Calumet Specialty Products Partners, L.P.
Form 424B3
December 07, 2009

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The information in this prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This prospectus supplement and the accompanying prospectus are not offers to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-145657

Subject to completion. Dated December 7, 2009.
Prospectus Supplement to Prospectus dated November 9, 2007

3,000,000 Common Units

Calumet Specialty Products Partners, L.P.

Representing Limited Partner Interests

Calumet Specialty Products Partners, L.P. is offering 3,000,000 common units representing limited partner interests.

The common units are traded on the NASDAQ Global Market under the symbol CLMT . The last reported sale price of the common units on December 4, 2009 was $19.39 per common unit.

See Risk Factors on page S-11 of this prospectus supplement and page 4 of the accompanying prospectus to read about factors you should consider before buying the common units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Common Unit	Total
Initial price to public	$	$
Underwriting discount	$	$

Proceeds, before expenses, to Calumet Specialty Products Partners, L.P.	$	$

To the extent that the underwriters sell more than 3,000,000 common units, the underwriters have the option to purchase up to an additional 450,000 common units from Calumet Specialty Products Partners, L.P. at the initial price to the public less the underwriting discount.

The underwriters expect to deliver the common units against payment in New York, New York on December , 2009.

Goldman, Sachs & Co. **Barclays Capital**

Deutsche Bank Securities

Prospectus Supplement dated December , 2009.

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This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the common units. If the information relating to the offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus or any free writing prospectus prepared by us. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If

anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of those documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

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SUMMARY

This summary provides a brief overview of information contained elsewhere in this prospectus supplement and the accompanying prospectus. Because it is abbreviated, this summary does not contain all of the information that you should consider before investing in the common units. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. Unless we indicate otherwise, the information presented in this prospectus assumes that the underwriters option to purchase additional common units is not exercised. You should read Risk Factors beginning on page S-11 of this prospectus supplement and page 4 of the accompanying prospectus for more information about important risks that you should consider carefully before buying our common units. References in this prospectus supplement or the accompanying prospectus to Calumet , the Partnership , we , our , us or like terms when used in the present tense, prospectively or for historical periods since January 31, 2006, refer to Calumet Specialty Products Partners, L.P. and its subsidiaries. References in this prospectus supplement or the accompanying prospectus to our general partner refer to Calumet GP, LLC.

Calumet Specialty Products Partners, L.P.

We are a leading independent producer of high-quality, specialty hydrocarbon products in North America. We own plants located in Princeton, Louisiana; Cotton Valley, Louisiana; Shreveport, Louisiana; Karns City, Pennsylvania and Dickinson, Texas and a terminal located in Burnham, Illinois. Our business is organized into two segments: specialty products and fuel products. In our specialty products segment, we process crude oil and other feedstocks into a wide variety of customized lubricating oils, white mineral oils, solvents, petrolatums and waxes. Our specialty products are sold to domestic and international customers who purchase them primarily as raw material components for basic industrial, consumer and automotive goods. In our fuel products segment, we process crude oil into a variety of fuel and fuel-related products including gasoline, diesel and jet fuel. In connection with our production of specialty products and fuel products, we also produce asphalt and a limited number of other by-products. The asphalt and other by-products produced in connection with the production of specialty products at our Princeton, Cotton Valley and Shreveport refineries are included in our specialty products segment. The by-products produced in connection with the production of fuel products at our Shreveport refinery are included in our fuel products segment. The fuels produced in connection with the production of specialty products at our Princeton and Cotton Valley refineries and our Karns City facility are included in our specialty products segment. For the year ended December 31, 2008 and the nine months ended September 30, 2009, approximately 73.9% and 82.4%, respectively, of our gross profit was generated from our specialty products segment and approximately 26.1% and 17.6%, respectively, of our gross profit was generated from our fuel products segment.

Our operating assets consist of our:

Princeton Refinery. Our Princeton refinery, located in northwest Louisiana and acquired in 1990, produces specialty lubricating oils, including process oils, base oils, transformer oils and refrigeration oils that are used in a variety of industrial and automotive applications. The Princeton refinery has aggregate crude oil throughput capacity of approximately 10,000 barrels per day (bpd) and had average daily crude oil throughput of approximately 6,000 bpd for the first nine months of 2009.

