaries	3,167,764	159,813	994,249	2,112,355	(6,434,181 )	—
Investment in joint venture	—	—	—	69,603	—	69,603
Deferred income tax asset	—	—	—	8,138	—	8,138
Other long-term assets, net	—	267,532	26,329	31,524	—	325,385
<b>Total assets</b>	<b>\$3,167,817</b>	<b>\$2,387,937</b>	<b>\$2,553,919</b>	<b>\$5,230,584</b>	<b>\$(7,953,864)</b>	<b>\$5,386,393</b>
<b>Liabilities and Partners' Equity</b>						
Current portion of long-term debt	\$—	\$832	\$—	\$—	\$—	\$832
Payables	—	28,705	9,559	257,651	(3,188 )	292,727
Accrued interest payable	—	21,180	8,490	36	—	29,706
Accrued liabilities	680	18,154	3,973	35,146	—	57,953
Taxes other than income tax	125	4,273	2,587	3,733	—	10,718
Income tax payable	—	1,140	—	153	—	1,293
Intercompany payable	510,812	—	—	1,005,211	(1,516,023 )	—
Current liabilities	511,617	74,284	24,609	1,301,930	(1,519,211 )	393,229
Long-term debt, less current portion	—	1,589,189	514,270	32,789	—	2,136,248
Long-term payable to related party	—	3,571	—	6,517	—	10,088
Deferred income tax liability	—	—	—	29,565	—	29,565
Other long-term liabilities	—	33,458	228	80,877	—	114,563
<b>Total partners' equity</b>	<b>2,656,200</b>	<b>687,435</b>	<b>2,014,812</b>	<b>3,778,906</b>	<b>(6,434,653 )</b>	<b>2,702,700</b>
<b>Total liabilities and partners' equity</b>	<b>\$3,167,817</b>	<b>\$2,387,937</b>	<b>\$2,553,919</b>	<b>\$5,230,584</b>	<b>\$(7,953,864)</b>	<b>\$5,386,393</b>

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or NuPOP.



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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Condensed Consolidating Statements of Income

For the Three Months Ended March 31, 2011

(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	\$—	\$66,158	\$50,347	\$ 1,214,306	\$(96,195 )	\$1,234,616
Costs and expenses	415	43,272	35,973	1,195,869	(96,644 )	1,178,885
Operating (loss) income	(415 )	22,886	14,374	18,437	449	55,731
Equity in earnings of subsidiaries	28,917	(16,990 )	28,520	48,545	(88,992 )	—
Equity in earnings of joint venture	—	—	—	2,388	—	2,388
Interest expense, net	—	(13,788 )	(5,792 )	(877 )	—	(20,457 )
Other income, net	—	57	13	(5,569 )	—	(5,499 )
Income (loss) before income tax expense	28,502	(7,835 )	37,115	62,924	(88,543 )	32,163
Income tax expense	—	363	—	3,284	—	3,647
Net income (loss)	28,502	(8,198 )	37,115	59,640	(88,543 )	28,516
Less net income attributable to noncontrolling interest	—	—	—	14	—	14
Net income (loss) attributable to NuStar Energy L.P.	\$28,502	\$(8,198 )	\$37,115	\$ 59,626	\$(88,543 )	\$28,502

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or NuPOP.

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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Condensed Consolidating Statements of Income

For the Three Months Ended March 31, 2010

(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	\$—	\$73,232	\$35,364	\$ 885,652	\$(48,719 )	\$945,529
Costs and expenses	449	48,828	27,431	877,540	(48,492 )	905,756
Operating (loss) income	(449 )	24,404	7,933	8,112	(227 )	39,773
Equity in earnings of subsidiaries	20,151	(19,032 )	24,787	37,494	(63,400 )	—
Equity in earnings of joint venture	—	—	—	3,015	—	3,015
Interest expense, net	1	(12,007 )	(5,923 )	(657 )	—	(18,586 )
Other income (expense), net	—	575	12	(286 )	—	301
Income (loss) before income tax expense	19,703	(6,060 )	26,809	47,678	(63,627 )	24,503
Income tax expense	—	393	—	4,407	—	4,800
Net income (loss)	\$19,703	\$(6,453 )	\$26,809	\$ 43,271	\$(63,627 )	\$19,703

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or NuPOP.

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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Condensed Consolidating Statements of Cash Flows

For the Three Months Ended March 31, 2011

(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$79,041	\$23,162	\$13,552	\$ (201,929 )	\$ (79,624 )	\$ (165,798 )
Cash flows from investing activities:						
Capital expenditures	—	(45,340 )	(430 )	(27,476 )	—	(73,246 )
Acquisition	—	—	—	(52,577 )	—	(52,577 )
Investment in other long-term assets	—	—	—	(636 )	—	(636 )
Investment in subsidiaries	(57,300 )	—	(56,727 )	(56,727 )	170,754	—
Other	—	—	13	45	—	58
Net cash used in investing activities	(57,300 )	(45,340 )	(57,144 )	(137,371 )	170,754	(126,401 )
Cash flows from financing activities:						
Debt borrowings	—	375,280	—	—	—	375,280
Debt repayments	—	(113,994 )	—	—	—	(113,994 )
Distributions to unitholders and general partner	(79,616 )	(79,616 )	—	(8 )	79,624	(79,616 )
Contributions from (distributions to) affiliates	57,300	(57,300 )	56,727	114,027	(170,754 )	—
Net intercompany borrowings (repayments)	575	(203,572 )	(13,135 )	216,132	—	—
Other	—	(263 )	—	(881 )	—	(1,144 )
Net cash provided by (used in) financing activities	(21,741 )	(79,465 )	43,592	329,270	(91,130 )	180,526
Effect of foreign exchange rate changes on cash	—	5,002	—	(4,013 )	—	989
Net increase in cash and cash equivalents	—	(96,641 )	—	(14,043 )	—	(110,684 )
Cash and cash equivalents as of the beginning of the period	53	107,655	—	73,413	—	181,121
Cash and cash equivalents as of the end of the period	\$53	\$11,014	\$—	\$59,370	\$—	\$70,437

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or NuPOP.



