UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number 1-16417

NUSTAR ENERGY L.P.
(Exact name of registrant as specified in its charter)

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

2330 North Loop 1604 West
San Antonio, Texas
(Address of principal executive offices)

78248
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule12b-2 of the Exchange Act:

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

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

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
FORM 10-Q

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars, Except Unit Data)

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 34,554	$ 62,006
Accounts receivable, net of allowance for doubtful accounts of $1,338 and $1,351 as of June 30, 2010 and December 31, 2009, respectively	283,969	211,797
Inventories	577,905	387,794
Other current assets	45,348	73,122
Total current assets	941,776	734,719
Property, plant and equipment, at cost	3,849,441	3,721,904
Accumulated depreciation and amortization	(760,298)	(693,708)
Property, plant and equipment, net	3,089,143	3,028,196
Intangible assets, net	49,131	44,127
Goodwill	812,172	807,742
Investment in joint venture	68,795	68,728
Deferred income tax asset	8,626	13,893
Other long-term assets, net	81,023	77,268
Total assets	$5,050,666	$4,774,673
Liabilities and Partners' Equity		
Current liabilities:		
Current portion of long-term debt	$ 770	$ 770
Accounts payable	294,194	205,605
Payable to related party	24,298	10,639
Notes payable	0	20,000
Accrued interest payable	21,551	21,529
Accrued liabilities	32,886	64,651
Taxes other than income tax	12,307	15,534
Income tax payable	1,887	26
Total current liabilities	387,893	338,754
Long-term debt, less current portion	1,845,506	1,828,993
Long-term payable to related party	8,975	7,663
Deferred income tax liability	28,485	26,909
Other long-term liabilities	84,899	87,386
Commitments and contingencies (Note 5)		
Partners' equity:		
Limited partners (64,610,549 and 60,210,549 common units outstanding as of June 30, 2010 and December 31, 2009, respectively)	2,636,632	2,423,689
General partner	58,242	53,469
Accumulated other comprehensive income	34	7,810
Total partners' equity	2,694,908	2,484,968
Total liabilities and partners' equity	$5,050,666	$4,774,673

See Condensed Notes to Consolidated Financial Statements.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, Thousands of Dollars, Except Unit and Per Unit Data)

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

See Condensed Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, Thousands of Dollars)

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

See Condensed Notes to Consolidated Financial Statements.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

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

Basis of Presentation

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

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

Reclassifications

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

Acquisition

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

2. NEW ACCOUNTING PRONOUNCEMENTS

Fair Value Measurements

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

3. INVENTORIES

Inventories consisted of the following:

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

4. DEBT

Revolving Credit Agreement

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

Lines of Credit

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

5. COMMITMENTS AND CONTINGENCIES

Contingencies

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

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

In 2000, the court entered final judgment that: (i) Grace Energy could not recover its own remediation costs of $3.5 million, (ii) Kaneb owned the Otis AFB pipeline and its related environmental liabilities and (iii) Grace Energy was awarded $1.8 million in attorney costs. Both Kaneb and Grace Energy appealed the final judgment of the trial court to the Texas Court of Appeals in Dallas. In 2001, Grace Energy filed a petition in bankruptcy, which created an automatic stay of actions against Grace Energy. In September 2008, Grace Energy filed its Joint Plan of Reorganization and Disclosure Statement.

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

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

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

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

Commitments

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

6. FAIR VALUE MEASUREMENTS

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

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

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

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

Product Imbalances

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

Interest Rate Swaps

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

Commodity Derivatives

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

Fair Value of Financial Instruments

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

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

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

7. DERIVATIVES, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

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

Interest Rate Swaps

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

Commodity Price Risk

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

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

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

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

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

Derivatives Designated as Fair Value Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income on Derivative (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Hedged Item	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
		(Thousands of Dollars)		
Three months ended June 30, 2010:				
Interest rate swaps	Interest expense, net	$ 1,890	$ (1,890)	$ 0
Commodity contracts	Cost of product sales	13,061	(12,002)	1,059
Total		$ 14,951	$ (13,892)	$ 1,059
Three months ended June 30, 2009:				
Interest rate swaps	Interest expense, net	$ (4,696)	$ 4,696	$ 0
Commodity contracts	Cost of product sales	(13,418)	14,799	1,381
Total		$ (18,114)	$ 19,495	$ 1,381
Six months ended June 30, 2010:				
Interest rate swaps	Interest expense, net	$ 3,124	$ (3,124)	$ 0
Commodity contracts	Cost of product sales	11,734	(8,915)	2,819
Total		$ 14,858	$ (12,039)	$ 2,819
Six months ended June 30, 2009:				
Interest rate swaps	Interest expense, net	$ (6,111)	$ 6,111	$ 0
Commodity contracts	Cost of product sales	(14,683)	17,242	2,559
Total		$ (20,794)	$ 23,353	$ 2,559

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

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

Derivatives Not Designated as Fair Value Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income (Thousands of Dollars)
Three months ended June 30, 2010:		
Commodity contracts	Cost of product sales	$ 5,632
Commodity contracts	Operating expenses	0
Total		$ 5,632
Three months ended June 30, 2009:		
Commodity contracts	Cost of product sales	$ (11,024)
Commodity contracts	Operating expenses	(2,783)
Total		$ (13,807)
Six months ended June 30, 2010:		
Commodity contracts	Cost of product sales	$ 6,698
Commodity contracts	Operating expenses	(10)
Total		$ 6,688
Six months ended June 30, 2009:		
Commodity contracts	Cost of product sales	$ (10,915)
Commodity contracts	Operating expenses	(3,564)
Total		$ (14,479)

For derivatives designated as cash flow hedging instruments, once a hedged transaction occurs, we reclassify the effective portion from “Accumulated other comprehensive income” to “Cost of product sales.” As of June 30, 2010, we had a credit balance of $0.9 million in “Accumulated other comprehensive income,” all of which should be reclassified to “Cost of product sales” within the next twelve months. The maximum length of time over which we are hedging our exposure to the variability in future cash flows is under twelve months. We had no cash flow hedging instruments during the six months ended June 30, 2009.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Concentration of Credit Risk

We are exposed to credit risk on our hedging instruments in the event of nonperformance by counterparties. However, because our hedging activities are transacted only with highly rated institutions, we do not anticipate nonperformance by any of these counterparties.

8. RELATED PARTY TRANSACTIONS

Our operations are managed by NuStar GP, LLC, the general partner of our general partner. Under a services agreement between NuStar Energy and NuStar GP, LLC, employees of NuStar GP, LLC perform services for our U.S. operations. Certain of our wholly owned subsidiaries employ persons who perform services for our international operations. All employees of NuStar GP, LLC provide services to both NuStar Energy and NuStar GP Holdings; therefore, we reimburse NuStar GP, LLC for all costs related to its employees, other than costs associated with NuStar GP Holdings.

We had a payable to NuStar GP, LLC of $24.3 million and $10.6 million, as of June 30, 2010 and December 31, 2009, respectively, with both amounts representing payroll, employee benefit plan expenses and unit-based compensation. We also had a long-term payable to NuStar GP, LLC as of June 30, 2010 and December 31, 2009 of $9.0 million and $7.7 million, respectively, related to amounts payable for retiree medical benefits and other post-employment benefits.

The following table summarizes information pertaining to related party transactions with NuStar GP, LLC:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Thousands of Dollars)			
Operating expenses	$ 34,075	$ 31,135	$ 67,919	$ 61,895
General and administrative expenses	13,320	16,026	30,558	30,894

9. OTHER INCOME

Other income consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Thousands of Dollars)			
Gain from insurance proceeds	$ 13,500	$ 1,670	$ 13,500	$ 8,895
(Loss) gain from sale or disposition of assets	(793)	21,022	(688)	21,050
Foreign exchange gains (losses)	382	(3,666)	(234)	(2,443)
Other	1,727	214	2,539	342
Other income, net	$ 14,816	$ 19,240	$ 15,117	$ 27,844

The gain from insurance proceeds in both 2010 and 2009 results from insurance claims related to damage caused by Hurricane Ike primarily at our Texas City, Texas terminal in the third quarter of 2008. For the three and six months ended June 30, 2009, the gain from the sale or disposition of assets includes a gain of $21.4 million related to the June 15, 2009 sale of the Ardmore-Wynnewood pipeline in Oklahoma and the Trans-Texas pipeline.