Cotton Valley Refinery. Our Cotton Valley refinery, located in northwest Louisiana and acquired in 1995, produces specialty solvents that are used principally in the manufacture of paints, cleaners and automotive products. The Cotton Valley refinery has aggregate crude oil throughput capacity of approximately 13,500 bpd and had average daily crude oil throughput of approximately 5,500 bpd for the first nine months

of 2009.

Shreveport Refinery. Our Shreveport refinery, located in northwest Louisiana and acquired in 2001, produces specialty lubricating oils and waxes, as well as fuel products such as gasoline, diesel fuel and jet fuel. The Shreveport refinery currently has aggregate crude oil throughput capacity of approximately 60,000 bpd subsequent to the completion of a major expansion project in May 2008 and had an average daily crude oil throughput of 44,500 bpd for the first nine months of 2009.

Karns City Facility. Our Karns City facility, located in western Pennsylvania and acquired in 2008, produces white mineral oils, petrolatums, solvents, gelled hydrocarbons, cable fillers and natural petroleum sulfonates. The Karns City facility currently has aggregate feedstock throughput capacity of approximately 5,500 bpd for the first nine months of 2009.

Dickinson Facility. Our Dickinson facility, located in southeastern Texas and acquired in 2008, produces white mineral oils, compressor lubricants and natural petroleum sulfonates. The Dickinson facility currently has aggregate feedstock throughput capacity of approximately 1,300 bpd for the first nine months of 2009.

Distribution and Logistics Assets. We own and operate a terminal in Burnham, Illinois with a storage capacity of approximately 150,000 barrels that facilitates the distribution of our products in the Upper Midwest and East Coast regions of the United States and in Canada. In addition, we lease approximately 1,700 rail cars to receive crude oil or distribute our products throughout the United States and Canada. We also have approximately 6.0 million barrels of aggregate storage capacity at our facilities and leased storage locations.

Business Strategies

Our management team is dedicated to improving our operations by executing the following strategies:

Concentrate on Stable Cash Flows. We intend to continue to focus on businesses and assets that generate stable cash flows. Approximately 73.9% and 82.4% of our gross profit for the year ended December 31, 2008 and for the first nine months of 2009 was generated by the sale of specialty products, a segment of our business which is characterized by stable customer relationships due to their requirements for highly specialized products. We manage our exposure to crude oil price fluctuations in this segment by passing on incremental feedstock costs to our specialty products customers and by maintaining a short-term crude oil hedging program. Dramatic changes in crude oil prices, both increases and decreases, during 2008 and the first nine months of 2009 did impact the stability of cash flows throughout that period. During the period where crude oil prices rose dramatically, our gross profit was negatively impacted as adjustments to specialty product selling prices did not keep pace with the increases in crude oil prices. During the period where crude oil prices fell dramatically, our gross profit was enhanced as reductions in crude oil prices exceeded downward adjustments to specialty products selling prices. The impact of this volatility can be seen in our specialty products segment gross profit on a quarterly basis as it fluctuated from $22.3 million, $21.5 million, $66.1 million, $77.7 million, $59.8 million, $20.7 million and $33.5 million, respectively, for the seven quarters ended September 30, 2009. Also, in our fuel products segment, which accounted for 17.6% of our gross profit in the first nine months of 2009, we seek to mitigate our exposure to fuel products margin volatility by maintaining a long-term hedging program. In summary, we believe the diversity of our products, our broad customer base and our hedging activities help contribute to the stability of our cash flows.

Develop and Expand Our Customer Relationships. Due to the specialized nature of, and the long lead-time associated with, the development and production of many of our specialty products, our customers have an incentive to continue their relationships with us. We believe that our larger competitors do not work with

customers as we do from product design to delivery for smaller volume specialty products like ours. We intend to continue to assist our

existing customers in expanding their product offerings as well as marketing specialty product formulations to new customers. By striving to maintain our long-term relationships with our existing customers and by adding new customers, we seek to limit our dependence on a small number of customers. Our Penreco acquisition provided us with an increase of approximately 1,400 customers and has enhanced our ability to expand our product offering and to meet our customers needs.