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## NUSTAR ENERGY L.P. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Condensed Consolidating Statements of Cash Flows

For the Three Months Ended March 31, 2010

(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$72,413	\$16,161	\$10,348	\$11,726	\$(73,399)	\$37,249
Cash flows from investing activities:						
Capital expenditures	—	(22,216)	(1,694)	(32,128)	—	(56,038)
Investment in other long-term assets	—	—	—	(1,096)	—	(1,096)
Other	—	—	12	100	—	112
Net cash used in investing activities	—	(22,216)	(1,682)	(33,124)	—	(57,022)
Cash flows from financing activities:						
Debt borrowings	—	398,067	—	—	—	398,067
Debt repayments	—	(341,583)	—	—	—	(341,583)
Distributions to unitholders and general partner	(73,392)	(73,392)	—	(7)	73,399	(73,392)
Net intercompany borrowings (repayments)	1,054	32,265	(8,666)	(24,653)	—	—
Decrease in cash book overdrafts	—	(3,267)	—	(1,355)	—	(4,622)
Other	(75)	—	—	—	—	(75)
Net cash (used in) provided by financing activities	(72,413)	12,090	(8,666)	(26,015)	73,399	(21,605)
Effect of foreign exchange rate changes on cash	—	(5,235)	—	4,757	—	(478)
Net increase (decrease) in cash and cash equivalents	—	800	—	(42,656)	—	(41,856)
Cash and cash equivalents as of the beginning of the period	53	1,602	—	60,351	—	62,006
Cash and cash equivalents as of the end of the period	\$53	\$2,402	\$—	\$17,695	\$—	\$20,150

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or NuPOP.

## 14. SUBSEQUENT EVENT



On April 19, 2011, we purchased refinery assets from AGE Refining, Inc. for \$41.0 million, excluding working capital. The assets consist of a 14,500 barrel per day refinery in San Antonio, Texas and 200,000 barrels of storage capacity in Elmendorf, Texas.

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

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain estimates, predictions, projections, assumptions and other forward-looking statements that involve various risks and uncertainties. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this report. These forward-looking statements can generally be identified by the words "anticipates," "believes," "expects," "plans," "intends," "estimates," "forecasts," "budgets," "projects," "could," "should," "may" and similar expressions. These statements reflect our current views with regard to future events and are subject to various risks, uncertainties and assumptions. Please read our Annual Report on Form 10-K for the year ended December 31, 2010, Part I, Item 1A "Risk Factors," as well as our subsequent current and quarterly reports, for a discussion of certain of those risks, uncertainties and assumptions.

If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those described in any forward-looking statement. Other unknown or unpredictable factors could also have material adverse effects on our future results. Readers are cautioned not to place undue reliance on this forward-looking information, which is as of the date of this Form 10-Q. We do not intend to update these statements unless it is required by the securities laws to do so, and we undertake no obligation to publicly release the result of any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

OVERVIEW

NuStar Energy L.P. (NuStar Energy) is a publicly held Delaware limited partnership engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and asphalt refining 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) owns our general partner, Riverwalk Logistics, L.P., and owns a 17.6% total interest in us as of March 31, 2011. Our Management's Discussion and Analysis of Financial Condition and Results of Operations is presented in six sections:

- Overview
- Results of Operations
- Outlook
- Liquidity and Capital Resources
- Related Party Transactions
- Critical Accounting Policies

Acquisitions

On February 9, 2011, we acquired 75% of a company for approximately \$54.0 million, excluding working capital of \$2.4 million (Turkey Acquisition). The acquired company owns two terminals located in Mersin, Turkey with an aggregate 44 storage tanks and 1.3 million barrels of storage capacity. Both terminals are connected via pipelines to an offshore platform located approximately three miles off the Mediterranean Sea coast. The operations of the Turkey Acquisition are included in the Results of Operations commencing on February 9, 2011, with 25% accounted for as a noncontrolling interest.

On April 19, 2011, we purchased refinery assets from AGE Refining, Inc. for \$41.0 million, excluding working capital (San Antonio Refinery Acquisition). The assets consist of a 14,500 barrel per day refinery in San Antonio,

Texas and 200,000 barrels of storage capacity in Elmendorf, Texas.

#### Operations

We conduct our operations through our subsidiaries, primarily NuStar Logistics, L.P. (NuStar Logistics) and NuStar Pipeline Operating Partnership L.P. (NuPOP). Our operations are divided into three reportable business segments: storage, transportation, and asphalt and fuels marketing.

**Storage.** We own terminals and storage facilities in the United States, Canada, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom, Mexico and Turkey providing approximately 69.0 million barrels of storage capacity. Our terminals and storage facilities provide storage and handling services on a fee basis for petroleum products, specialty chemicals and other liquids, including crude oil and other feedstocks.