10. PARTNERS' EQUITY

Issuance of Common Units

On May 19, 2010, we issued 4,400,000 common units representing limited partner interests at a price of $56.55 per unit. We used the net proceeds from this offering of $245.4 million, including a contribution of $5.1 million from our general partner to maintain its 2% general partner interest, mainly to reduce outstanding borrowings under our 2007 Revolving Credit Agreement and for the acquisition of Asphalt Holdings, Inc.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Thousands of Dollars)			
Net income applicable to general partner and limited partners' interest	$ 99,422	$ 83,735	$ 119,125	$ 123,090
Less general partner incentive distribution	8,369	6,929	16,168	13,858
Net income after general partner incentive distribution	91,053	76,806	102,957	109,232
General partner interest	2%	2%	2%	2%
General partner allocation of net income after general partner incentive distribution	1,821	1,536	2,059	2,185
General partner incentive distribution	8,369	6,929	16,168	13,858
Net income applicable to general partner	$ 10,190	$ 8,465	$ 18,227	$ 16,043

Cash Distributions

In April 2010, we declared a quarterly cash distribution of $1.065 per unit that was paid on May 14, 2010 to unitholders of record on May 7, 2010. This distribution related to the first quarter of 2010 and totaled $73.4 million. On August 2, 2010, we announced a quarterly cash distribution of $1.065 per unit related to the second quarter of 2010. This distribution will be paid on August 13, 2010 to unitholders of record on August 6, 2010 and will total $78.8 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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Thousands of Dollars, Except Per Unit Data)			
General partner interest	$ 1,576	$ 1,318	$ 3,043	$ 2,636
General partner incentive distribution	8,369	6,929	16,168	13,858
Total general partner distribution	9,945	8,247	19,211	16,494
Limited partners' distribution	68,809	57,591	132,935	115,182
Total cash distributions	$ 78,754	$ 65,838	$ 152,146	$ 131,676
Cash distributions per unit applicable to limited partners	$ 1.0650	$ 1.0575	$ 2.1300	$ 2.1150

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Comprehensive Income

Our total comprehensive income was as follows:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(Thousands of Dollars)			
Net income	$ 99,422	$ 83,735	$ 119,125	$ 123,090
Foreign currency translation adjustment	(8,519)	17,053	(8,928)	11,053
Unrealized gain on cash flow hedges	1,617	0	1,152	0
Comprehensive income	$ 92,520	$ 100,788	$ 111,349	$ 134,143

11. 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 June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(Thousands of Dollars, Except Per Unit Data)			
Net income	$ 99,422	$ 83,735	$ 119,125	$ 123,090
Less general partner distribution, including IDRs	9,945	8,247	19,211	16,494
Less limited partner distribution	68,809	57,591	132,935	115,182
Distributions less than (greater than) earnings	$ 20,668	$ 17,897	$ (33,021)	$ (8,586)
General partner earnings:				
Distributions	$ 9,945	$ 8,247	$ 19,211	$ 16,494
Allocation of distributions less than (greater than) earnings (2%)	413	358	(661)	(172)
Total	$ 10,358	$ 8,605	$ 18,550	$ 16,322
Limited partner earnings:				
Distributions	$ 68,809	$ 57,591	$ 132,935	$ 115,182
Allocation of distributions less than (greater than) earnings (98%)	20,255	17,539	(32,360)	(8,414)
Total	$ 89,064	$ 75,130	$ 100,575	$ 106,768
Weighted average limited partner units outstanding	62,289,670	54,460,549	61,255,853	54,460,549
Net income per unit applicable to limited partners	$ 1.43	$ 1.38	$ 1.64	$ 1.96

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

12. STATEMENTS OF CASH FLOWS

Changes in current assets and current liabilities were as follows:

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(Thousands of Dollars)	
Decrease (increase) in current assets:		
Accounts receivable	$ (73,261)	$ (99,253)
Inventories	(190,579)	(261,873)
Other current assets	27,248	(38,677)
Increase (decrease) in current liabilities:		
Accounts payable	94,389	147,223
Payable to related party	13,815	1,580
Accrued interest payable	27	(295)
Accrued liabilities	(45,362)	13,485
Taxes other than income tax	(3,189)	3,335
Income tax payable	1,397	(4,662)
Changes in current assets and current liabilities	$(175,515)	$(239,137)

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

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(Thousands of Dollars)	
Cash paid for interest, net of amount capitalized	$ 44,775	$ 46,816
Cash paid for income taxes, net of tax refunds received	$ 8,614	$ 12,105

13. INCOME TAXES

During the three and six months ended June 30, 2010, we received $13.5 million of proceeds resulting from insurance claims related to damage caused by Hurricane Ike primarily at our Texas City, Texas terminal in the third quarter of 2008, resulting in tax expense of approximately $4.7 million. Additionally, our corporate subsidiary that received the insurance proceeds was part of the federal consolidated group that was the acquirer of Asphalt Holdings, Inc, a corporation and therefore subject to income tax. The acquisition of Asphalt Holdings, Inc. included approximately $9.8 million of deferred tax liabilities related to temporary differences primarily related to property, plant and equipment. The receipt of the insurance proceeds and the acquisition of Asphalt Holdings, Inc. caused us to reevaluate the valuation allowance recorded related to certain net operating loss carryforwards previously expected to expire unused. We concluded that the income generated from the insurance proceeds, the deferred tax liability associated with Asphalt Holdings, Inc. and other tax planning strategies increased the likelihood of utilizing the net operating loss carryforwards, and we reduced the valuation allowance by $8.6 million.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Tax effects of significant temporary differences representing deferred income tax assets and liabilities were as follows:

	June 30, 2010	December 31, 2009
	(Thousands of Dollars)	
U.S.:		
Net operating losses	$ 16,721	$ 20,788
Environmental and legal reserves	14,289	14,234
Other	1,459	1,525
Valuation allowance	(875)	(9,457)
Deferred tax assets – U. S.	31,594	27,090
Property, plant and equipment	(22,968)	(13,197)
Net deferred income tax asset – U.S.	$ 8,626	$ 13,893
Foreign:		
Net operating losses	$ 4,001	$ 3,253
Other	0	687
Capital loss	1,036	2,166
Valuation allowance	(1,814)	0
Deferred tax assets – foreign	3,223	6,106
Property, plant and equipment	(31,450)	(33,015)
Other	(258)	0
Deferred tax liabilities – foreign	(31,708)	(33,015)
Net deferred income tax liability – foreign	$(28,485)	$ (26,909)

14. 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. 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 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.

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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Thousands of Dollars)			
Revenues:				
Storage:				
Third party revenues	$ 118,131	$ 107,616	$ 232,544	$ 216,123
Intersegment revenues	10,678	9,697	22,897	18,992
Total storage	128,809	117,313	255,441	235,115
Transportation:				
Third party revenues	76,956	68,426	151,838	142,571
Intersegment revenues	2	318	382	565
Total transportation	76,958	68,744	152,220	143,136
Asphalt and fuels marketing:				
Third party revenues	929,854	811,800	1,686,088	1,263,152
Intersegment revenues	136	—	2,832	—
Total asphalt and fuels marketing	929,990	811,800	1,688,920	1,263,152
Consolidation and intersegment eliminations	(10,816)	(10,015)	(26,111)	(19,557)
Total revenues	$ 1,124,941	$ 987,842	$2,070,470	$1,621,846
Operating income:				
Storage	$ 42,865	$ 40,397	$ 85,753	$ 87,049
Transportation	34,735	28,440	68,492	64,969
Asphalt and fuels marketing	47,552	41,676	39,656	37,188
Consolidation and intersegment eliminations eliminations	514	497	277	828
Total segment operating income	125,666	111,010	194,178	190,034
Less general and administrative expenses	22,195	25,852	49,464	48,316
Less other depreciation and amortization	1,441	1,082	2,911	2,208
Total operating income	$ 102,030	$ 84,076	$ 141,803	$ 139,510

Total assets by reportable segment were as follows:

	June 30, 2010	December 31, 2009
	(Thousands of Dollars)	
Storage	$ 2,329,533	$ 2,234,651
Transportation	1,263,843	1,286,533
Asphalt and fuels marketing	1,333,523	1,121,448
Total segment assets	4,926,899	4,642,632
Other partnership assets assets	123,767	132,041
Total consolidated assets	$ 5,050,666	$ 4,774,673

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

15. 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
June 30, 2010
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ 53	$ 3	$ 0	$ 34,498	$ 0	$ 34,554
Receivables, net	0	22,790	7,640	253,539	0	283,969
Inventories	0	1,706	1,492	574,722	(15)	577,905
Other current assets	0	13,518	1,098	30,732	0	45,348
Intercompany receivable	0	941,930	717,379	0	(1,659,309)	0
Current assets	53	979,947	727,609	893,491	(1,659,324)	941,776
Property, plant and equipment, net	0	968,464	618,494	1,502,185	0	3,089,143
Intangible assets, net	0	2,177	0	46,954	0	49,131
Goodwill	0	18,094	170,652	623,426	0	812,172
Investment in wholly owned subsidiaries	3,205,590	132,756	941,312	2,027,023	(6,306,681)	0
Investment in joint venture	0	0	0	68,795	0	68,795
Deferred income tax asset	0	0	0	8,626	0	8,626
Other long-term assets, net	0	23,168	26,329	31,526	0	81,023
Total assets	$3,205,643	$2,124,606	$2,484,396	$ 5,202,026	$(7,966,005)	$5,050,666
Liabilities and Partners' Equity						
Current portion of long-term debt	$ 0	$ 770	$ 0	$ 0	$ 0	$ 770
Payables	0	34,470	6,196	277,826	0	318,492
Accrued interest payable	0	13,030	8,490	31	0	21,551
Accrued liabilities	696	10,781	3,728	17,681	0	32,886
Taxes other than income tax	0	3,285	2,710	6,312	0	12,307
Income tax payable	0	563	0	1,324	0	1,887
Intercompany payable	510,073	0	0	1,149,236	(1,659,309)	0
Current liabilities	510,769	62,899	21,124	1,452,410	(1,659,309)	387,893
Long-term debt, less current portion	0	1,295,192	518,913	31,401	0	1,845,506
Long-term payable to related party	0	2,426	0	6,549	0	8,975
Deferred tax liability	0	0	0	28,485	0	28,485
Other long-term liabilities	0	3,637	251	81,011	0	84,899
Total partners' equity	2,694,874	760,452	1,944,108	3,602,170	(6,306,696)	2,694,908
Total liabilities and partners' equity	$3,205,643	$2,124,606	$2,484,396	$ 5,202,026	$(7,966,005)	$5,050,666