Enhance Profitability of Our Existing Assets. We continue to evaluate opportunities to improve our existing asset base to increase our throughput, profitability and cash flows. Following each of our asset acquisitions, we have undertaken projects designed to maximize the profitability of our acquired assets. We intend to further increase the profitability of our existing asset base through various measures which may include changing the product mix of our processing units, debottlenecking and expanding units as necessary to increase throughput, restarting idle assets and reducing costs by improving operations. For example, in late 2004 at the Shreveport refinery we recommissioned certain of its previously idled fuels production units, refurbished existing fuels production units, converted existing units to improve gasoline blending profitability and expanded capacity to approximately 42,000 bpd to increase lubricating oil and fuels production. Also, in December 2006, we commenced construction of an expansion project at our Shreveport refinery that was completed and operational in May 2008, to increase its aggregate crude oil throughput capacity from 42,000 bpd to approximately 60,000 bpd.

Pursue Strategic and Complementary Acquisitions. Our management team has demonstrated the ability to identify opportunities to acquire refineries whose operations we can enhance and whose profitability we can improve. In the future, we intend to continue to make strategic acquisitions of refineries that offer the opportunity for operational efficiencies and the potential for increased utilization and expansion. In addition, we may pursue selected acquisitions in new geographic or product areas to the extent we perceive similar opportunities. For example, on January 3, 2008, we acquired Penreco from ConocoPhillips Company and M.E. Zukerman Specialty Oil Corporation for a purchase price of approximately $269.1 million.

Competitive Strengths

We believe that we are well positioned to execute our business strategies successfully based on the following competitive strengths:

We Offer Our Customers a Diverse Range of Specialty Products. We offer a wide range of over 750 specialty products. We believe that our ability to provide our customers with a more diverse selection of products than our competitors generally gives us an advantage in competing for new business. We believe that we are the only specialty products manufacturer that produces all four of naphthenic lubricating oils, paraffinic lubricating oils, waxes and solvents. A contributing factor to our ability to produce numerous specialty products is our ability to ship products between our facilities for product upgrading in order to meet customer specifications.

We Have Strong Relationships with a Broad Customer Base. We have long-term relationships with many of our customers, and we believe that we will continue to benefit from these relationships. Our customer base includes over 2,400 companies and we are continually seeking new customers. No single specialty products customer accounts for more that 10% of our consolidated sales.

Our Facilities Have Advanced Technology. Our facilities are equipped with advanced, flexible technology that allows us to produce high-grade specialty products and to produce fuel products that comply with low sulfur fuel regulations. For example, our Shreveport and Cotton Valley refineries have the capability to make their low sulfur diesel into ultra low sulfur diesel and the Shreveport refinery s gasoline production meets low

sulfur standards set by the

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U.S. Environmental Protection Agency (EPA). Also, unlike larger refineries, which lack some of the equipment necessary to achieve the narrow distillation ranges associated with the production of specialty products, our operations are capable of producing a wide range of products tailored to our customers needs. We have also upgraded the operations of many of our assets through our investment in advanced, computerized refinery process controls.

We Have an Experienced Management Team. Our management has a proven track record of enhancing value through the acquisition, exploitation and integration of refining assets and the development and marketing of specialty products. Our senior management team, the majority of whom have been working together since 1990, has an average of over 25 years of industry experience. Our team s extensive experience and contacts within the refining industry provide a strong foundation and focus for managing and enhancing our operations, accessing strategic acquisition opportunities and constructing and enhancing the profitability of new assets.

Recent Developments

LyondellBasell Agreements

On September 29, 2009, we entered into multiyear agreements with Houston Refining LP (the LyondellBasell Agreements), a wholly-owned subsidiary of LyondellBasell (Houston Refining), to form a long-term exclusive specialty products affiliation. Under the terms of the LyondellBasell Agreements, (i) we will be the exclusive purchaser of Houston Refining s naphthenic lubricating oil production and are required to purchase a minimum of approximately 3,000 bpd from Houston Refining s Houston, Texas refinery, and (ii) Houston Refining will process a minimum of approximately 800 bpd of white mineral oil for us, which will supplement the existing white mineral oil production at our Karns City, Pennsylvania and Dickinson, Texas facilities. We also received the exclusive right to use certain LyondellBasell registered trademarks and tradenames including Tufflo, Duoprime, Duotreat, Crystex, Ideal and Aquamarine. The LyondellBasell Agreements were deemed effective as of November 4, 2009 upon the approval of the U.S. Bankruptcy Court. The LyondellBasell Agreements are estimated to increase our specialty products segment production by approximately 3,800 bpd or 13.1%, based on our specialty products production for the nine months ended September 30, 2009.

