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

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# FORM 8-K/A
**(Amendment No. 1)**

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**CURRENT REPORT**
**Pursuant to Section 13 or 15(d)**
**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): March 20, 2008**

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# NuStar Energy L.P.
**(Exact name of registrant as specified in its charter)**

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| Delaware | 1-16417 | 74-2956831 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| 2330 North Loop 1604 West, San Antonio, Texas | 78248 |
|---|---|
| (Address of Principal Executive Offices) | (Zip Code) |

**Registrant's Telephone Number, including Area Code: (210) 918-2000**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## Explanatory Note

This Form 8-K/A amends the Current Report on Form 8-K of NuStar Energy L.P. dated March 20, 2008, and filed with the Securities and Exchange Commission on March 25, 2008. That Form 8-K reported NuStar Energy L.P.'s completion of its acquisition of CITGO Asphalt Refining Company's asphalt operations and assets. This report provides the financial statements and the pro forma financial information required under Item 9.01.

**Item 9.01. Financial Statements and Exhibits.**

**(a) Financial statements of businesses acquired.**

Audited consolidated financial statements of CITGO Asphalt Refining Company as of and for the year ended December 31, 2007, and the independent auditors' report are filed herewith in Exhibit 99.1.

**(b) Pro forma financial information.**

Unaudited pro forma combined financial statements of NuStar Energy L.P. as of and for the year ended December 31, 2007 are filed herewith in Exhibit 99.2.

**(c) Exhibits.**

| Exhibit No. | Description |
|---|---|
| 23.1 | Consent of KPMG LLP |
| 99.1 | Financial Statements of CITGO Asphalt Refining Company |
| 99.2 | Pro forma financial information |

## SIGNATURE

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 hereunto duly authorized.

NuStar Energy L.P.

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

By: NuStar GP, LLC, its general partner

Date: June 6, 2008

By: /s/ Amy L. Perry
Name: Amy L. Perry
Title: Assistant Secretary

## EXHIBIT INDEX

**NuStar Energy L.P.**

| | |
|---|---|
| 23.1 | Consent of KPMG LLP |
| 99.1 | Financial statements of CITGO Asphalt Refining Company<br>Independent Auditors' Report<br>Consolidated Balance Sheet – December 31, 2007<br>Consolidated Income Statement – Year Ended December 31, 2007<br>Consolidated Statement of Partners' Capital – Year Ended December 31, 2007<br>Consolidated Statement of Cash Flows – Year Ended December 31, 2007<br>Notes to Consolidated Financial Statements |
| 99.2 | Unaudited Pro Forma Combined Balance Sheet as of December 31, 2007<br>Unaudited Pro Forma Combined Statement of Income for the Year Ended December 31, 2007<br>Notes to Unaudited Pro Forma Combined Financial Statements |

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors of
NuStar GP, LLC:

We consent to the incorporation by reference in the registration statement on Form S-8 (Nos. 333-109541, 333-88264, 333-81806 and 333-138133), on Form S-4 (No. 333-120726) and on Form S-3 (No. 333-143095) of NuStar Energy L.P. of our report dated June 2, 2008, with respect to the consolidated balance sheet of CITGO Asphalt Refining Company as of December 31, 2007 and the related consolidated statements of income, changes in partners' capital, and cash flows for the year ended December 31, 2007, which report appears in the Form 8-K/A of NuStar Energy L.P. dated June 6, 2008.

/s/ KPMG LLP

Houston, Texas
June 4, 2008

**Exhibit 99.1**

# Independent Auditors' Report

The Partners
CITGO Asphalt Refining Company:

We have audited the accompanying consolidated balance sheet of CITGO Asphalt Refining Company (a general partnership) and subsidiary (the Company) as of December 31, 2007, and the related consolidated statements of income, changes in partners' capital, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CITGO Asphalt Refining Company and subsidiary as of December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

June 2, 2008

**CITGO ASPHALT REFINING COMPANY**

(A General Partnership)

Consolidated Balance Sheet

December 31, 2007

(Dollars in thousands)

| | |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents | $ 32 |
| Accounts receivable, net | 80,818 |
| Inventories | 80,349 |
| Prepaid expenses and other | 221 |
| Total current assets | 161,420 |
| Property, plant, and equipment – net | 113,339 |
| Other assets | 3,599 |
| | $ 278,358 |
| **Liabilities and Partners' Capital** | |
| Current liabilities: | |
| Accounts payable | $ 24,064 |
| Payables to affiliates | 69,794 |
| Taxes other than income | 1,240 |
| Other | 6,894 |
| Total current liabilities | 101,992 |
| Other noncurrent liabilities | 5,726 |
| Total liabilities | 107,718 |
| Partners' capital | 170,640 |
| | $ 278,358 |

See accompanying notes to consolidated financial statements.