(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 Sheet
December 31, 2009
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ 53	$ 1,602	$ 0	$ 60,351	$ 0	$ 62,006
Receivables, net	0	38,973	6,771	176,778	(10,725)	211,797
Inventories	0	1,614	1,587	386,835	(2,242)	387,794
Other current assets	0	9,132	2,233	61,757	0	73,122
Intercompany receivable	0	806,005	713,451	0	(1,519,456)	0
Current assets	53	857,326	724,042	685,721	(1,532,423)	734,719
Property, plant and equipment, net	0	947,895	626,698	1,453,603	0	3,028,196
Intangible assets, net	0	2,247	0	41,880	0	44,127
Goodwill	0	18,094	170,652	618,996	0	807,742
Investment in wholly owned subsidiaries	2,986,970	118,299	873,422	1,907,118	(5,885,809)	0
Investment in joint venture	0	0	0	68,728	0	68,728
Deferred income tax asset	0	0	0	13,893	0	13,893
Other long-term assets, net	49	21,942	26,392	28,885	0	77,268
Total assets	$2,987,072	$1,965,803	$2,421,206	$ 4,818,824	$(7,418,232)	$4,774,673
Liabilities and Partners' Equity						
Current portion of long-term debt	$ 0	$ 770	$ 0	$ 0	$ 0	$ 770
Payables	944	18,566	10,654	196,805	(10,725)	216,244
Notes payable	0	20,000	0	0	0	20,000
Accrued interest payable	0	12,996	8,490	43	0	21,529
Accrued liabilities	1,191	14,380	4,652	44,472	(44)	64,651
Taxes other than income tax	125	4,183	2,280	8,946	0	15,534
Income tax payable	0	1,271	0	(1,245)	0	26
Intercompany payable	507,654	0	0	1,011,806	(1,519,460)	0
Current liabilities	509,914	72,166	26,076	1,260,827	(1,530,229)	338,754
Long-term debt, less current portion	0	1,271,750	523,326	33,917	0	1,828,993
Long-term payable to related party	0	1,082	0	6,581	0	7,663
Deferred tax liability	0	0	0	26,909	0	26,909
Other long-term liabilities	0	3,923	883	82,580	0	87,386
Total partners' equity	2,477,158	616,882	1,870,921	3,408,010	(5,888,003)	2,484,968
Total liabilities and partners' equity	$2,987,072	$1,965,803	$2,421,206	$ 4,818,824	$(7,418,232)	$4,774,673

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Condensed Consolidating Statements of Income
For the Three Months Ended June 30, 2010
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ 0	$ 73,994	$37,496	$ 1,052,482	$ (39,031)	$1,124,941
Costs and expenses	226	44,206	28,547	991,370	(41,438)	1,022,911
Operating (loss) income	(226)	29,788	8,949	61,112	2,407	102,030
Equity in earnings of subsidiaries	99,648	33,490	43,103	57,400	(233,641)	0
Equity in earnings of joint venture	0	0	0	2,102	0	2,102
Interest expense, net	0	(12,407)	(5,921)	(562)	0	(18,890)
Other income, net	0	664	247	13,905	0	14,816
Income before income tax expense	99,422	51,535	46,378	133,957	(231,234)	100,058
Income tax expense	0	333	0	303	0	636
Net income	$99,422	$ 51,202	$46,378	$ 133,654	$ (231,234)	$ 99,422

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Condensed Consolidating Statements of Income
For the Three Months Ended June 30, 2009
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ 0	$ 68,049	$35,785	$ 887,708	$ (3,700)	$ 987,842
Costs and expenses	552	46,102	27,015	834,166	(4,069)	903,766
Operating (loss) income	(552)	21,947	8,770	53,542	369	84,076
Equity in earnings of subsidiaries	84,287	33,171	18,442	28,420	(164,320)	0
Equity in earnings of joint venture	0	0	0	3,011	0	3,011
Interest expense, net	0	(13,294)	(6,043)	(928)	0	(20,265)
Other income (expense), net	0	21,193	103	(2,056)	0	19,240
Income before income tax expense	83,735	63,017	21,272	81,989	(163,951)	86,062
Income tax expense	0	220	0	2,107	0	2,327
Net income	$83,735	$ 62,797	$21,272	$ 79,882	$(163,951)	$ 83,735

(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 Six Months Ended June 30, 2010
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ 0	$147,226	$ 72,860	$ 1,938,134	$ (87,750)	$2,070,470
Costs and expenses	675	93,034	55,978	1,868,910	(89,930)	1,928,667
Operating (loss) income	(675)	54,192	16,882	69,224	2,180	141,803
Equity in earnings of subsidiaries	119,799	14,458	67,890	94,894	(297,041)	0
Equity in earnings of joint venture	0	0	0	5,117	0	5,117
Interest income (expense), net	1	(24,414)	(11,844)	(1,219)	0	(37,476)
Other income, net	0	1,239	259	13,619	0	15,117
Income before income tax expense	119,125	45,475	73,187	181,635	(294,861)	124,561
Income tax expense	0	726	0	4,710	0	5,436
Net income	$119,125	$ 44,749	$ 73,187	$ 176,925	$(294,861)	$ 119,125

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Condensed Consolidating Statements of Income
For the Six Months Ended June 30, 2009
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ 0	$144,150	$ 67,895	$ 1,416,953	$ (7,152)	$1,621,846
Costs and expenses	1,039	90,567	49,527	1,348,853	(7,650)	1,482,336
Operating (loss) income	(1,039)	53,583	18,368	68,100	498	139,510
Equity in earnings of subsidiaries	124,129	21,206	48,181	72,862	(266,378)	0
Equity in earnings of joint venture	0	0	0	5,324	0	5,324
Interest expense, net	0	(26,581)	(12,117)	(2,037)	0	(40,735)
Other income, net	0	21,425	106	6,313	0	27,844
Income before income tax expense	123,090	69,633	54,538	150,562	(265,880)	131,943
Income tax expense	0	440	0	8,413	0	8,853
Net income	$123,090	$ 69,193	$ 54,538	$ 142,149	$(265,880)	$ 123,090

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2010
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 144,594	$ 84,332	$ 9,135	$ (77,609)	$ (146,799)	$ 13,653
Cash flows from investing activities:						
Capital expenditures	0	(45,645)	(5,146)	(66,894)	0	(117,685)
Acquisition	0	0	0	(43,026)	0	(43,026)
Proceeds from sale of assets	0	0	18	139	0	157
Proceeds from insurance claims	0	0	0	13,500	0	13,500
Investment in other long-term assets	0	0	0	(3,224)	0	(3,224)
Investment in subsidiaries	(245,604)	0	0	(25)	245,629	0
Net cash used in investing activities	(245,604)	(45,645)	(5,128)	(99,530)	245,629	(150,278)
Cash flows from financing activities:						
Debt borrowings	0	847,146	0	0	0	847,146
Debt repayments	0	(832,424)	0	0	0	(832,424)
Issuance of common units, net of issuance costs	240,297	0	0	0	0	240,297
General partner contribution	5,078	0	0	0	0	5,078
Partners' contributions	0	245,604	0	25	(245,629)	0
Distributions to unitholders and general partner	(146,784)	(146,784)	0	(15)	146,799	(146,784)
Net intercompany borrowings (repayments)	2,419	(136,145)	(4,006)	137,732	0	0
Decrease in cash book overdrafts	0	(3,962)	(1)	(1,548)	0	(5,511)
Net cash provided by (used in) financing activities	101,010	(26,565)	(4,007)	136,194	(98,830)	107,802
Effect of foreign exchange rate changes on cash	0	(13,721)	0	15,092	0	1,371
Net decrease in cash and cash equivalents	0	(1,599)	0	(25,853)	0	(27,452)
Cash and cash equivalents as of the beginning of the period	53	1,602	0	60,351	0	62,006
Cash and cash equivalents as of the end of the period	$ 53	$ 3	$ 0	$ 34,498	$ 0	$ 34,554