While no fixed assets will be purchased under the LyondellBasell Agreements, we expect these agreements to increase our working capital requirements by approximately $30 million at current market prices.

Recent Financial Results

On November 6, 2009 we reported our results of operations for the quarter and nine months ended September 30, 2009. Net income for the nine months ended September 30, 2009 was $53.6 million compared to $25.9 million for the same period in 2008. EBITDA and Adjusted EBITDA were $125.4 million and $119.3 million, respectively, for the nine months ended September 30, 2009 as compared to $91.3 million and $114.4 million, respectively, for the comparable period in 2008.

Net income for the three months ended September 30, 2009 was $4.0 million compared to a net loss of $12.5 million for the same period in 2008. EBITDA and Adjusted EBITDA were $27.7 million and $42.5 million, respectively, for the three months ended September 30, 2009 as compared to $13.6 million and $51.6 million, respectively, for the comparable period in 2008. For a reconciliation of EBITDA and Adjusted EBITDA to net income, our most directly comparable financial performance measure calculated in accordance with GAAP, please read Non-GAAP Financial Measures.

Third Quarter Distribution

On October 20, 2009, we declared a cash distribution of $0.45 per unit on all outstanding units for the third quarter of 2009. The distribution of $0.45 per unit, or $1.80 per unit on an annualized basis. The distribution was paid on November 13, 2009 to unitholders of record as of the close of business on November 3, 2009.

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The Offering

Common units offered	3,000,000 common units. 3,450,000 common units, if the underwriters exercise their option to purchase additional units in full.
Units outstanding after this offering	22,166,000 common units, representing a 61.7% limited partner interest in us, and 13,066,000 subordinated units, representing a 36.3% limited partner interest in us. 22,616,000 common units, representing a 62.1% limited partner interest, and 13,066,000 subordinated units, representing a 35.9% limited partner interest in us, if the underwriters exercise their option to purchase additional units in full.
Use of proceeds	We expect to use the estimated net proceeds, including our general partner s proportionate capital contribution, of approximately $56.3 million from this offering (assuming an offering price of $19.39 per unit, the last reported sales price of our common units on the Nasdaq Global Select Market on December 4, 2009), after deducting underwriting discounts, commissions and fees and estimated offering expenses of approximately $0.6 million, to repay approximately $56.3 million of borrowings estimated to be outstanding at the closing of this offering under our revolving credit facility, of which approximately $30.0 million was borrowed, or is expected to be borrowed shortly after the closing of the offering, to finance our incremental working capital requirements under the LyondellBasell Agreements. If the underwriters exercise their option to purchase additional units, we will use the additional net proceeds either to pay down additional borrowings outstanding under our revolving credit facility or for general partnership purposes.
Cash distributions	We paid a quarterly cash distribution of $0.45 per unit for the third quarter of 2009, or $1.80 per unit on an annualized basis, on November 13, 2009 to unitholders of record as of November 3, 2009. Purchasers of common units offered by this prospectus supplement are eligible for their first cash distribution on or about February 15, 2010. Within 45 days after the end of each quarter, we distribute our available cash to unitholders of record on the applicable record date. In general, we will pay any cash distributions we make each quarter in the following manner: first, 98% to the holders of common units, pro rata, and 2% to our general partner, until each common unit has received a minimum quarterly

distribution of $0.45 plus any arrearages from prior quarters;

second, 98% to the holders of subordinated units, pro rata, and 2% to our general partner, until each subordinated unit has received a minimum quarterly distribution of $0.45; and

third, 98% to all unitholders, pro rata, and 2% to our general partner, until each unit has received a distribution of $0.495.

If cash distributions to our unitholders exceed $0.495 per common unit in any quarter, our general partner will receive increasing percentages, up to 50%, of the cash we distribute in excess of that amount. We refer to the amount of these distributions in excess of the 2% general partner interest as incentive distributions .