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Transportation. We own common carrier refined product pipelines in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota covering approximately 5,605 miles, consisting of the Central West System, the East Pipeline and the North Pipeline. The East and North Pipelines also include 21 terminals providing storage capacity of 4.6 million barrels, and the East Pipeline includes two tank farms providing storage capacity of 1.2 million barrels. In addition, we own a 2,000 mile anhydrous ammonia pipeline located in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska. We also own 812 miles of crude oil pipelines in Texas, Oklahoma, Kansas, Colorado and Illinois, as well as 1.9 million barrels of crude storage in Texas and Oklahoma that is located along the crude oil pipelines. We charge tariffs on a per barrel basis for transporting refined products, crude oil and other feedstocks in our refined product and crude oil pipelines and on a per ton basis for transporting anhydrous ammonia in our Ammonia Pipeline.

Asphalt and Fuels Marketing. Our asphalt and fuels marketing segment includes our asphalt refining operations and our fuels marketing operations. We refine crude oil to produce asphalt and certain other refined products from our asphalt operations. We own two asphalt refineries with a combined throughput capacity of 104,000 barrels per day and related terminal facilities providing storage capacity of 5.0 million barrels. Additionally, as part of our fuels marketing operations, we purchase gasoline and other refined petroleum products for resale. The results of operations for the asphalt and fuels marketing segment depend largely on the gross margin between our costs and the sales price of the products we market. Therefore, the results of operations for this segment are more sensitive to changes in commodity prices compared to the operations of our storage and transportation segments. We enter into derivative contracts to mitigate the effect of commodity price fluctuations.

The following factors affect the results of our operations:

- company-specific factors, such as integrity issues and maintenance requirements that impact the throughput rates of our assets;
- seasonal factors that affect the demand for products transported by and/or stored in our assets and the demand for products we sell, particularly asphalt;
- industry factors, such as changes in the prices of petroleum products, that affect demand and operations of our competitors;
- factors such as commodity price volatility and market structure that impact our asphalt and fuels marketing segment; and
- other factors, such as refinery utilization rates and maintenance turnaround schedules, that impact our refineries, as well as the operations of refineries served by our storage and transportation assets.

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## RESULTS OF OPERATIONS

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

## Financial Highlights

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

	Three Months Ended March 31,		Change
	2011	2010	
Statement of Income Data:			
Revenues:			
Services revenues	\$ 198,393	\$ 189,295	\$ 9,098
Product sales	1,036,223	756,234	279,989
Total revenues	1,234,616	945,529	289,087
Costs and expenses:			
Cost of product sales	992,367	719,221	273,146
Operating expenses	120,239	121,337	(1,098 )
General and administrative expenses	25,983	27,269	(1,286 )
Depreciation and amortization expense	40,296	37,929	2,367
Total costs and expenses	1,178,885	905,756	273,129
Operating income	55,731	39,773	15,958
Equity in earnings of joint venture	2,388	3,015	(627 )
Interest expense, net	(20,457 )	(18,586 )	(1,871 )
Other (expense) income, net	(5,499 )	301	(5,800 )
Income before income tax expense	32,163	24,503	7,660
Income tax expense	3,647	4,800	(1,153 )
Net income	28,516	19,703	8,813
Less net income attributable to noncontrolling interest	14	—	14
Net income attributable to NuStar Energy L.P.	\$ 28,502	\$ 19,703	\$ 8,799
Net income per unit applicable to limited partners	\$ 0.30	\$ 0.19	\$ 0.11
Weighted average limited partner units outstanding	64,610,549	60,210,549	4,400,000

## Highlights

Net income increased \$8.8 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, primarily due to an increase in segment operating income, partially offset by an increase in other expense. Segment operating income increased \$14.8 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, due to increased operating income from all of our reportable business segments, especially the asphalt and fuels marketing and storage segments.

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## Segment Operating Highlights

(Thousands of Dollars, Except Barrels/Day Information)

	Three Months Ended March 31,		Change
	2011	2010	
<b>Storage:</b>			
Throughput (barrels/day)	620,582	641,457	(20,875 )
Throughput revenues	\$17,048	\$17,827	\$(779 )
Storage lease revenues	119,727	108,805	10,922
Total revenues	136,775	126,632	10,143
Operating expenses	66,949	65,078	1,871
Depreciation and amortization expense	21,130	18,666	2,464
Segment operating income	\$48,696	\$42,888	\$5,808
<b>Transportation:</b>			
Refined products pipelines throughput (barrels/day)	502,610	527,340	(24,730 )
Crude oil pipelines throughput (barrels/day)	310,865	363,237	(52,372 )
Total throughput (barrels/day)	813,475	890,577	(77,102 )
Throughput revenues	\$73,010	\$75,262	\$(2,252 )
Operating expenses	25,906	28,753	(2,847 )
Depreciation and amortization expense	12,707	12,752	(45 )
Segment operating income	\$34,397	\$33,757	\$640
<b>Asphalt and Fuels Marketing:</b>			
Product sales	\$1,040,068	\$758,930	\$281,138
Cost of product sales	1,001,073	726,734	274,339
Gross margin	38,995	32,196	6,799
Operating expenses	33,980	35,051	(1,071 )
Depreciation and amortization expense	4,897	5,041	(144 )
Segment operating income	\$118	\$(7,896 )	\$8,014
<b>Consolidation and Intersegment Eliminations:</b>			
Revenues	\$(15,237 )	\$(15,295 )	\$58
Cost of product sales	(8,706 )	(7,513 )	(1,193 )
Operating expenses	(6,596 )	(7,545 )	949
Total	\$65	\$(237 )	\$302
<b>Consolidated Information:</b>			
Revenues	\$1,234,616	\$945,529	\$289,087
Cost of product sales	992,367	719,221	273,146
Operating expenses	120,239	121,337	(1,098 )
Depreciation and amortization expense	38,734	36,459	2,275
Segment operating income	83,276	68,512	14,764
General and administrative expenses	25,983	27,269	(1,286 )
Other depreciation and amortization expense	1,562	1,470	92
Consolidated operating income	\$55,731	\$39,773	\$15,958