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2009
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 130,167	$ 40,262	$ 20,131	$ (127,509)	$ (131,689)	$ (68,638)
Cash flows from investing activities:						
Capital expenditures	0	(15,698)	(12,802)	(40,507)	0	(69,007)
Proceeds from sale or disposition of assets	0	29,090	35	26	0	29,151
Proceeds from insurance claims	0	0	0	10,162	0	10,162
Net cash provided by (used in) investing activities	0	13,392	(12,767)	(30,319)	0	(29,694)
Cash flows from financing activities:						
Debt borrowings	0	777,789	0	0	0	777,789
Debt repayments	0	(532,642)	0	0	0	(532,642)
Distributions to unitholders and general partner	(131,676)	(131,676)	0	(13)	131,689	(131,676)
Net intercompany borrowings (repayments)	1,509	(159,266)	(7,334)	165,091	0	0
Decrease in cash book overdrafts	0	(8,082)	0	(426)	0	(8,508)
Net cash (used in) provided by financing activities	(130,167)	(53,877)	(7,334)	164,652	131,689	104,963
Effect of foreign exchange rate changes on cash	0	225	0	2,494	0	2,719
Net increase in cash and cash equivalents	0	2	30	9,318	0	9,350
Cash and cash equivalents as of the beginning of the period	53	2	656	44,664	0	45,375
Cash and cash equivalents as of the end of the period	$ 53	$ 4	$ 686	$ 53,982	$ 0	$ 54,725

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

16. SUBSEQUENT EVENTS

2010 Gulf Opportunity Zone Revenue Bonds

On July 15, 2010, the Parish of St. James, where our St. James, Louisiana, terminal is located, issued $100.0 million of Revenue Bonds (NuStar Logistics, L.P. Project) Series 2010 associated with our St. James terminal expansion pursuant to the Gulf Opportunity Zone Act of 2005. The bonds mature on July 1, 2040. The interest rate is based on a weekly tax-exempt bond market interest rate and is paid monthly. Following the issuance, the proceeds were deposited with a trustee and will be disbursed to us upon our request for reimbursement of expenditures related to our St. James terminal expansion. NuStar Logistics is solely obligated to service the principal and interest payments associated with the bonds. One of the lenders under our 2007 Revolving Credit Agreement issued a letter of credit in the amount of $101.3 million on our behalf to guarantee the payment of interest and principal on the bonds. This letter of credit ranks equally with existing senior unsecured indebtedness of NuStar Logistics.

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," "will," "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, 2009, Part I, Item 1A "Risk Factors," as well as our subsequent quarterly reports on Form 10-Q, 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 and fuels marketing. Unless otherwise indicated, the terms "NuStar Energy," "the Partnership," "we," "our" and "us" are used in this report to refer to NuStar Energy L.P., to one or more of our consolidated subsidiaries or to all of them taken as a whole. NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) wholly owns our general partner, Riverwalk Logistics, L.P., and owns a 17.5% total interest in us as of June 30, 2010. Our Management's Discussion and Analysis of Financial Condition and Results of Operations is presented in five sections:

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

Operations

We conduct our operations through our wholly owned 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 in the United States, the Netherlands Antilles, Canada, Mexico, the Netherlands and the United Kingdom providing approximately 68.0 million barrels of storage capacity. Our terminals provide storage and handling services on a fee basis for petroleum products, specialty chemicals and other liquids, including crude oil and other feedstocks. We also own 60 crude oil and intermediate feedstock storage tanks and related assets that provide an aggregate 12.5 million barrels of storage capacity to refineries in California and Texas.

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 associated crude oil storage facilities providing storage capacity of 1.9 million barrels in Texas and Oklahoma that are 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 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 June 30, 2010 Compared to Three Months Ended June 30, 2009

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Change
Statement of Income Data:			
Revenues:			
Services revenues	$ 195,087	$ 176,042	$ 19,045
Product sales	929,854	811,800	118,054
Total revenues	1,124,941	987,842	137,099
Costs and expenses:			
Cost of product sales	842,588	731,861	110,727
Operating expenses	119,943	110,505	9,438
General and administrative expenses	22,195	25,852	(3,657)
Depreciation and amortization expense	38,185	35,548	2,637
Total costs and expenses	1,022,911	903,766	119,145
Operating income	102,030	84,076	17,954
Equity earnings from joint ventures	2,102	3,011	(909)
Interest expense, net	(18,890)	(20,265)	1,375
Other income, net	14,816	19,240	(4,424)
Income before income tax expense	100,058	86,062	13,996
Income tax expense	636	2,327	(1,691)
Net income	$ 99,422	$ 83,735	$ 15,687
Net income per unit applicable to limited partners	$ 1.43	$ 1.38	$ 0.05
Weighted average limited partner units outstanding	62,289,670	54,460,549	7,829,121

Highlights

Net income increased $15.7 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, primarily due to an increase in segment operating income, partially offset by a decrease in other income. Segment operating income increased $14.7 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, due to increased operating income from all of our segments, especially our transportation and asphalt and fuels marketing segments.

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Segment Operating Highlights
(Thousands of Dollars, Except Barrels/Day Information)

	Three Months Ended June 30, 2010	2009	Change
Storage:			
Throughput (barrels/day)	684,982	695,558	(10,576)
Throughput revenues	$ 19,119	$ 19,728	$ (609)
Storage lease revenues	109,690	97,585	12,105
Total revenues	128,809	117,313	11,496
Operating expenses	66,955	59,470	7,485
Depreciation and amortization expense	18,989	17,446	1,543
Segment operating income	$ 42,865	$ 40,397	$ 2,468
Transportation:			
Refined products pipelines throughput (barrels/day)	533,979	564,762	(30,783)
Crude oil pipelines throughput (barrels/day)	398,518	346,291	52,227
Total throughput (barrels/day)	932,497	911,053	21,444
Throughput revenues	$ 76,958	$ 68,744	$ 8,214
Operating expenses	29,543	27,690	1,853
Depreciation and amortization expense	12,680	12,614	66
Segment operating income	$ 34,735	$ 28,440	$ 6,295
Asphalt and Fuels Marketing:			
Product sales	$ 929,990	$ 811,800	$ 118,190
Cost of product sales	847,065	736,009	111,056
Gross margin	82,925	75,791	7,134
Operating expenses	30,298	29,709	589
Depreciation and amortization expense	5,075	4,406	669
Segment operating income	$ 47,552	$ 41,676	$ 5,876
Consolidation and Intersegment Eliminations:			
Revenues	$ (10,816)	$ (10,015)	$ (801)
Cost of product sales	(4,477)	(4,148)	(329)
Operating expenses	(6,853)	(6,364)	(489)
Total	$ 514	$ 497	$ 17
Consolidated Information:			
Revenues	$ 1,124,941	$ 987,842	$ 137,099
Cost of product sales	842,588	731,861	110,727
Operating expenses	119,943	110,505	9,438
Depreciation and amortization expense	36,744	34,466	2,278
Segment operating income	125,666	111,010	14,656
General and administrative expenses	22,195	25,852	(3,657)
Other depreciation and amortization expense	1,441	1,082	359
Consolidated operating income	$ 102,030	$ 84,076	$ 17,954

Storage

Revenues increased $11.5 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, primarily due to:

- an increase of $6.4 million across various domestic terminals due to rate escalations, new customer contracts and increased customer utilization, as well as higher throughput and related handling charges;
- an increase of $2.7 million at our international terminals mainly due to new customer contracts and increased customer utilization, as well as higher throughput and related handling charges and the completion of our tank expansion project at our Amsterdam terminal; and
- an increase of $1.5 million related to our acquisition of Asphalt Holdings, Inc., which included three terminals in Mobile County, Alabama.

Operating expenses increased $7.5 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, primarily due to an increase of $3.5 million in employee-related expenses and an increase of $1.5 million in maintenance expenses resulting from tank work at certain terminals in our gulf coast and west coast regions.

Depreciation and amortization expense increased $1.5 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, primarily due to the completion of various terminal upgrade and expansion projects.

Transportation

Throughputs increased 21,444 barrels per day and revenues increased $8.2 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, primarily due to:

- an increase of 75,122 barrels per day and an increase in revenues of $6.1 million on pipelines serving the McKee refinery, mainly due to the completion of a turnaround at the refinery in 2009;
- an increase of 14,754 barrels per day and an increase in revenues of $3.0 million on the East Pipeline due to the impact of high system inventories and lower demand in 2009;
- an increase of 7,607 barrels per day and an increase in revenues of $2.5 million on the Ammonia Pipeline resulting from more favorable weather conditions compared to the prior year and an early start of the planting season;
- a decrease in throughputs of 13,450 barrels per day and a decrease in revenues of $2.1 million due to a scheduled turnaround at the refinery served by the North Pipeline; and
- a decrease in throughputs of 52,848 barrels per day and a decrease in revenues of $1.3 million due to the sale of the Ardmore-Wynnewood and Trans-Texas pipelines.

Operating expenses increased $1.9 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, due to increased power costs and product imbalances on the East Pipeline. For the three months ended June 30, 2009, we recognized gains from our product imbalances mainly due to an increase in prices and higher volumes.

Asphalt and Fuels Marketing

Sales and cost of product sales increased $118.2 million and $111.1 million, respectively, resulting in an increase in total gross margin of $7.1 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009. The increase in total gross margin was primarily due to an increase of $9.0 million in our fuels marketing operations mainly due to hedge gains in the second quarter of 2010. Although the gross margin per barrel for our asphalt operations was slightly higher in the second quarter of 2010 as compared to the second quarter of 2009, gross margin decreased $1.9 million due to lower volumes sold.

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. For the three months ended June 30, 2010, the asphalt and fuels marketing segment utilized more terminal capacity from our storage segment than for the three months ended June 30, 2009, resulting in higher eliminations for revenue and operating expense.