We must distribute all of our cash on hand at the end of each quarter, less reserves established by our general partner. We refer to this cash as available cash , and we define its meaning in our partnership agreement. The amount of available cash may be greater than or less than the minimum quarterly distribution to be distributed on all units. Please read Our Cash Distribution Policy and Restrictions on Distributions in the accompanying prospectus.

Subordination period

During the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.45 per quarter, plus any arrearages from prior quarters, before any distributions may be made on the subordinated units. The subordination period will extend until the first day of any quarter beginning after December 31, 2010 that each of the following tests are met:

(1) distributions of available cash from operating surplus on each of the outstanding common units, subordinated units and general partner units equaled or exceeded the minimum quarterly distributions on all such units for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

(2) the adjusted operating surplus generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units, subordinated units and general partner units during those periods on a fully diluted basis; and

(3) there are no arrearages in payment of minimum quarterly distributions on the common units.

When the subordination period ends, all subordinated units will convert into common units on a one-for-one basis, and the common units will no longer be entitled to arrearages.

Issuance of additional units	In general, during the subordination period, we may issue up to 6,533,000 additional common units without obtaining

	unitholder approval, which additional units we refer to as the basket . We can also issue an unlimited number of common units in connection with accretive acquisitions and capital improvements that increase cash flow from operations per unit on an estimated pro forma basis. We can also issue additional common units if the proceeds are used to repay indebtedness, the cost of which to service is greater than the distribution obligations associated with the units issued in connection with the debt repayment. Before giving effect to this offering, we had the ability to issue 6,533,000 common units under the basket. In this offering, the estimated net proceeds from the 3,000,000 units that we will issue will be used to repay approximately $56.3 million of borrowings estimated to be outstanding at the closing of this offering under our revolving credit facility, of which approximately $30.0 million was borrowed or is expected to be borrowed shortly after the closing of the offering, to finance our incremental working capital requirements under the LyondellBasell Agreements. Therefore, after this offering, there will be 3,533,000 units available under the basket, or 3,083,000 units if the underwriters exercise their overallotment option in full. Please read Description of the Common Units Issuance of Additional Securities in the accompanying prospectus.
Limited voting rights	Our general partner manages and operates us. Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business. You will have no right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by a vote of the holders of at least 662/3% of the outstanding units, including any units owned by our general partner and its affiliates, voting together as a single class. Upon consummation of this offering, the owners of our general partner and certain of their affiliates will own an aggregate of 54.3% of our common and subordinated units. This will give our general partner the practical ability to prevent its involuntary removal. Please read Description of the Common Units Withdrawal or Removal of the General Partner in the accompanying prospectus.
Limited call right	If at any time our general partner and its affiliates own more than 80% of the outstanding common units, our general partner has the right, but not the obligation, to purchase all of the remaining common units at a price not less than the then-current market price of the common units.
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through the record date for distributions for the period ending December 31, 2011, you will be allocated, on a cumulative basis, a net amount of federal taxable income for that period that will be approximately 25% of the cash

	distributed to you with respect to that period. For example, if you receive an annual distribution of $1.80 per unit, we estimate that your average allocable federal taxable income per year will be approximately $0.45 per unit. Please read Tax Consequences in this prospectus supplement.
Material tax consequences	For a discussion of other material federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read Tax Consequences in this prospectus supplement and Material Tax Consequences in the accompanying prospectus.
Trading	Our common units are traded on the NASDAQ Global Market under the symbol CLMT .

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Non-GAAP Financial Measures

We include in this prospectus supplement the non-GAAP financial measures EBITDA and Adjusted EBITDA, and provide reconciliations of net income to EBITDA and Adjusted EBITDA and Adjusted EBITDA and EBITDA to net cash provided by operating activities, our most directly comparable financial performance and liquidity measures calculated and presented in accordance with GAAP.