**CITGO ASPHALT REFINING COMPANY**
(A General Partnership)

Consolidated Statement of Income

Year ended December 31, 2007

(Dollars in thousands)

| | |
|---|---|
| Revenues: | |
| Net sales | $1,867,468 |
| Sales to affiliates | 52,897 |
| | 1,920,365 |
| Other income, net | 308 |
| | 1,920,673 |
| Cost of sales and expenses: | |
| Cost of sales and operating expenses (including purchases of $1,461,622 from affiliates) | 1,835,336 |
| Selling, general, and administrative expenses | 24,814 |
| | 1,860,150 |
| Income before income taxes | 60,523 |
| Income taxes | (40) |
| Net income | $ 60,483 |

See accompanying notes to consolidated financial statements.

**CITGO ASPHALT REFINING COMPANY**

(A General Partnership)

Consolidated Statement of Changes in Partners' Capital

Year ended December 31, 2007

(Dollars in thousands)

| | Total partners' capital |
|---|---|
| Balance, December 31, 2006 | $205,157 |
| Net income | 60,483 |
| Noncash dividends paid to partners | (95,000) |
| Balance, December 31, 2007 | $170,640 |

See accompanying notes to consolidated financial statements.

**CITGO ASPHALT REFINING COMPANY**

(A General Partnership)

Consolidated Statement of Cash Flows

Year ended December 31, 2007

(Dollars in thousands)

| | |
|---|---|
| Cash flows from operating activities: | |
| Net income | $ 60,483 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 12,914 |
| Provision for losses on accounts receivable | (23) |
| Loss on sale or retirement of property, plant, and equipment | 119 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (32,415) |
| Inventories | (21,374) |
| Prepaid expenses and other current assets | 383 |
| Accounts payables and other current liabilities | 5,008 |
| Payables to affiliates | 42,427 |
| Other noncurrent assets | (1,856) |
| Other noncurrent liabilities | 2,998 |
| Net cash provided by operating activities | 68,664 |
| Cash flows from investing activities: | |
| Capital expenditures | (4,947) |
| Proceeds from sale of property, plant, and equipment | 30 |
| Net cash used in investing activities | (4,917) |
| Cash flows from financing activity: | |
| Net borrowings from affiliates | (63,747) |
| Net cash used in financing activity | (63,747) |
| Net decrease in cash and cash equivalents | — |
| Cash and cash equivalents, beginning of year | 32 |
| Cash and cash equivalents, end of year | $ 32 |
| Supplemental disclosure of noncash financing activities: | |
| Noncash dividends | $ (95,000) |

See accompanying notes to consolidated financial statements.

## (1) Significant Accounting Policies

### *(a) Description of Business*

CITGO Asphalt Refining Company (CARCO) is a New Jersey general partnership that is 90% owned by CITGO Petroleum Corporation (CITGO) and 10% owned by CITGO East Coast Oil Corporation, which is an indirect wholly owned subsidiary of CITGO. CITGO's parent company is PDV America, Inc. (PDV America), an indirect wholly owned subsidiary of Petróleos de Venezuela, S.A. (PDVSA or ultimate parent), the national oil company of the Bolivarian Republic of Venezuela.

CARCO refines heavy and extra heavy crude oil to produce asphalt, naphtha, marine diesel oil, vacuum gas oil and other related products. Refined industrial products are sold to various manufacturing and industrial companies throughout the United States. CARCO owns and operates two asphalt refineries (Paulsboro, New Jersey, and Savannah, Georgia). CARCO's wholly owned subsidiary CITERCO was formed in 1997 to produce polymer modified asphalt cement (PMAC) utilizing the SEAL-O-FLEX technology.

In November 2007, CITGO signed a sale and purchase agreement with NuStar Energy L.P. to sell CARCO's property, plant and equipment and inventory to be valued at closing. The sale of all the property, plant and equipment and inventory with the exception of 240,000 barrels of refined product was completed on March 20, 2008. CITGO received approximately $654 million and $147 million in cash proceeds in March 2008 and May 2008, respectively, as a result of this sale.