General

General and administrative expenses decreased $3.7 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009. This decrease was primarily due to a decline in compensation expense associated with our long-term incentive plans, which fluctuates with our unit price.

Interest expense decreased $1.4 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, mainly due to a lower balance on our revolving credit agreement and a lower variable interest rate paid on our interest rate swaps.

Other income, net consisted of the following:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
	(Thousands of Dollars)	
Gain from insurance proceeds	$ 13,500	$ 1,670
(Loss) gain from sale or disposition of assets	(793)	21,022
Foreign exchange gains (losses)	382	(3,666)
Other	1,727	214
Other income, net	$ 14,816	$ 19,240

For the three months ended June 30, 2010 and 2009, the gain from insurance proceeds results from insurance claims related to damage caused by Hurricane Ike primarily at our Texas City, Texas terminal in the third quarter of 2008. For the three months ended June 30, 2009, the gain from sale or disposition of assets includes a gain of $21.4 million related to the June 15, 2009 sale of the Ardmore-Wynnewood pipeline in Oklahoma and the Trans-Texas pipeline.

Income tax expense decreased $1.7 million for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, primarily due to the reversal of a deferred tax asset valuation allowance, partially offset by increased expense resulting from higher taxable income. The receipt of $13.5 million in insurance proceeds related to Hurricane Ike and our acquisition of Asphalt Holdings, Inc. caused us to reevaluate the valuation allowance recorded related to certain net operating loss carryforwards previously expected to expire unused.

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Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

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

	Six Months Ended June30, 2010	Six Months Ended June30, 2009	Change
Statement of Income Data:			
Revenues:			
Services revenues	$ 384,382	$ 358,694	$ 25,688
Product sales	1,686,088	1,263,152	422,936
Total revenues	2,070,470	1,621,846	448,624
Costs and expenses:			
Cost of product sales	1,561,809	1,148,656	413,153
Operating expenses	241,280	213,827	27,453
General and administrative expenses	49,464	48,316	1,148
Depreciation and amortization expense	76,114	71,537	4,577
Total costs and expenses	1,928,667	1,482,336	446,331
Operating income	141,803	139,510	2,293
Equity earnings from joint ventures	5,117	5,324	(207)
Interest expense, net	(37,476)	(40,735)	3,259
Other income, net	15,117	27,844	(12,727)
Income before income tax expense	124,561	131,943	(7,382)
Income tax expense	5,436	8,853	(3,417)
Net income	$ 119,125	$ 123,090	$ (3,965)
Net income per unit applicable to limited partners	$ 1.64	$ 1.96	$ (0.32)
Weighted average limited partner units outstanding	61,255,853	54,460,549	6,795,304

Highlights

Net income decreased $4.0 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, primarily due to a decrease in other income, partially offset by an increase in segment operating income. Segment operating income increased $4.1 million during the six months ended June 30, 2010, compared to the six months ended June 30, 2009, mainly due to increased operating income from our transportation segment and asphalt and fuels marketing segment.

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Segment Operating Highlights
(Thousands of Dollars, Except Barrels/Day Information)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Change
Storage:			
Throughput (barrels/day)	663,339	646,025	17,314
Throughput revenues	$ 36,946	$ 39,756	$ (2,810)
Storage lease revenues	218,495	195,359	23,136
Total revenues	255,441	235,115	20,326
Operating expenses	132,033	113,628	18,405
Depreciation and amortization expense	37,655	34,438	3,217
Segment operating income	$ 85,753	$ 87,049	$ (1,296)
Transportation:			
Refined products pipelines throughput (barrels/day)	530,678	592,341	(61,663)
Crude oil pipelines throughput (barrels/day)	380,975	366,027	14,948
Total throughput (barrels/day)	911,653	958,368	(46,715)
Revenues	$ 152,220	$ 143,136	$ 9,084
Operating expenses	58,296	52,890	5,406
Depreciation and amortization expense	25,432	25,277	155
Segment operating income	$ 68,492	$ 64,969	$ 3,523
Asphalt and Fuels Marketing:			
Product sales	$1,688,920	$1,263,152	$425,768
Cost of product sales	1,573,799	1,156,802	416,997
Gross margin	115,121	106,350	8,771
Operating expenses	65,349	59,548	5,801
Depreciation and amortization expense	10,116	9,614	502
Segment operating income	$ 39,656	$ 37,188	$ 2,468
Consolidation and Intersegment Eliminations:			
Revenues	$ (26,111)	$ (19,557)	$ (6,554)
Cost of product sales	(11,990)	(8,146)	(3,844)
Operating expenses	(14,398)	(12,239)	(2,159)
Total	$ 277	$ 828	$ (551)
Consolidated Information:			
Revenues	$2,070,470	$1,621,846	$448,624
Cost of product sales	1,561,809	1,148,656	413,153
Operating expenses	241,280	213,827	27,453
Depreciation and amortization expense	73,203	69,329	3,874
Segment operating income	194,178	190,034	4,144
General and administrative expenses	49,464	48,316	1,148
Other depreciation and amortization expense	2,911	2,208	703
Consolidated operating income	$ 141,803	$ 139,510	$ 2,293

Storage

Throughputs increased 17,314 barrels per day for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, mainly due to the completion of turnarounds in 2009 at refineries served by our Texas City and Corpus Christi crude oil storage tanks. Throughput revenues decreased $2.8 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, despite the increase in total throughputs, due to lower throughputs at refined product terminals, which have higher throughput fees per barrel than the Texas City and Corpus Christi crude oil storage tanks.

Storage revenues increased $23.1 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, primarily due to:

- an increase of $10.7 million across various domestic terminals due to higher throughput and related handling charges, as well as rate escalations, new customer contracts and increased customer utilization;
- an increase of $5.8 million at our Amsterdam and UK terminals, mainly due to higher throughput and associated handling fees at our UK terminals, the completed tank expansion project at our Amsterdam terminal and the effect of foreign exchange rates;
- an increase of $3.2 million at our Point Tupper and St. Eustatius terminal facilities, mainly due to new contracts and rate escalations; and
- an increase of $1.5 million related to our acquisition of Asphalt Holdings, Inc., which included three terminals in Mobile County, Alabama.

Operating expenses increased $18.4 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, primarily due to:

- an increase of $8.3 million related to higher salaries and wages and other employee-related expenses resulting from increased headcount and temporary labor;
- an increase of $5.5 million in maintenance and contractor expenses, primarily due to regulatory tank work and other general projects at our domestic terminals; and
- an increase of $2.2 million related to property taxes resulting from new appraisal values and higher environmental costs.

Depreciation and amortization expense increased $3.2 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, primarily due to the completion of various terminal upgrade and expansion projects.

Transportation

Although throughputs decreased 46,715 barrels per day, revenues increased $9.1 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, primarily due to:

- an increase in throughputs of 1,994 barrels per day and an increase in revenues of $4.7 million on the East Pipeline due to increased long-haul deliveries resulting in a higher average tariff;
- an increase in throughputs of 24,180 barrels per day and an increase in revenues of $4.4 million on certain pipelines serving the McKee refinery, which completed a turnaround and experienced other operational issues in 2009;
- an increase in throughputs of 5,237 barrels per day and an increase in revenues of $3.8 million on the Ammonia Pipeline due to more favorable weather conditions compared to the prior year and an early start of the planting season;
- a decrease in throughputs of 57,949 barrels per day and a decrease in revenues of $3.0 million due to the sale of the Ardmore-Wynnewood and Trans-Texas pipelines; and
- a decrease in throughputs of 10,457 barrels per day and a decrease in revenues of $2.7 due to a scheduled turnaround at the refinery served by the North Pipeline.

Operating expenses increased $5.4 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, primarily due to increased maintenance costs and product imbalances on the East Pipeline. For the six months ended June 30, 2009, we recognized gains from our product imbalances mainly due to an increase in prices and higher volumes.

Asphalt and Fuels Marketing

Sales and cost of product sales increased $425.8 million and $417.0 million, respectively, resulting in an increase in total gross margin of $8.8 million during the six months ended June 30, 2010, compared to the six months ended June 30, 2009. The increase in total gross margin was primarily due to an increase of $6.4 million in our fuels marketing operations mainly due to hedge gains and increased bunker sale volumes. Gross margins from bunker sales at our Point Tupper facility were negative for the six months ended June 30, 2009. In addition, the gross margins for our asphalt operations increased $2.4 million due to higher volumes sold for the six months ended June 30, 2010, compared to the six months ended June 30, 2009.

Operating expenses increased $5.8 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, primarily due to new storage and power costs at asphalt terminals leased by our asphalt operations during the first six months of 2010 that we did not lease during comparable period of 2009.

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. For the six months ended June 30, 2010, the asphalt and fuels marketing segment utilized more terminal capacity from our storage segment than for the six months ended June 30, 2009, resulting in higher eliminations for revenue and operating expense.

General

General and administrative expenses increased $1.1 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009. This increase was primarily due to higher salaries and wages resulting from increased headcount and benefit costs. However, compensation expense associated with our long-term incentive plans, which fluctuates with our unit price, declined during the six months ended June 30, 2010, compared to the six months ended June 30, 2009, partially offsetting the increase in salaries and wages.

Interest expense decreased $3.3 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, mainly due to a lower balance on our revolving credit agreement and a lower variable interest rate paid on our interest rate swaps.