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Storage

Throughputs decreased 20,875 barrels per day and throughput revenues decreased \$0.8 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, mainly due to a turnaround and continued operational issues in 2011 at the refinery served by our Benicia crude oil storage tanks.

Storage lease revenues increased \$10.9 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, primarily due to:

• an increase of \$3.6 million related to our acquisition of three terminals in Mobile County, Alabama in May 2010 and our Turkey Acquisition;

• an increase of \$3.5 million due to completed tank expansion projects at our St. Eustatius and Texas City terminals; and

• an increase of \$3.3 million across various domestic terminals due to rate escalations, new customer contracts, increased reimbursable revenues, and higher throughput and related handling fees.

Depreciation and amortization expense increased \$2.5 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, primarily due to the completion of various terminal upgrade and expansion projects, our acquisition of three terminals in Mobile County, Alabama in May 2010, and the Turkey Acquisition.

Transportation

Throughputs decreased 77,102 barrels per day and revenues decreased \$2.3 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, primarily due to:

• a decrease of 47,042 barrels per day and a decrease of \$3.6 million on the Houston pipeline mainly due to market conditions that favored exporting instead of shipping on our pipeline; and

• a decrease of 60,461 barrels per day and a decrease of \$1.9 million on our pipelines serving the Ardmore refinery mainly due to a turnaround in March 2011.

These decreases were partially offset by:

• an increase of 8,756 barrels per day and an increase in revenues of \$2.2 million on the Ammonia Pipeline due to increased activity in preparation for an anticipated strong spring application season; and

• an increase of 29,343 barrels per day and an increase in revenues of \$1.6 million on pipelines serving the McKee refinery due to increased production in 2011 and turnaround activity at the refinery during the first quarter of 2010.

Operating expenses decreased \$2.8 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, primarily due to lower maintenance expenses and a reduction in overhead expenses.

Asphalt and Fuels Marketing

Sales and cost of product sales increased \$281.1 million and \$274.3 million, respectively, resulting in an increase in total gross margin of \$6.8 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010. The increase in total gross margin was primarily due to an increase of \$10.5 million in the gross margin from our fuels marketing operations. Rising crude prices in the first quarter of 2011 improved gross margins for our crude trading contracts and product trading.

The increase in gross margin of our fuels marketing operations was partially offset by a decrease of \$3.7 million in gross margin from our asphalt operations. Although gross margin per barrel for our asphalt operations increased to \$6.72 for the three months ended March 31, 2011, from \$5.54 for the three months ended March 31, 2010, volumes decreased by approximately 33% compared to the same period last year. Higher crude prices in the first quarter of 2011 negatively impacted volumes.



Consolidation and Intersegment Eliminations

Revenue, cost of product sales and operating expense eliminations primarily relate to storage and transportation fees charged to the asphalt and fuels marketing segment by the transportation and storage segments.

General

General and administrative expenses decreased \$1.3 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, primarily due to lower compensation expense associated with our long-term incentive plans, which fluctuates with our unit price.

Interest expense, net increased \$1.9 million for the three months ended March 31, 2011, compared to the three months ended

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March 31, 2010, mainly due to the issuance of \$450.0 million of 4.80% senior notes in August 2010. This increase in interest expense was partially offset by the effect of additional fixed-to-floating interest rate swap agreements we entered into in September and October 2010 and an increase in capitalized interest.

Other expense, net increased \$5.8 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, mainly due to \$5.0 million in costs associated with the early termination of a third-party storage agreement at our Paulsboro, New Jersey asphalt refinery.

Income tax expense decreased \$1.2 million for the three months ended March 31, 2011, compared to the three months ended March 31, 2010, mainly due to statutory rate reductions in the United Kingdom and Netherlands at the end of 2010.

**OUTLOOK**

Overall, we expect our results for 2011 to be higher than 2010 due mainly to increases in our storage segment and our asphalt and fuels marketing segment.

**Storage Segment**

For 2011, we expect the storage segment earnings to increase compared to 2010. We expect to benefit from a full year's contribution of the Mobile, AL terminal acquisition in 2010. In addition, internal growth projects completed in the second half of 2010 as well as those expected to be completed in 2011, mainly at our St. Eustatius terminal in the Caribbean and our St. James, Louisiana terminal, are expected to positively impact our earnings.

**Transportation Segment**

We expect the transportation segment earnings for 2011 to be lower than 2010. Throughputs for 2011 are forecasted to decrease compared to 2010 mainly due to changing market conditions and planned turnaround activity at refineries served by our pipelines. However, the tariffs on our pipelines regulated by the Federal Energy Regulatory Commission, which adjust annually based upon changes in the producer price index, are expected to increase effective July 1, 2011, when the adjustment takes effect. In addition, we expect to benefit in 2011 from the completion of a pipeline expansion project that will serve Eagle Ford Shale production.