Following this sale, CARCO has no further operating assets or future operations.

### *(b) Principles of Consolidation*

The consolidated financial statements include the accounts of CARCO and its wholly owned subsidiary, CITERCO (collectively referred to as the Company). All material intercompany transactions and accounts have been eliminated.

### *(c) Estimates, Risks, and Uncertainties*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CARCO's operations can be influenced by domestic and international political, legislative, regulatory, and legal environments. In addition, significant changes in the prices or availability of crude oil and refined products could have a significant impact on CARCO's results of operations for any particular year.


(Continued)

***(d) Impairment of Long-Lived Assets***

The Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the separately identifiable anticipated undiscounted net cash flow from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated net cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for disposal costs.

***(e) Revenue Recognition***

Revenue is generated from the sale of asphalt and other refined petroleum products to bulk purchasers and wholesale purchasers. Asphalt is generally marketed to independent paving contractors on the East and Gulf Coasts and the Midwest of the United States. Industrial products are sold to various manufacturers and industrial companies throughout the United States.

Revenue recognition occurs at the point that title to the product is transferred to the customer. That transfer is determined from the delivery terms of the customer's contract. In the case of bulk purchasers, delivery and title transfer may occur while the refined petroleum products are in transit, if agreed by the purchaser; or may occur when the hydrocarbons are transferred into a storage facility at the direction of the purchaser. In the case of wholesale purchasers, delivery and title transfer generally occurs when the refined petroleum products are transferred from a storage facility to the transport truck.

***(f) Marketing Activities***

The Company also engages in the selling of asphalt to distributors and other bulk customers and also sells unfinished refined products marketed as feedstock to other refineries and blenders.

***(g) Cash and Cash Equivalents***

Cash and cash equivalents consist of highly liquid short-term investments and bank deposits with initial maturities of three months or less. The Company had no cash equivalents as of December 31, 2007.

***(h) Inventories***

Crude oil, asphalt, and other refined product inventories are stated at the lower of cost or market and cost is determined using the last-in, first-out (LIFO) method. Materials and supplies are valued using the average cost method.


(Continued)

***(i) Property, Plant, and Equipment***

Property, plant, and equipment are reported at cost, less accumulated depreciation. Depreciation is based upon the estimated useful lives of the related assets using the straight-line method. Depreciable lives are generally as follows: buildings and leaseholds – 10 to 24 years; machinery and equipment – 5 to 25 years; and vehicles – 3 to 10 years.

Upon disposal or retirement of property, plant, and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

The Company capitalizes interest on projects when construction entails major expenditures over extended time periods. Such interest is allocated to property, plant, and equipment and amortized over the estimated useful lives of the related assets. There were no projects at the Company that would qualify as major expenditure to qualify as capitalized interest for 2007.

***(j) Refinery Maintenance***

Costs of major refinery turnaround maintenance are capitalized and charged to operations over the estimated period between turnarounds. Turnaround periods range approximately from one to seven years. Unamortized costs are included in other assets. Amortization of refinery turnaround costs is included in depreciation and amortization expense. Amortization was $2.9 million for the year ended December 31, 2007. Ordinary maintenance is expensed as incurred.

***(k) Environmental Expenditures***

Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or cleanups are probable and the costs can be reasonably estimated. Environmental liabilities are recorded at their present value and without consideration of potential recoveries from third parties. Subsequent adjustments to estimates, to the extent required, may be made as more refined information becomes available.

***(l) Income Taxes***

The Company is not subject to federal income taxes as income is reportable directly by the individual partners. Therefore, there is no provision for federal income taxes in the accompanying consolidated financial statements. The Company is subject to certain state or local income taxes.

**(2) Related-Party Transactions**

The Company purchases 100% of the crude oil processed in its refineries from subsidiaries of PDVSA under long-term supply agreements and spot purchases. These supply agreements extend through 2010 for the Paulsboro refinery and 2013 for the Savannah refinery. The Company’s crude oil purchase commitments under these supply agreements are approximately 47 thousand barrels per day. The Company purchased $1,462 million of crude oil, feed stocks, and other products from wholly owned subsidiaries of PDVSA in 2007 under these and other purchase agreements. At December 31, 2007, $43 million were included in payables to affiliates as a result of these transactions.