Other income, net consisted of the following:

	Six Months Ended June 30,	
	2010	2009
	(Thousands of Dollars)	
Gain from insurance proceeds	$ 13,500	$ 8,895
(Loss) gain from sale or disposition of assets	(688)	21,050
Foreign exchange losses	(234)	(2,443)
Other	2,539	342
Other income, net	$ 15,117	$ 27,844

For the six months ended June 30, 2010 and 2009, the gain from insurance proceeds results from insurance claims related to damage caused by Hurricane Ike primarily at our Texas City, Texas terminal in the third quarter of 2008. For the six months ended June 30, 2009, the gain from the sale or disposition of assets includes a gain of $21.4 million related to the June 15, 2009 sale of the Ardmore-Wynnewood pipeline in Oklahoma and the Trans-Texas pipeline.

Income tax expense decreased $3.4 million for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, primarily due to the reversal of a deferred tax asset valuation allowance, partially offset by increased expense resulting from higher taxable income. The receipt of $13.5 million in insurance proceeds related to Hurricane Ike and our acquisition of Asphalt Holdings, Inc. caused us to reevaluate the valuation allowance recorded related to certain net operating loss carryforwards previously expected to expire unused.

OUTLOOK

Overall, we expect our net income for 2010 to be comparable to 2009. Our outlook could change depending on the pace of the economic recovery, or other factors that affect overall demand for the products we store, transport and sell.

Transportation Segment

Excluding the effect of pipeline sales that occurred in 2009, we expect throughputs for the full year and the last half of 2010 to increase slightly over the same periods in 2009 primarily due to higher refinery utilization rates. The tariffs on our pipelines regulated by the Federal Energy Regulatory Commission, which adjust annually based upon changes in the producer price index, were reduced by 1.3 percent effective July 1, 2010, which is expected to result in lower revenue per barrel in the last half of 2010 compared to the same period in 2009. Our tariff rate for the full year 2010 will be slightly higher than 2009 due to the 7.6 percent increase in tariff rates effective July 1, 2009. These higher revenues are expected to be offset by higher operating expenses. We expect our transportation segment to produce full year 2010 segment results that are to be comparable to 2009.

Storage Segment

For the remainder of 2010, we expect our earnings for the storage segment to increase compared to the same period in 2009. The remainder of 2010 should benefit from higher renewal rates and incremental earnings from terminal acquisitions. Also, this segment should realize higher earnings from capital projects that were completed during 2009 as well as certain capital projects expected to be completed late in 2010. As a result, we expect the storage segment results for the full year 2010 to exceed 2009.

Asphalt and Fuels Marketing Segment

We expect the asphalt and fuels marketing segment results to increase slightly for the full year and the remainder of 2010 compared to the same periods in 2009 due mainly to the fuels marketing operations. Our fuels marketing operations should benefit from improved results from sales of bunker fuel and fuel oil as well as refined product trading. However, we expect the results from our asphalt operations to decline compared to last year. Soft demand, particularly in the private sector construction markets, is constraining asphalt prices. As a result, asphalt prices are struggling to keep up with rising crude costs, which puts downward pressure on margins.

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 statement. Additionally, we typically fund our strategic capital expenditures from external sources, primarily borrowings under our revolving credit agreement or funds available under our shelf registration statement. 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 Six Months Ended June 30, 2010 and 2009

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

	Six Months Ended June 30,	
	2010	2009
	(Thousands of Dollars)	
Net cash provided by (used in):		
Operating activities	$ 13,653	$ (68,638)
Investing activities	(150,278)	(29,694)
Financing activities	107,802	104,963
Effect of foreign exchange rate changes on cash	1,371	2,719
Net (decrease) increase in cash and cash equivalents	$ (27,452)	$ 9,350

Net cash provided by operating activities for the six months ended June 30, 2010 was $13.7 million, compared to a use of cash of $68.6 million for the six months ended June 30, 2009, primarily due to lower investments in working capital in 2010. We increased our working capital $175.5 million in 2010, compared to $239.1 million in 2009.

For the six months ended June 30, 2010, cash from operating activities, proceeds from long-term and short-term debt borrowings, net of repayments, our issuance of common units and cash on hand were used to fund our distributions to unitholders and our general partner and capital expenditures primarily related to various terminal projects and an acquisition. The capital expenditures were primarily related to projects at our St. Eustatius and Texas City terminals and our corporate office. Cash flows from investing activities also include insurance proceeds of $13.5 million related to damages caused by Hurricane Ike in the third quarter of 2008 primarily at our Texas City terminal.

For the six months ended June 30, 2009, net proceeds from long-term debt borrowings and proceeds from asset sales and insurance claims, combined with cash on hand, were used to fund our distributions to unitholders and our general partner, capital expenditures and increased working capital requirements. The capital expenditures were primarily related to a pipeline expansion on the southern end of the East Pipeline and projects at our Texas City terminal. Cash flows from investing activities also include insurance proceeds of $10.2 million related to damages caused by Hurricane Ike in the third quarter of 2008 primarily at our Texas City terminal.

2007 Revolving Credit Agreement

As of June 30, 2010, we had $606.1 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. As of June 30, 2010, the consolidated debt coverage ratio was 4.5x. 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 May 13, 2010, 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 (the 2010 Shelf Registration Statement). We filed the 2010 Shelf Registration Statement to replace our three-year 2007 Shelf Registration Statement, which was effective May 18, 2007.

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 by these or other factors at a time when we would like or need to do so, which could have an impact on our ability to refinance maturing debt and/or react to changing economic and business conditions.

Issuance of Common Units

On May 19, 2010, we issued 4,400,000 common units representing limited partner interests at a price of $56.55 per unit. We used the net proceeds from this offering of $245.4 million, including a contribution of $5.1 million from our general partner to maintain its 2% general partner interest, mainly to reduce outstanding borrowings under our 2007 Revolving Credit Agreement and for the acquisition of Asphalt Holdings, Inc.

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 six months ended June 30, 2010, our reliability capital expenditures totaled $24.5 million, including $21.3 million primarily related to maintenance upgrade projects at our terminals and refineries. Strategic capital expenditures for the six months ended June 30, 2010 totaled $96.4 million and were primarily related to projects at our St. Eustatius and Texas City terminals and our corporate office.

For the full year 2010, we expect to incur approximately $310.0 million of capital expenditures, including $50.0 million for reliability capital projects and $260.0 million for strategic capital projects. We continue to evaluate our capital budget and make changes as economic conditions warrant. Depending upon current economic conditions, our actual capital expenditures for 2010 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 2010, and our internal growth projects can be accelerated or scaled back depending on the capital markets.

Working Capital Requirements

The asphalt and fuels marketing segment requires us to make substantial investments in working capital. Increases in commodity prices could 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 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.

Distributions

In April 2010, we declared a quarterly cash distribution of $1.065 per unit that was paid on May 14, 2010 to unitholders of record on May 7, 2010. This distribution related to the first quarter of 2010 and totaled $73.4 million. On August 2, 2010, we announced a quarterly cash distribution of $1.065 per unit related to the second quarter of 2010. This distribution will be paid on August 13, 2010 to unitholders of record on August 6, 2010 and will total $78.8 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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Thousands of Dollars, Except Per Unit Data)			
General partner interest	$ 1,576	$ 1,318	$ 3,043	$ 2,636
General partner incentive distribution	8,369	6,929	16,168	13,858
Total general partner distribution	9,945	8,247	19,211	16,494
Limited partners' distribution	68,809	57,591	132,935	115,182
Total cash distributions	$78,754	$65,838	$152,146	$131,676
Cash distributions per unit applicable to limited partners	$1.0650	$1.0575	$ 2.1300	$ 2.1150

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 $546.1 million as of June 30, 2010;
- 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 and 7.65% senior notes due April 15, 2018 with a face value of $350.0 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 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 $3.5 million as of June 30, 2010, associated with the construction of a crude oil storage facility in Corpus Christi, Texas.

On July 15, 2010, the Parish of St. James, where our St. James, Louisiana, terminal is located, issued $100.0 million of Revenue Bonds (NuStar Logistics, L.P. Project) Series 2010 associated with our St. James terminal expansion pursuant to the Gulf Opportunity Zone Act of 2005. The bonds mature on July 1, 2040. The interest rate is based on a weekly tax-exempt bond market interest rate and is paid monthly. NuStar Logistics is solely obligated to service the principal and interest payments associated with the bonds. One of the lenders under our 2007 Revolving Credit Agreement issued a letter of credit in the amount of $101.3 million on our behalf, to guarantee the payment of interest and principal on the bonds.

Management believes that, as of June 30, 2010, 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.

Interest Rate Swaps

As of June 30, 2010, the weighted-average interest rate for our interest rate swaps was 2.4%. As of June 30, 2010 and December 31, 2009, the aggregate estimated fair value of the interest rate swaps included in "Other long-term assets, net" in our consolidated balance sheets was $11.7 million and $8.6 million, respectively.

Commitments

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

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 5 of the Notes to Consolidated Financial Statements in Item 1. “Financial Statements.”

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, 2009.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We manage our debt by considering various financing alternatives available in the market, and 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 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. Borrowings under the 2007 Revolving Credit Agreement and Gulf Opportunity Zone Revenue Bonds expose us to increases in the benchmark interest rate.