**Asphalt and Fuels Marketing Segment**

We expect the asphalt and fuels marketing segment results to increase for the full year 2011 compared to 2010. Our operations are expected to benefit from a full year of heavy fuel and bunker fuel sales in new markets we entered into in 2010, and from our San Antonio Refinery Acquisition, which closed on April 19, 2011.

Our outlook could change depending on, among other things, the prices of crude oil, changes to refinery maintenance schedules, and other factors that affect overall demand for the products we store, transport and sell as well as changes in commodity prices for the products we market.

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## LIQUIDITY AND CAPITAL RESOURCES

## General

Our primary cash requirements are for distributions to partners, working capital requirements, including inventory purchases, debt service, capital expenditures, acquisitions and normal operating expenses. On an annual basis, we attempt to fund our operating expenses, interest expense, reliability capital expenditures and distribution requirements with cash generated from our operations. If we do not generate sufficient cash from operations to meet those requirements, we utilize available borrowing capacity under our revolving credit agreement and, to the extent necessary, funds raised through equity or debt offerings under our shelf registration statements. Additionally, we typically fund our strategic capital expenditures from external sources, primarily borrowings under our revolving credit agreement or funds raised through equity or debt offerings. However, our ability to raise funds by issuing debt or equity depends on many factors beyond our control. The volatility of the capital and credit markets could restrict our ability to issue debt or equity or may increase our cost of capital beyond rates acceptable to us.

## Cash Flows for the Three Months Ended March 31, 2011 and 2010

The following table summarizes our cash flows from operating, investing and financing activities:

	Three Months Ended March 31,	
	2011	2010
	(Thousands of Dollars)	
Net cash provided by (used in):		
Operating activities	\$(165,798 )	\$37,249 )
Investing activities	(126,401 )	(57,022 )
Financing activities	180,526	(21,605 )
Effect of foreign exchange rate changes on cash	989	(478 )
Net decrease in cash and cash equivalents	\$(110,684 )	\$(41,856 )

Net cash used in operating activities for the three months ended March 31, 2011 was \$165.8 million, compared to \$37.2 million net cash provided by operating activities for the three months ended March 31, 2010, primarily due to higher investments in working capital in 2011 compared to the same period in 2010. We increased our working capital \$232.9 million in 2011, compared to \$18.4 million in 2010. Our operations generated a cash shortfall, and therefore could not cover the cash requirements for reliability capital expenditures and distributions. As a result, we utilized borrowings under our revolving credit agreement as well as cash on hand to fund that shortfall, our strategic capital expenditures and the Turkey Acquisition.

For the three months ended March 31, 2010, cash from operating activities and proceeds from long-term debt borrowings, net of repayments, combined with cash on hand, were used to fund our distributions to unitholders and our general partner and capital expenditures primarily related to various terminal projects.

## 2007 Revolving Credit Agreement

As of March 31, 2011, we had \$501.9 million available for borrowing under our \$1.2 billion five-year revolving credit agreement (the 2007 Revolving Credit Agreement). 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. On March 7, 2011, we amended the 2007 Revolving Credit Agreement to exclude unused proceeds from the Gulf Opportunity Zone bond issuances from total indebtedness in the calculation of the consolidated debt coverage ratio. As of March 31, 2011, the consolidated debt coverage ratio was 4.4x. The 2007 Revolving Credit Agreement matures in December 2012, and we do not have any other significant debt maturing until 2012.

Shelf Registration Statement

On April 29, 2011, the Securities and Exchange Commission declared effective our shelf registration statement on Form S-3, which permits us to offer and sell various types of securities, including NuStar Energy common units and debt securities of NuStar Logistics and NuPOP, having an aggregate value of up to \$200.0 million (the 2011 Shelf Registration Statement). This is in addition to our shelf registration statement on Form S-3 the Securities and Exchange Commission declared effective in May 2010. We filed the 2011 Shelf Registration Statement to provide additional financial flexibility.

If the capital markets become more volatile, our access to the capital markets may be limited, or we could face increased costs. In addition, it is possible that our ability to access the capital markets may be limited at a time when we would like or need to

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do so, which could have an impact on our ability to refinance maturing debt and/or react to changing economic and business conditions.

### Capital Requirements

Our operations are capital intensive, requiring significant investments to maintain, upgrade or enhance existing operations and to comply with environmental and safety laws and regulations. Our capital expenditures consist of:

- reliability capital expenditures, such as those required to maintain equipment reliability and safety and to address environmental and safety regulations; and
- strategic capital expenditures, such as those to expand and upgrade pipeline capacity or asphalt refinery operations and to construct new pipelines, terminals and storage tanks. In addition, strategic capital expenditures may include acquisitions of pipelines, terminals or storage tank assets, as well as certain capital expenditures related to support functions.

During the three months ended March 31, 2011, our reliability capital expenditures totaled \$8.0 million, including \$7.4 million primarily related to maintenance upgrade projects at our terminals. Strategic capital expenditures for the three months ended March 31, 2011 totaled \$65.9 million and were primarily related to projects at our St. James, Louisiana and St. Eustatius terminals and our corporate office.