(Continued)

These long-term crude oil supply agreements require PDVSA to supply minimum quantities of crude oil and other feed stocks to CARCO. The supply agreements incorporate formula prices based on the market value of a slate of refined products deemed to be produced from each particular grade of crude oil or feedstock, less (i) specified deemed refining costs; (ii) specified actual costs, including transportation charges, actual cost of natural gas and electricity, import duties, and taxes; and (iii) a deemed margin, which varies according to the grade of crude oil or feedstock delivered. Under each supply agreement, deemed margins and deemed costs are adjusted periodically by a formula primarily based on the rate of inflation. Because deemed operating costs and the slate of refined products deemed to be produced for a given barrel of crude oil or other feedstock do not necessarily reflect the actual costs and yields in any period, the actual refining margin earned by CARCO under the various supply agreements will vary depending on, among other things, the efficiency with which CARCO conducts its operations during such period. The price CARCO pays for crude oil purchased under these crude oil supply agreements is not directly related to the market price of any other crude oil. Thus, there are periods in which the price paid for crude oil purchased under those agreements may be higher or lower than the price that might have been paid in the spot market.

The Company had unfinished refined product sales to CITGO, primarily at market-related prices of $53 million in 2007. CITGO also charges the Company for payroll expenses, including pension and other postretirement benefits incurred on behalf of the Company for those employees. Charges related to the Company's participation in the CITGO pension and other postretirement plans totaled $3.1 million for 2007. CITGO has also charged the Company approximately $8.3 million during 2007 for various support services and overhead, which CITGO allocates to the Company based on CITGO management's estimate of CARCO's pro rata portion of these expenses.

CITGO provides the cash management and financing functions for CARCO, including the collection of receivables, the payment of expenses, and the financing of all operating and capital expenditures. CITGO and CARCO will periodically settle a portion or all of these net balances through the declaration of dividends to CITGO (and CITGO East Coast Oil Corporation). As a result, during the year ended December 31, 2007, the Company declared a noncash dividend of $95.0 million paid through a reduction in the receivables due from CITGO. As of December 31, 2007, there was $27 million payable to affiliates as a result of all these transactions with CITGO.

## (3) Accounts Receivable

| | (Dollars in thousands) |
|---|---|
| Trade | $ 79,826 |
| Other receivables | 1,428 |
| | 81,254 |
| Less allowance for uncollectible accounts | (436) |
| | $ 80,818 |



(Continued)

Sales are made on account, based on preapproved unsecured credit terms established by CARCO management. Allowances for uncollectible accounts are established based on several factors that include, but are not limited to, analysis of specific customers, historical trends, and other information.

### (4) Inventories

| | (Dollars in thousands) |
|---|---|
| Crude oil | $ 36,431 |
| Refined products | 42,110 |
| Materials and supplies | 1,808 |
| | $ 80,349 |

At December 31, 2007, estimated net market values exceeded historical cost by approximately $80.8 million. The reductions of LIFO inventory quantities resulted in a liquidation of prior years' LIFO layers and decreased cost of goods sold by approximately $3.6 million in 2007.

### (5) Property, Plant, and Equipment

| | (Dollars in thousands) |
|---|---|
| Land | $ 5,478 |
| Buildings and leaseholds | 31,216 |
| Machinery and equipment | 184,628 |
| Vehicles | 287 |
| Construction in process | 5,152 |
| | 226,761 |
| Accumulated depreciation and amortization | (113,422) |
| | $ 113,339 |

Depreciation expense for 2007 was $10 million. Net losses on disposals, impairments, and retirements of property, plant, and equipment were approximately $119,000 in 2007.

## (6) Commitments and Contingencies

### *(a) Litigation and Injury Claims*

Various lawsuits and claims arising in the ordinary course of business are pending against CARCO. CARCO records accruals for potential losses when, in management’s opinion, such losses are probable and reasonably estimable. If known lawsuits and claims were to be determined in a manner adverse to CARCO, and in amounts greater than CARCO’s accruals, then such determinations could have a material adverse effect on CARCO’s results of operations in a given reporting period. The most significant lawsuits and claims are discussed below.

On November 26, 2004, the Athos I, a merchant tanker, struck a submerged anchor in the public channel of the Delaware River near Paulsboro, New Jersey and released crude oil owned by CARCO. In a maritime limitation of liability action in federal court in Philadelphia, Pennsylvania, the owner of the Athos I has counterclaimed against CARCO for over $125 million in oil spill recovery and clean up costs. The Company does not believe that it has any liability and will vigorously defend itself.