EBITDA and Adjusted EBITDA are used as supplemental financial measures by our management and by external users of our financial statements such as investors, commercial banks, research analysts and others, to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness, and meet minimum quarterly distributions;
- our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

We define EBITDA as net income plus interest expense (including debt issuance and extinguishment costs), taxes and depreciation and amortization. We define Adjusted EBITDA to be Consolidated EBITDA as defined in our credit facilities. Consistent with that definition, Adjusted EBITDA means, for any period: (1) net income plus (2)(a) interest expense; (b) taxes; (c) depreciation and amortization; (d) unrealized losses from mark to market accounting for hedging activities; (e) unrealized items decreasing net income (including the non-cash impact of restructuring, decommissioning and asset impairments in the periods presented); and (f) other non-recurring expenses reducing net income which do not represent a cash item for such period; minus (3)(a) tax credits; (b) unrealized items increasing net income (including the non-cash impact of restructuring, decommissioning and asset impairments in the periods presented); (c) unrealized gains from mark to market accounting for hedging activities; and (d) other non-recurring expenses and unrealized items that reduced net income for a prior period, but represent a cash item in the current period. We are required to report Adjusted EBITDA to our lenders under our credit facilities and it is used to determine our compliance with the consolidated leverage and consolidated interest coverage tests thereunder. We are required to maintain a consolidated leverage ratio of consolidated debt to Adjusted EBITDA, after giving effect to any proposed distributions, of no greater than 3.75 to 1 in order to make distributions to our unitholders.

EBITDA and Adjusted EBITDA should not be considered alternatives to net income, operating income, net cash provided by (used in) operating activities or any other measure of financial performance presented in accordance with GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of another company because all companies may not calculate EBITDA and Adjusted EBITDA in the same manner. The following table presents a reconciliation of both net income to EBITDA and Adjusted EBITDA and Adjusted EBITDA and EBITDA to net cash

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provided by (used in) operating activities, our most directly comparable GAAP financial performance and liquidity measures, for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In millions)		(In millions)	
Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA:				
Net income (loss)	$ 4.0	$ (12.5)	$ 53.6	$ 25.9
Add:				
Interest expense and debt extinguishment costs	8.2	10.7	25.3	25.3
Depreciation and amortization	15.6	15.3	46.4	39.8
Income tax (benefit) expense	(0.1)	0.1	0.1	0.3
EBITDA	$ 27.7	$ 13.6	$ 125.4	$ 91.3
Add:				
Unrealized (gain) loss from mark to market accounting for hedging activities	$ 11.4	$ 33.4	$ (10.4)	$ 15.2
Prepaid non-recurring expenses and accrued non-recurring expenses, net of cash outlays	3.4	4.6	4.3	7.9
Adjusted EBITDA	$ 42.5	$ 51.6	$ 119.3	$ 114.4

	Nine Months Ended September 30,	
	2009	2008
	(In millions)	
Reconciliation of Adjusted EBITDA and EBITDA to net cash provided by operating activities:		
Adjusted EBITDA	$ 119.3	$ 114.4
Add:		
Unrealized gain (loss) from mark to market accounting for hedging activities	10.4	(15.2)
Prepaid non-recurring expenses and accrued non-recurring expenses, net of cash outlays	(4.3)	(7.9)
EBITDA	$ 125.4	$ 91.3
Add:		
Interest expense and debt extinguishment costs, net	(22.6)	(22.7)
Unrealized (gain) loss on derivative instruments	(17.6)	13.9
Income taxes	(0.1)	(0.3)
Provision for doubtful accounts	(0.8)	1.3
Debt extinguishment costs		0.9
Changes in assets and liabilities:		
Accounts receivable	(17.9)	(64.4)

Inventory	(13.2)	84.6
Other current assets	3.0	4.6
Derivative activity	6.7	7.5
Accounts payable	38.3	(39.5)
Other current liabilities	2.8	4.2
Other, including changes in noncurrent assets and liabilities	6.6	(5.7)
Net cash provided by operating activities	$ 110.6	$ 75.7

RISK FACTORS

An investment in our common units involves risk. Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. You should carefully read the risk factors included under the caption Risk Factors beginning on page 4 of the accompanying prospectus and the risk factors described under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009, together with all of the other information included or incorporated by reference in this prospectus supplement. If any of these risks were to occur, our business, financial condition, results of operations or prospects could be materially adversely affected. In such case, the trading price of our units could decline, and you could lose all or part of your investment.

If Houston Refining is unable to perform its obligations under the LyondellBasell Agreements, our results of operations could be adversely affected.