For the full year 2011, we expect to incur approximately \$420.0 million of capital expenditures, including \$60.0 million for reliability capital projects and \$360.0 million for strategic capital projects, which do not include acquisitions. Thus far in 2011, we have spent approximately \$95.0 million, excluding working capital, related to the Turkey Acquisition and the San Antonio Refinery Acquisition. We continue to evaluate our capital budget and make changes as economic conditions warrant. Depending upon current economic conditions, our actual capital expenditures for 2011 may exceed or be lower than the budgeted amounts. We believe cash generated from operations, combined with other sources of liquidity previously described, will be sufficient to fund our capital expenditures in 2011, and our internal growth projects can be accelerated or scaled back depending on the condition of the capital markets.

### Working Capital Requirements

The asphalt and fuels marketing segment requires us to make substantial investments in working capital. Increases in the prices of the commodities we purchase would cause our working capital requirements to increase, which could affect our liquidity. Our working capital requirements will vary with the seasonal nature of asphalt demand as we employ our asphalt winterfill strategy to build and store inventories during periods of lower demand in order to sell it during periods of higher demand. This seasonal nature of demand will also affect the accounts receivable and accounts payable balances, which will vary depending on timing of payments.

Within working capital, our inventory balances increased by \$184.8 million in 2011, compared to \$115.9 million in 2010, due to rising crude oil prices in the first quarter of 2011. In addition, accounts receivable increased by \$94.1 million in 2011, compared to \$24.6 million in 2010, mainly due to the timing of payments and higher bunker fuel sales, as well as increased crude trading activity. Other current assets increased \$21.6 million in 2011, compared to a decrease of \$29.0 million in 2010, primarily due to an increase in derivative activity in 2011 and variations in our margin deposits related to our derivative instruments.

Higher inventory balances would typically also result in higher amounts of accounts payable, offsetting the impact to working capital. However, with respect to our asphalt winterfill strategy, which often involves storing inventory for an extended period, we typically pay for the inventory prior to selling it. In 2011, accounts payable increased \$76.9 million, compared to \$106.3 million in 2010. Due to the potential for this discrepancy in timing between paying for and receiving payment for our inventory, increases in our accounts payable will not always offset increases in our

inventory balances within our working capital. As a result, the volume of inventory we maintain and the average cost of those inventories associated with our asphalt winterfill strategy can significantly affect our working capital balance.

Distributions

In February 2011, we paid a quarterly cash distribution totaling \$79.6 million, or \$1.075 per unit, related to the fourth quarter of 2010. On April 27, 2011, we announced a quarterly cash distribution of \$1.075 per unit related to the first quarter of 2011. This distribution will be paid on May 13, 2011 to unitholders of record on May 9, 2011 and will total \$79.6 million.

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The following table reflects the allocation of total cash distributions to the general and limited partners applicable to the period in which the distributions were earned:

	Three Months Ended March 31,	
	2011	2010
	(Thousands of Dollars, Except Per Unit Data)	
General partner interest	\$ 1,592	\$ 1,467
General partner incentive distribution	8,568	7,799
Total general partner distribution	10,160	9,266
Limited partners' distribution	69,456	64,126
Total cash distributions	\$ 79,616	\$ 73,392

Cash distributions per unit applicable to limited partners	\$ 1.075	\$ 1.065
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Distributions declared for the quarter are paid within 45 days following the end of each quarter based on the partnership interests outstanding as of a record date that is set after the end of each quarter.

Long-Term Debt Obligations

We are a party to the following long-term debt agreements:

the 2007 Revolving Credit Agreement due December 10, 2012, with a balance of \$420.9 million as of March 31, 2011;

NuStar Logistics' 6.875% senior notes due July 15, 2012 with a face value of \$100.0 million, 6.05% senior notes due March 15, 2013 with a face value of \$229.9 million, 7.65% senior notes due April 15, 2018 with a face value of \$350.0 million and 4.80% senior notes due September 1, 2020 with a face value of \$450.0 million;

NuPOP's 7.75% senior notes due February 15, 2012 and 5.875% senior notes due June 1, 2013 with an aggregate face value of \$500.0 million;

the \$55.4 million revenue bonds due June 1, 2038, the \$100.0 million revenue bonds due July 1, 2040, the \$50.0 million revenue bonds due October 1, 2040 and the \$85.0 million revenue bonds due December 1, 2040 associated with the St. James terminal expansion (Gulf Opportunity Zone Revenue Bonds);

the £21 million term loan due December 11, 2012 (UK Term Loan); and

the \$12.0 million note payable in annual installments through December 31, 2015 to the Port of Corpus Christi Authority of Nueces County, Texas, with a balance of \$1.8 million as of March 31, 2011, associated with the construction of a crude oil storage facility in Corpus Christi, Texas.

Management believes that, as of March 31, 2011, we are in compliance with all ratios and covenants of both the 2007 Revolving Credit Agreement and the UK Term Loan, which has substantially the same covenants as the 2007 Revolving Credit Agreement. Our other long-term debt obligations do not contain any financial covenants that are different than those contained in the 2007 Revolving Credit Agreement. However, a default under any of our debt instruments would be considered an event of default under all of our debt instruments.

Please refer to Note 3 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a more detailed discussion on certain of our long-term debt agreements.

Interest Rate Swaps

As of March 31, 2011 and December 31, 2010, we were a party to fixed-to-floating interest rate swap agreements and forward-starting swap agreements for the purpose of hedging the interest rate risk associated with a portion of our fixed-rate senior notes. As of March 31, 2011, the weighted-average interest rate that we paid under our

fixed-to-floating interest rate swaps was 2.5%.