In 1973, predecessors to CARCO entered into a Terminal Service Agreement with Atlantic City Electricity. It was amended in 1986 by CARCO’s immediate predecessor. In 1997, CARCO began using a tank identified in the terminal agreement to store sour water and reduced the monthly fee. In the spring of 2007, RC Cape May Holding purchased the ACE power plant and told CARCO it was opting to use a tank identified in the terminal agreement for trading purposes. CARCO refused this request, and in June 2007, Cape May invoked arbitration. In July 2007, CARCO filed its answer. An arbitrator has been selected. CITGO and CARCO shall continue to vigorously defend this case. The Company does not believe that the resolution of this matter will have a material adverse effect on its financial condition or results of operations.

At December 31, 2007, CARCO’s balance sheet included an accrual for lawsuits and claims of $3 million. CARCO estimates that an additional loss of $22 million is reasonably possible in connection with such lawsuits and claims.

### *(b) Environmental Compliance and Remediation*

CARCO is subject to the federal Clean Air Act (CAA), which includes the New Source Review program as well as the Title V air permitting program; the federal Clean Water Act, which includes the National Pollution Discharge Elimination System program; the Toxic Substances Control Act; and the federal Resource Conservation and Recovery Act and their equivalent state programs. CARCO believes it is in material compliance with the requirements of all of these environmental regulatory programs. CARCO does not have any material Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) liability because the former owners of many of CARCO’s assets have by explicit contractual language assumed all or the material portion of CERCLA obligations related to those assets.



(Continued)

In addition, CARCO is subject to various other federal, state, and local environmental laws and regulations that may require CARCO to take additional compliance actions and also actions to remediate the effects on the environment of prior disposal or release of petroleum, hazardous substances, and other waste and/or pay for natural resource damages. Maintaining compliance with environmental laws and regulations could require significant capital expenditures and additional operating costs. Also, numerous other factors affect CARCO's plans with respect to environmental compliance and related expenditures.

CARCO's accounting policy establishes environmental reserves as probable site restoration and remediation obligations become reasonably capable of estimation. Environmental liabilities are recorded at their present value and without consideration of potential recoveries from third parties. Subsequent adjustments to estimates, to the extent required, will be made as more refined information becomes available. CARCO believes the amounts provided in its consolidated financial statements, as prescribed by U.S. generally accepted accounting principles, are adequate in light of probable and estimable liabilities and obligations. However, there can be no assurance that the actual amounts required to discharge alleged liabilities and obligations and to comply with applicable laws and regulations will not exceed amounts provided for or will not have a material adverse effect on CARCO's consolidated results of operations, financial condition, and cash flows.

In January and July 2001, CITGO received notices of violation (NOVs) from the U.S. EPA alleging violations of the CAA. The NOVs are an outgrowth of an industry-wide and multi-industry U.S. EPA enforcement initiative alleging that many refineries, electric utilities, and other industrial sources modified air emission sources. Without admitting any violation, CITGO executed a Consent Decree with the U.S. government and the states of New Jersey and Georgia. The Consent Decree requires the implementation of control equipment at CARCO's refineries. Approximately $2 million in capital costs will be incurred over a period of time, primarily in 2008 and thereafter.

At December 31, 2007, CARCO's balance sheet included an environmental accrual of $200,000. CITGO estimates that an additional loss of $200,000 is reasonably possible in connection with environmental matters.

Various regulatory authorities have the right to conduct, and from time to time do conduct, environmental compliance audits or inspections of CARCO and its subsidiaries' facilities and operations. Those compliance audits or inspections have the potential to reveal matters that those authorities believe represent noncompliance in one or more respects with regulatory requirements and for which those authorities may seek corrective actions and/or penalties in an administrative or judicial proceeding. Based upon current information, CARCO does not believe that any such prior compliance audit or inspection or any resulting proceeding will have a material adverse effect on its future business and operating results, other than matters described above.

Conditions that require additional expenditures may exist with respect to CARCO's various sites including, but not limited to, its operating refinery complexes, former refinery sites, and crude oil and petroleum product storage terminals. Based on currently available information, CARCO cannot determine the amount of any such future expenditures.