The following table provides 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 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.

	June 30, 2010							
	Expected Maturity Dates							
	2010	2011	2012	2013	2014	There-after	Total	Fair Value
	(Thousands of Dollars, Except Interest Rates)							
Long-term Debt:								
Fixed rate	$ 770	$ 832	$ 382,300	$ 480,902	$ 48	$ 350,000	$ 1,214,852	$ 1,327,728
Weighted average interest rate	8.0%	8.0%	7.4%	6.0%	8.0%	7.7%	6.9%	
Variable rate	$ 0	$ 0	$ 546,148	$ 0	$ 0	$ 55,440	$ 601,588	$ 580,032
Weighted average interest rate	0	0	0.9%	0	0	0.2%	0.8%	
Interest Rate Swaps Fixed to Variable:								
Notional amount	$ 0	$ 0	$ 60,000	$ 107,500	$ 0	$ 0	$ 167,500	$ 11,747
Weighted average pay rate	2.6%	3.0%	3.7%	4.1%	0	0	3.3%	
Weighted average receive rate	6.3%	6.3%	6.3%	6.1%	0	0	6.3%	

	December 31, 2009							
	Expected Maturity Dates							
	2010	2011	2012	2013	2014	There-after	Total	Fair Value
	(Thousands of Dollars, Except Interest Rates)							
Long-term Debt:								
Fixed rate	$770	$832	$384,816	$480,902	$ 67	$350,000	$1,217,387	$1,306,301
Weighted average interest rate	8.0%	8.0%	7.4%	6.0%	8.0%	7.7%	6.9%	
Variable rate	$ 0	$ 0	$525,126	$ 0	$ 0	$ 56,200	$ 581,326	$ 551,072
Weighted average interest rate	0	0	1.0%	0	0	0.2%	0.9%	
Interest Rate Swaps Fixed to Variable:								
Notional amount	$ 0	$ 0	$ 60,000	$107,500	$ 0	$ 0	$ 167,500	$ 8,623
Weighted average pay rate	3.4%	4.8%	5.8%	5.6%	0	0	4.3%	
Weighted average receive rate	6.3%	6.3%	6.3%	6.1%	0	0	6.3%	

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 7 of Notes to Consolidated Financial Statement in Item 8. "Financial Statements and Supplemental Data" for the volume and related fair value of all commodity contracts.

	June 30, 2010			
	Contract Volumes (Thousands of Barrels)	Weighted Average Pay Price	Weighted Average Receive Price	Fair Value of Current Asset (Liability) (Thousands of Dollars)
Fair Value Hedges:				
Futures – long:				
(crude oil and refined products)	120	$ 81.34	N/A	$ 106
Futures – short:				
(crude oil and refined products)	1,277	N/A	$ 90.29	$ 3,170
Swaps – long:				
(refined products)	38	$ 65.56	N/A	$ 10
Swaps – short:				
(refined products)	404	N/A	$ 65.95	$ 269
Cash Flow Hedges:				
Futures – short:				
(refined products)	244	N/A	$ 94.17	$ 1,177
Options – puts:				
(natural gas)	55	N/A	$ 18.85	$ 25
Options – calls:				
(natural gas)	55	$ 34.51	N/A	$ (5)
Economic Hedges and Other Derivatives:				
Futures – long:				
(crude oil and refined products)	90	$ 71.63	N/A	$ (391)
Futures – short:				
(crude oil and refined products)	387	N/A	$ 72.40	$ 1,177
Swaps – long:				
(refined products)	37	$ 68.33	N/A	$ (77)
Swaps – short:				
(refined products)	86	N/A	$ 63.90	$ 166
Forward purchase contracts:				
(crude oil)	1,508	$ 79.95	N/A	$ (5,049)
Forward sales contracts:				
(crude oil)	1,508	N/A	$ 79.71	$ 4,952
Total fair value of open positions exposed to commodity price risk				$ 5,530

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	December 31, 2009			
	Contract Volumes (Thousands of Barrels)	Weighted Average Pay Price	Weighted Average Receive Price	Fair Value of Current Asset (Liability) (Thousands of Dollars)
Fair Value Hedges:				
Futures – short:				
(refined products)	1,184	N/A	$ 79.89	$ (9,528)
Cash Flow Hedges:				
Futures – short:				
(refined products)	230	N/A	$ 94.13	$ (240)
Economic Hedges and Other Derivatives:				
Futures – long:				
(crude oil and refined products)	454	$ 81.46	N/A	$ 2,327
Futures – short:				
(crude oil and refined products)	745	N/A	$ 72.90	$ (10,692)
Swaps – long:				
(crude oil and refined products)	200	$ 70.34	N/A	$ 398
Swaps – short:				
(crude oil and refined products)	600	N/A	$ 70.16	$ (1,316)
Total fair value of open positions exposed to commodity price risk				$ (19,051)

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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 June 30, 2010.

(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 1. Legal Proceedings

The information below describes new proceedings or material developments in proceedings that we previously reported in our annual report on Form 10-K for the year ended December 31, 2009, as well as our subsequent quarterly reports on Form 10-Q.

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

EPA Investigation—Baltimore, Maryland facility. In September 2009, an administrative complaint was filed by the U.S. Environmental Protection Agency (the EPA) in Region III against NuStar Terminals Operations Partnership, L.P. (NTOP) and NuStar Terminals Services, Inc. (NTS). The administrative complaint alleged that certain violations occurred at NTOP's Baltimore, Maryland terminal facility. The alleged violations included failure to comply with certain discharge limitations and certain monitoring and reporting obligations, as required by Section 301 of the Clean Water Act, 33 U.S.C. § 1311. The administrative complaint further alleged that NTOP and NTS violated certain provisions of the Code of Maryland Regulations, which the EPA is entitled to enforce on behalf of the State of Maryland pursuant to Section 3008(a) of the Resource Conservation and Recovery Act, 42 U.S.C. § 6928(a). On June 16, 2010, a consent agreement was entered into by and between the EPA, NTOP, and NTS, pursuant to which we agreed to pay a penalty of $90,000. A final order approving the consent agreement was entered by the EPA on June 16, 2010 and the payment was made in July 2010.

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Item 6. Exhibits

EXHIBIT LIST

Exhibit Number	Description	Incorporated by Reference to the Following Document
2.01	Agreement and Plan of Merger, dated as of October 31, 2004, by and among Valero L.P., Riverwalk Logistics, L.P., Valero GP, LLC, VLI Sub A LLC and Kaneb Services LLC	NuStar Energy L.P.'s Current Report on Form 8-K filed November 4, 2004 (File No. 001-16417), Exhibit 99.1
2.02	Agreement and Plan of Merger, dated as of October 31, 2004, by and among Valero L.P., Riverwalk Logistics, L.P., Valero GP, LLC, VLI Sub B LLC and Kaneb Pipe Line Partners, L.P. and Kaneb Pipe Line Company LLC	NuStar Energy L.P.'s Current Report on Form 8-K filed November 4, 2004 (File No. 001-16417), Exhibit 99.2
3.01	Amended and Restated Certificate of Limited Partnership of Shamrock Logistics, L.P., effective January 1, 2002	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.3
3.02	Amendment to Certificate of Limited Partnership of Valero L.P., dated March 21, 2007 and effective April 1, 2007	NuStar Energy L.P.'s Current Report on Form 8-K, filed March 27, 2007 (File No. 001-16417), Exhibit 3.01
3.03	Third Amended and Restated Agreement of Limited Partnership of Valero L.P., dated as of March 18, 2003	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-16417), Exhibit 3.1
3.04	Amendment No. 1 to Third Amended and Restated Agreement of Limited Partnership of Valero L.P., dated as of March 11, 2004	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2003 (File No. 001-16417), Exhibit 4.3
3.05	Amendment No. 2 to Third Amended and Restated Agreement of Limited Partnership of Valero L.P., dated as of July 1, 2005	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.01
3.06	Amendment No. 3 to Third Amended and Restated Agreement of Limited Partnership of NuStar Energy L.P., dated as of April 10, 2008	NuStar Energy L.P.'s Current Report on Form 8-K filed April 15, 2008 (File No. 001-16417), Exhibit 3.1
3.07	Amended and Restated Certificate of Limited Partnership of Shamrock Logistics Operations, L.P., dated as of January 7, 2002	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.8
3.08	Certificate of Amendment to Certificate of Limited Partnership of Valero Logistics Operations, L.P., dated March 21, 2007 and effective April 1, 2007	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-16417), Exhibit 3.03
3.09	Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics Operations, L.P., dated as of April 16, 2001	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.9
3.10	First Amendment to Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics Operations, L.P., effective as of April 16, 2001	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File No. 001-16417), Exhibit 4.1
3.11	Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics Operations, L.P., dated as of January 7, 2002	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.10