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The following table aggregates information on our interest rate swap agreements:

	Notional Amount		Fair Value	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
	(Thousands of Dollars)			
Type of interest rate swap agreements:				
Fixed-to-floating	\$657,500	\$617,500	\$(24,734	) \$(18,820
Forward-starting	\$500,000	\$500,000	\$37,878	\$35,000

Please refer to Note 6 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a more detailed discussion of our interest rate swaps.

**Environmental, Health and Safety**

We are subject to extensive federal, state and local environmental and safety laws and regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures, pipeline integrity and operator qualifications, among others. Because more stringent environmental and safety laws and regulations are continuously being enacted or proposed, the level of future expenditures required for environmental, health and safety matters is expected to increase.

**Contingencies**

We are subject to certain loss contingencies, the outcomes of which could have an adverse effect on our cash flows and results of operations, as further disclosed in Note 4 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements."

**RELATED PARTY TRANSACTIONS**

We have related party transactions with NuStar GP, LLC and parties of our noncontrolling interest. Please refer to Note 7 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a more detailed discussion of our related party transactions.

**CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

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## Item 3. Quantitative and Qualitative Disclosures About Market Risk

## Interest Rate Risk

We manage our exposure to changing interest rates principally through the use of a combination of fixed-rate debt and variable-rate debt. In addition, we utilize fixed-to-floating interest rate swap agreements to manage a portion of the exposure to changing interest rates by converting certain fixed-rate debt to variable-rate debt. We also enter into forward-starting interest rate swap agreements to lock in the rate on the interest payments related to forecasted debt issuances. Borrowings under the 2007 Revolving Credit Agreement and Gulf Opportunity Zone Revenue Bonds expose us to increases in the underlying interest rates.

The following tables provide information about our long-term debt and interest rate derivative instruments, all of which are sensitive to changes in interest rates. For long-term debt, principal cash flows and related weighted-average interest rates by expected maturity dates are presented. For our fixed-to-floating interest rate swaps, the table presents notional amounts and weighted-average interest rates by expected (contractual) maturity dates. Weighted-average variable rates are based on implied forward interest rates in the yield curve at the reporting date.

March 31, 2011

Expected Maturity Dates

	2011	2012	2013	2014	2015	There- after	Total	Fair Value
(Thousands of Dollars, Except Interest Rates)								
Long-term Debt:								
Fixed rate	\$832	\$384,615	\$479,986	\$—	\$—	\$800,000	\$1,665,433	\$1,765,897
Weighted average interest rate	8.0 %	7.4 %	6.0 %	— %	— %	6.0 %	6.3 %	%
Variable rate	\$—	\$420,889	\$—	\$—	\$—	\$290,440	\$711,329	\$700,682
Weighted average interest rate	— %	0.9 %	— %	— %	— %	0.2 %	0.6 %	%
Interest Rate Swaps								
Fixed-to-Floating:								
Notional amount	\$—	\$60,000	\$107,500	\$—	\$—	\$490,000	\$657,500	\$(24,780)
Weighted average pay rate	2.6 %	3.5 %	4.6 %	5.6 %	6.3 %	7.0 %	5.6 %	%
Weighted average receive rate	5.4 %	5.4 %	5.2 %	5.0 %	5.0 %	4.9 %	5.1 %	%

December 31, 2010

Expected Maturity Dates

	2011	2012	2013	2014	2015	There- after	Total	Fair Value
(Thousands of Dollars, Except Interest Rates)								
Long-term Debt:								
Fixed rate	\$832	\$383,687	\$479,986	\$—	\$—	\$800,000	\$1,664,505	\$1,775,842
Weighted average interest rate	8.0 %	7.4 %	6.0 %	— %	— %	6.0 %	6.3 %	%
Variable rate	\$—	\$188,282	\$—	\$—	\$—	\$290,440	\$478,722	\$473,348
Weighted average interest rate	— %	1.0 %	— %	— %	— %	0.3 %	0.6 %	%
Interest Rate Swaps								
Fixed-to-Floating:								

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Notional amount	\$—	\$60,000	\$107,500	\$—	\$—	\$450,000	\$617,500	\$(18,821 )
Weighted average pay rate	2.5	% 3.3	% 4.3	% 5.3	% 6.1	% 6.8	% 5.4	%
Weighted average receive rate	5.2	% 5.2	% 5.0	% 4.8	% 4.8	% 4.8	% 4.9	%

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The following table presents information regarding our forward-starting interest rate swap agreements:

Notional Amount	Period of Hedge	Weighted-Average Fixed Rate	Fair Value	
			March 31, 2011	December 31, 2010
(Thousands of Dollars)			(Thousands of Dollars)	
\$ 125,000	03/13 - 03/23	3.5	% \$9,464	\$ 8,717
150,000	06/13 - 06/23	3.5	% 12,179	11,243
225,000	02/12 - 02/22	3.1	% 16,235	15,040
\$ 500,000		3.3	% \$37,878	\$ 35,000

**Commodity Price Risk**

Since the operations of our asphalt and fuels marketing segment expose us to commodity price risk, we enter into derivative instruments to mitigate the effect of commodity price fluctuations. The derivative instruments we use consist primarily of futures contracts and swaps traded on the NYMEX. We have a risk management committee that oversees our trading controls and procedures and certain aspects of risk management. Our risk management committee also reviews all new risk management strategies in accordance with our risk management policy, which was approved by our board of directors.