Under the LyondellBasell Agreements, we will be the exclusive purchaser of Houston Refining s naphthenic lubricating oil production and are required to purchase a minimum of approximately 3,000 bpd from its Houston, Texas refinery. In addition, Houston Refining is required to process a minimum of approximately 800 bpd of white mineral oil for us. Houston Refining s parent, LyondellBasell, is currently in bankruptcy reorganization proceedings under Chapter 11 of the U.S. Bankruptcy Code and there is no guarantee that LyondellBasell will successfully emerge from bankruptcy. If LyondellBasell is unable to complete the bankruptcy proceedings in a timely manner or if it abandons the proceedings, it may be required to liquidate its operations, which could materially adversely impact Houston Refining s ability to perform its obligations under the LyondellBasell Agreements and, in turn, could adversely impact our results of operations and cash flows. In addition, in order to meet our obligations under the LyondellBasell Agreements, we anticipate our working capital requirements will increase by approximately $30.0 million based on current market prices. If we do not have availability under our revolving credit facility to fund these working capital requirements, then we would be required to raise capital through the credit or capital markets, which could increase our leverage, reduce our unit price or materially impact our cash flows, and such markets may not be available to us.

The adoption of federal climate change regulations imposing obligations or restrictions on the emission of greenhouse gases could result in increased operating costs and reduced demand for the crude oil we refine.

In anticipation of the U.S. Environmental Protection Agency s (EPA) finalization of its April 2009 notice of proposed findings and determination that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to human health and the environment because such emissions are, according to the EPA, contributing to warming of the earth s surface and other climatic changes, the agency proposed in late September 2009 a suite of regulations that would restrict such emissions. These rules would require a reduction in emissions of greenhouse gases from motor vehicles, the effect of which could reduce demand for motor fuels refined from crude oil, and could trigger permit review for greenhouse gas emissions from certain stationary sources, including refineries. In addition, on September 22, 2009, the EPA issued a final rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States, including refineries, beginning in 2011 for emissions occurring in 2010. The adopting and implementation of any regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from our equipment and operations could require us to incur costs to reduce emissions of greenhouse gases associated with our operations or could adversely affect demand for the crude oil we refine.

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USE OF PROCEEDS

We expect to receive estimated net proceeds, including our general partner s proportionate capital contribution, of approximately $56.3 million (based on an assumed offering price of $19.39 per unit, the last reported sales price of our common units on the Nasdaq Global Select Market on December 4, 2009) from this offering, after deducting underwriting discounts and commissions and estimated offering expenses of approximately $0.6 million. We will use the net proceeds from this offering to repay approximately $56.3 million of borrowings estimated to be outstanding at the closing of this offering under our revolving credit facility, of which approximately $30.0 million was borrowed or is expected to be borrowed shortly after the closing of the offering to finance our incremental working capital requirements under the LyondellBasell Agreements.

If the underwriters exercise their option to purchase additional units, we will use the additional net proceeds either to pay down additional borrowings outstanding under our revolving credit facility or for general partnership purposes.

As of December 4, 2009, debt incurred under our revolving credit facility was approximately $104.4 million, of which approximately $13.6 million was borrowed to finance our incremental working capital requirements under the LyondellBasell Agreements and the balance of which was used primarily to fund growth capital expenditures and for working capital requirements. As of December 4, 2009, borrowings under our revolving credit facility had an interest rate of approximately 3.75% for all outstanding borrowings. Our revolving credit facility matures in January 2013.

CAPITALIZATION

The following table shows:

our historical cash and cash equivalents and capitalization as of September 30, 2009; and

our historical cash and cash equivalents and capitalization as adjusted to reflect the sale of 3,000,000 common units in this offering, the application of estimated net proceeds to repay borrowings under our revolving credit facility and our general partner s proportionate capital contribution.

We derived this table from, and it should be read in conjunction with and is qualified in its entirety by reference to, the historical and the accompanying notes in our Annual Report on Form 10-K for the year ended December 31, 2008, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009 and our Current Report on Form 8-K filed on December 3, 2009.

	As of September 30, 2009	
	Historical (In thousands)	**As Adjusted (In thousands)**
Cash and cash equivalents	$ 2,567	$ 2,567