(Continued)

## (7) Leases

The Company has various noncancelable operating leases, primarily for product storage facilities, office space, and rail cars. Operating lease expense totaled $23 million in 2007. Future minimum lease payments for the noncancelable operating leases are as follows (dollars in thousands):

| | Operating leases |
|---|---|
| Year: | |
| 2008 | $ 23,972 |
| 2009 | 11,345 |
| 2010 | 10,175 |
| 2011 | 8,402 |
| 2012 | 2,033 |
| Thereafter | — |
| Total minimum lease payments | $ 55,927 |

# NUSTAR ENERGY L.P.
# UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

## Introduction

As used in this report, references to “we,” “us” or “our” collectively refer to NuStar Energy L.P.

The following unaudited pro forma combined financial statements give effect to our acquisition on March 20, 2008 of CITGO Asphalt Refining Company’s asphalt operations and assets (the CARCO Assets) for a total of $808.3 million. In addition, we assumed certain environmental and employee-related liabilities. The CARCO Assets include asphalt refineries in Paulsboro, New Jersey and Savannah, Georgia and three asphalt terminals. We funded the acquisition with proceeds from our common unit offerings in November 2007 and April 2008, related contributions from our general partner to maintain its 2% interest, proceeds from our issuance of $350.0 million of senior notes and borrowings under our revolving credit agreement.

The unaudited pro forma combined balance sheet as of December 31, 2007 is presented as if the acquisition of the CARCO Assets had occurred on that date. The unaudited pro forma combined statement of income assumes that the acquisition occurred on January 1, 2007. The estimates of fair value of the assets acquired and liabilities assumed are based on preliminary assumptions, pending the completion of an independent appraisal and other evaluations.

The unaudited pro forma combined financial statements should be read in conjunction with (i) the audited historical consolidated financial statements of NuStar Energy L.P. included in its Annual Report on Form 10-K for the year ended December 31, 2007; and (ii) the audited historical consolidated financial statements of CITGO Asphalt Refining Company for the year ended December 31, 2007 included herein. The unaudited pro forma combined financial statements are not necessarily indicative of the financial position that would have been obtained or the financial results that would have occurred if the acquisition of the CARCO Assets had been consummated on the dates indicated, nor are they necessarily indicative of the financial position or results of operations in the future. The pro forma adjustments, as described in the notes to unaudited pro forma combined financial statements, are based upon available information and certain assumptions that our management believes are reasonable.

The unaudited pro forma combined financial statements do not give effect to any anticipated cost savings or other financial benefits expected to result from the acquisition of the CARCO Assets.

**NUSTAR ENERGY L.P.**
**UNAUDITED PRO FORMA COMBINED BALANCE SHEET**
**DECEMBER 31, 2007**
**(Thousands of Dollars)**

| | NuStar Energy L.P. Historical | Pro Forma Adjustments | | NuStar Energy L.P. Pro Forma Combined |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 89,838 | $ 415,868 | (a) | $ 89,838 |
| | | 236,227 | (b) | |
| | | 5,025 | (c) | |
| | | 146,035 | (d) | |
| | | (803,155) | (e) | |
| Accounts receivable, net | 130,354 | — | | 130,354 |
| Receivable from related party | 786 | — | | 786 |
| Inventories | 88,532 | 326,715 | (e) | 415,247 |
| Other current assets | 37,624 | 1,439 | (e) | 39,063 |
| Total current assets | 347,134 | 328,154 | | 675,288 |
| Property, plant and equipment | 2,944,116 | 451,863 | (e) | 3,395,979 |
| Accumulated depreciation and amortization | (452,030) | — | | (452,030) |
| Property, plant and equipment, net | 2,492,086 | 451,863 | | 2,943,949 |
| Intangible assets, net | 47,762 | — | | 47,762 |
| Goodwill | 785,019 | — | | 785,019 |
| Investment in joint ventures | 80,366 | — | | 80,366 |
| Deferred income tax asset | 10,622 | — | | 10,622 |
| Deferred charges and other assets, net | 20,098 | 2,720 | (a) | 51,134 |
| | | 28,316 | (e) | |
| Total assets | $3,783,087 | $ 811,053 | | $4,594,140 |
| **Liabilities and Partner's Equity** | | | | |
| Current liabilities: | | | | |
| Current portion of long-term debt | $ 663 | $ — | | $ 663 |
| Accounts payable | 163,309 | — | | 163,309 |
| Accrued interest payable | 17,725 | — | | 17,725 |
| Accrued liabilities | 47,189 | 231 | (e) | 47,420 |
| Taxes other than income taxes | 10,157 | 496 | (e) | 10,653 |
| Income taxes payable | 3,442 | — | | 3,442 |
| Total current liabilities | 242,485 | 727 | | 243,212 |
| Long-term debt, less current portion | 1,445,626 | 418,588 | (a) | 2,010,249 |
| | | 146,035 | (d) | |
| Long-term payable to related party | 5,684 | 896 | (e) | 6,580 |
| Deferred income tax liability | 34,196 | — | | 34,196 |
| Other long-term liabilities | 60,264 | 3,555 | (e) | 63,819 |
| Partners' equity: | | | | |
| Limited partners | 1,926,126 | 236,227 | (b) | 2,162,353 |
| General partner | 41,819 | 5,025 | (c) | 46,844 |
| Accumulated other comprehensive income | 26,887 | — | | 26,887 |
| Total partners' equity | 1,994,832 | 241,252 | | 2,236,084 |
| Total liabilities and partners' equity | $3,783,087 | $ 811,053 | | $4,594,140 |