We record commodity derivative instruments in the consolidated balance sheets as assets or liabilities at fair value based on quoted market prices. We recognize mark-to-market adjustments for derivative instruments designated and qualifying as fair value hedges (Fair Value Hedges) and the related change in the fair value of the associated hedged physical inventory or firm commitment within "Cost of product sales." For derivative instruments designated and qualifying as cash flow hedges (Cash Flow Hedges), we record the effective portion of mark-to-market adjustments as a component of "Accumulated other comprehensive income" until the underlying hedged forecasted transactions occur and are recognized in income. For derivative instruments that do not qualify for hedge accounting (Economic Hedges and Other Derivatives), we record the mark-to-market adjustments in "Cost of product sales."

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The commodity contracts disclosed below represent only those contracts exposed to commodity price risk at the end of the period. Please refer to Note 6 of Condensed Notes to Consolidated Financial Statement in Item 1. "Financial Statements" for the volume and related fair value of all commodity contracts.

	March 31, 2011			Fair Value of Current Asset (Liability) (Thousands of Dollars)
	Contract Volumes (Thousands of Barrels)	Weighted Average Pay Price	Receive Price	
Fair Value Hedges:				
Futures – long: (refined products)	3	\$ 129.02	N/A	\$ (5 )
Futures – short: (refined products)	357	N/A	\$ 132.75	\$ (1,031 )
Swaps – long: (refined products)	141	\$ 95.63	N/A	\$ (327 )
Swaps – short: (refined products)	566	N/A	\$ 94.71	\$ (1,890 )
Economic Hedges and Other Derivatives:				
Futures – long: (refined products)	226	\$ 104.42	N/A	\$ 3,012
Futures – short: (refined products)	441	N/A	\$ 102.84	\$ (3,035 )
Swaps – long: (refined products)	679	\$ 93.88	N/A	\$ 3,270
Swaps – short: (refined products)	959	N/A	\$ 92.82	\$ (5,087 )
Forward purchase contracts: (crude oil)	9,199	\$ 102.40	N/A	\$ 106,163
Forward sales contracts: (crude oil)	9,200	N/A	\$ 102.77	\$ (99,935 )
Total fair value of open positions exposed to commodity price risk				\$ 1,135

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	December 31, 2010			
	Contract	Weighted Average		Fair Value of
	Volumes	Pay Price	Receive Price	Current
	(Thousands			Asset (Liability)
	of Barrels)			(Thousands of
				Dollars)
Fair Value Hedges:				
Futures – short:				
(crude oil and refined products)	436	N/A	\$96.00	\$ (1,015 )
Swaps – long:				
(refined products)	380	\$76.05	N/A	\$ (557 )
Swaps – short:				
(refined products)	823	N/A	\$74.53	\$ (2,541 )
Economic Hedges and Other Derivatives:				
Futures – long:				
(crude oil and refined products)	278	\$93.80	N/A	\$ 802
Futures – short:				
(crude oil and refined products)	936	N/A	\$100.74	\$ (2,102 )
Swaps – long:				
(refined products)	385	\$76.27	N/A	\$ 1,684
Swaps – short:				
(refined products)	157	N/A	\$73.22	\$ (698 )
Forward purchase contracts:				
(crude oil)	4,680	\$85.81	N/A	\$ 38,434
Forward sales contracts:				
(crude oil)	4,680	N/A	\$86.48	\$ (38,989 )
Total fair value of open positions exposed to commodity price risk				\$ (4,982 )

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Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our management has evaluated, with the participation of the principal executive officer and principal financial officer of NuStar GP, LLC, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were effective as of March 31, 2011.

(b) Changes in internal control over financial reporting.

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## PART II - OTHER INFORMATION

## Item 6. Exhibits

Exhibit Number	Description
10.01	Second Amendment to 5-Year Revolving Credit Agreement, dated as of March 7, 2011, among NuStar Logistics, L.P., as Borrower, NuStar Energy L.P., NuStar Pipeline Operating Partnership L.P., JPMorgan Chase Bank, N.A., as Administrative Agent, and the Lenders Party thereto (incorporated by reference to Exhibit 10.01 of NuStar Energy L.P.'s Current Report on Form 8-K filed March 11, 2011)
*12.1	Statement of Computation of Ratio of Earnings to Fixed Charges
*31.01	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal executive officer
*31.02	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal financial officer
*32.01	Section 1350 Certification (under Section 906 of the Sarbanes-Oxley Act of 2002) of principal executive officer
*32.02	Section 1350 Certification (under Section 906 of the Sarbanes-Oxley Act of 2002) of principal financial officer
**101	The following interactive data files pursuant to Rule 405 of Regulation S-T from NuStar Energy L.P.'s Form 10-Q for the quarter ended March 31, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Cash Flows, and (iv) Condensed Notes to Consolidated Financial Statements, tagged as blocks of text.
*	Filed herewith.
**	Filed electronically herewith.

In accordance with Rule 406T of regulation S-T, the XBRL information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act. The financial information contained in the XBRL-related documents is "unaudited" or "unreviewed."



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SIGNATURES

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.

NUSTAR ENERGY L.P.

(Registrant)

By: Riverwalk Logistics, L.P., its general partner

By: NuStar GP, LLC, its general partner

By: /s/ Curtis V. Anastasio  
Curtis V. Anastasio  
President and Chief Executive Officer  
May 5, 2011

By: /s/ Steven A. Blank  
Steven A. Blank  
Senior Vice President, Chief Financial Officer and Treasurer  
May 5, 2011

By: /s/ Thomas R. Shoaf  
Thomas R. Shoaf  
Vice President and Controller  
May 5, 2011