3.12	Certificate of Limited Partnership of Riverwalk Logistics, L.P., dated June 5, 2000	NuStar Energy L.P.'s Registration Statement on Form S-1 filed August 14, 2000 (File No. 333-43668), Exhibit 3.7
3.13	First Amended and Restated Limited Partnership Agreement of Riverwalk Logistics, L.P., dated as of April 16, 2001	NuStar Energy L.P.'s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-16417), Exhibit 3.16
3.14	Certificate of Formation of Shamrock Logistics GP, LLC, dated December 7, 1999	NuStar Energy L.P.'s Registration Statement on Form S-1 filed August 14, 2000 (File No. 333-43668), Exhibit 3.9
3.15	Certificate of Amendment to Certificate of Formation of Shamrock Logistics GP, LLC, dated December 31, 2001	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.14
3.16	Certificate of Amendment to Certificate of Formation of Valero GP, LLC, dated March 21, 2007 and effective April 1, 2007	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-16417), Exhibit 3.02
3.17	First Amended and Restated Limited Liability Company Agreement of Shamrock Logistics GP, LLC, dated as of June 5, 2000	NuStar Energy L.P.'s Amendment No. 5 to Registration Statement on Form S-1 filed March 29, 2001 (File No. 333-43668), Exhibit 3.10
3.18	First Amendment to First Amended and Restated Limited Liability Company Agreement of Shamrock Logistics GP, LLC, effective as of December 31, 2001	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.15
4.01	Indenture, dated as of July 15, 2002, among Valero Logistics Operations, L.P., as Issuer, Valero L.P., as Guarantor, and The Bank of New York, as Trustee, relating to Senior Debt Securities	NuStar Energy L.P.'s Current Report on Form 8-K filed July 15, 2002 (File No. 001-16417), Exhibit 4.1
4.02	First Supplemental Indenture, dated as of July 15, 2002, to Indenture dated as of July 15, 2002, in each case among Valero Logistics Operations, L.P., as Issuer, Valero L.P., as Guarantor, and The Bank of New York, as Trustee, relating to 6 7/8% Senior Notes due 2012	NuStar Energy L.P.'s Current Report on Form 8-K filed July 15, 2002 (File No. 001-16417), Exhibit 4.2
4.03	Second Supplemental Indenture, dated as of March 18, 2003, to Indenture dated as of July 15, 2002, as amended and supplemented by a First Supplemental Indenture thereto dated as of July 15, 2002, in each case among Valero Logistics Operations, L.P., as Issuer, Valero L.P., as Guarantor, and The Bank of New York, as Trustee (including, form of global note representing $250,000,000 6.05% Senior Notes due 2013)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-16417), Exhibit 4.1
4.04	Third Supplemental Indenture, dated as of July 1, 2005, to Indenture dated as of July 15, 2002, as amended and supplemented, among Valero Logistics Operations, L.P., Valero L.P., Kaneb Pipe Line Operating Partnership, L.P., and The Bank of New York Trust Company, N.A.	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.02
4.05	Instrument of Resignation, Appointment and Acceptance, dated March 31, 2008, among NuStar Logistics, L.P., NuStar Energy L.P., Kaneb Pipeline Operating Partnership, L.P., The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2008 (File No. 001-16417), Exhibit 4.05

4.06	Fourth Supplemental Indenture, dated as of April 4, 2008, to Indenture dated July 15, 2002, among NuStar Logistics L.P., as issuer, NuStar Energy L.P., as guarantor, NuStar Pipeline Operating Partnership L.P., as affiliate guarantor, and Wells Fargo Bank, National Association, as successor trustee	NuStar Energy L.P.'s Current Report on Form 8-K filed April 4, 2008 (File No. 001-16417), Exhibit 4.2
4.07	Indenture, dated as of February 21, 2002, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (Senior Debt Securities)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.03
4.08	First Supplemental Indenture, dated as of February 21, 2002, to Indenture dated as of February 21, 2002, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (including form of 7.750% Senior Unsecured Notes due 2012)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.04
4.09	Second Supplemental Indenture, dated as of August 9, 2002 and effective as of April 4, 2002, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P., Statia Terminals Canada Partnership, and JPMorgan Chase Bank	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.05
4.10	Third Supplemental Indenture, dated and effective as of May 16, 2003, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P., Statia Terminals Canada Partnership, and JPMorgan Chase Bank	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.06
4.11	Fourth Supplemental Indenture, dated and effective as of May 27, 2003, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (including form of 5.875% Senior Unsecured Notes due 2013)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.07
4.12	Fifth Supplemental Indenture, dated and effective as of July 1, 2005, to Indenture dated as of February 21, 2002, as amended and supplemented, among Kaneb Pipe Line Operating Partnership, L.P., Valero L.P., Valero Logistics Operations, L.P., and JPMorgan Chase Bank	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.08
4.13	Instrument of Resignation, Appointment and Acceptance, dated June 30, 2008, among NuStar Pipeline Operating Partnership L.P., NuStar Energy L.P., NuStar Logistics, L.P., The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2008 (File No. 001-16417), Exhibit 4.12
10.01	Lease Agreement, dated as of July, 2010, between Parish of St. James, State of Louisiana and NuStar Logistics, L.P.	NuStar Energy L.P.'s Current Report on Form 8-K filed July 21, 2010 (File No. 001-16417), Exhibit 10.01
10.02	Application for Letter of Credit and Reimbursement Agreement, dated as of July 15, 2010, between JPMorgan Chase Bank, N.A. and NuStar Logistics, L.P.	NuStar Energy L.P.'s Current Report on Form 8-K filed July 21, 2010 (File No. 001-16417), Exhibit 10.02

*Exhibit 12.01	Statement of Computation of Ratio of Earnings to Fixed Charges.
*Exhibit 31.01	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal executive officer.
*Exhibit 31.02	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal financial officer.
*Exhibit 32.01	Section 1350 Certification (under Section 906 of the Sarbanes-Oxley Act of 2002) of principal executive officer.
*Exhibit 32.02	Section 1350 Certification (under Section 906 of the Sarbanes-Oxley Act of 2002) of principal financial officer.
**Exhibit 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 June 30, 2010, 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.
** Submitted 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 field 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."

Table of Contents

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
August 5, 2010

By: /S/ STEVEN A. BLANK
Steven A. Blank
Senior Vice President, Chief Financial Officer and Treasurer
August 5, 2010

By: /S/ THOMAS R. SHOAF
Thomas R. Shoaf
Vice President and Controller
August 5, 2010

Exhibit 12.01

NUSTAR ENERGY L.P.
STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Thousands of Dollars, Except Ratio)

	Six Months Ended June 30, 2010	Years Ended December 31, 2009	2008	2007	2006	2005
Earnings:						
Income from continuing operations before provision for income taxes and income from equity investees	$119,444	$225,791	$256,994	$154,913	$149,885	$110,069
Add:						
Fixed charges	48,478	102,781	113,959	91,594	75,829	46,211
Amortization of capitalized Interest	301	553	440	255	126	80
Distributions from joint ventures	5,050	9,700	2,835	544	5,268	4,657
Less: Interest capitalized	(1,338)	(1,650)	(5,108)	(5,995)	(1,758)	(1,008)
Total earnings	$171,935	$337,175	$369,120	$241,311	$229,350	$160,009
Fixed charges:						
Interest expense (1)	$ 37,053	$ 78,622	$ 92,971	$ 77,584	$ 68,241	$ 41,616
Amortization of debt issuance costs	469	910	815	1,030	726	622
Interest capitalized	1,338	1,650	5,108	5,995	1,758	1,008
Rental expense interest factor (2)	9,618	21,599	15,065	6,985	5,104	2,965
Total fixed charges	$ 48,478	$102,781	$113,959	$ 91,594	$ 75,829	$ 46,211
Ratio of earnings to fixed charges	3.5x	3.3x	3.2x	2.6x	3.0x	3.5x

(1) The “Interest expense, net” reported in NuStar Energy L.P.’s consolidated statement of income for the six months ended June 30, 2010 includes investment income of $46,000.

(2) The interest portion of rental expense represents one-third of rents, which is deemed representative of the interest portion of rental expense.

Exhibit 31.01

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Curtis V. Anastasio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NuStar Energy L.P. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2010

/s/ Curtis V. Anastasio
Curtis V. Anastasio
President and Chief Executive Officer

Exhibit 31.02

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Steven A. Blank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NuStar Energy L.P. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 5, 2010

/s/ Steven A. Blank

Steven A. Blank
Senior Vice President, Chief Financial Officer and Treasurer

Exhibit 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NuStar Energy L.P. (the Partnership) on Form 10-Q for the quarter ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Curtis V. Anastasio, President and Chief Executive Officer of NuStar GP, LLC, the general partner of the general partner of the Partnership, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Curtis V. Anastasio
Curtis V. Anastasio
President and Chief Executive Officer
August 5, 2010

A signed original of the written statement required by Section 906 has been provided to NuStar Energy L.P. and will be retained by NuStar Energy L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.02

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NuStar Energy L.P. (the Partnership) on Form 10-Q for the quarter ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Steven A. Blank, Senior Vice President, Chief Financial Officer and Treasurer of NuStar GP, LLC, the general partner of the general partner of the Partnership, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Steven A. Blank

Steven A. Blank
Senior Vice President, Chief Financial Officer and Treasurer
August 5, 2010

A signed original of the written statement required by Section 906 has been provided to NuStar Energy L.P. and will be retained by NuStar Energy L.P. and furnished to the Securities and Exchange Commission or its staff upon request.