See Accompanying Notes to Pro Forma Combined Financial Statements.

**NUSTAR ENERGY L.P.**
**UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2007**
**(Thousands of Dollars, except unit and per unit data)**

| | NuStar Energy L.P. Historical | CARCO Historical | Pro Forma Adjustments | | NuStar Energy L.P. Pro Forma Combined |
|---|---|---|---|---|---|
| **Revenue** | $ 1,475,014 | $1,920,365 | $ — | | $ 3,395,379 |
| **Costs and expenses:** | | | | | |
| Cost of product sales | 742,972 | 1,529,149 | 3,600 | (f) | 2,275,721 |
| Operating expenses | 357,235 | 301,184 | — | | 658,419 |
| General and administrative expenses | 67,915 | 19,776 | — | | 87,691 |
| Depreciation and amortization expense | 114,293 | 10,041 | 8,033 | (g) | 132,367 |
| **Total costs and expenses** | 1,282,415 | 1,860,150 | 11,633 | | 3,154,198 |
| **Operating income** | 192,599 | 60,215 | (11,633) | | 241,181 |
| Equity income from joint ventures | 6,833 | — | — | | 6,833 |
| Interest expense, net | (76,516) | — | (31,120) | (h) | (107,636) |
| Other income, net | 38,830 | 308 | — | | 39,138 |
| **Income before income tax expense** | 161,746 | 60,523 | (42,753) | | 179,516 |
| Income tax expense | 11,448 | 40 | — | (i) | 11,488 |
| **Net income** | 150,298 | 60,483 | (42,753) | | 168,028 |
| Less net income applicable to general partner | (21,063) | — | (2,995) | (j) | (24,058) |
| **Net income applicable to limited partners** | $ 129,235 | $ 60,483 | $ (45,748) | | $ 143,970 |
| Net income per unit applicable to limited partners | $ 2.74 | | | | $ 2.64 |
| Weighted average number of basic units outstanding | 47,158,790 | | 7,301,759 | (k) | 54,460,549 |

See Accompanying Notes to Pro Forma Combined Financial Statements.

**Pro Forma Adjustments:**

(a) To reflect the sale of $350.0 million of 7.65% senior notes due April 15, 2018, net of discount of $0.7 million, and the borrowings on our variable rate revolving credit agreement of $69.3 million. Debt issuance costs of $2.4 million and $0.3 million related to the $350.0 million senior notes and revolving credit agreement, respectively, were capitalized and will be amortized over the life of each debt instrument.

(b) To record the sale of 5,050,800 common units of NuStar Energy L.P. at a price of $48.75 per unit for net proceeds of $236.2 million.

(c) To record a capital contribution from the general partner of NuStar Energy L.P. of $5.0 million to maintain its 2% ownership interest in NuStar Energy L.P.

(d) To reflect the proceeds of the November 2007 equity offering and the related general partner contribution totaling $146.0 million, which were originally used to partially repay the balance outstanding on our revolving credit agreement.

(e) For purposes of this pro forma analysis, the estimated purchase price has been allocated based on a preliminary assessment of the fair value of the assets acquired and liabilities assumed, pending the completion of an independent appraisal and other evaluations. Management does not expect to allocate a significant amount of the purchase price to goodwill or identifiable intangible assets, as there is little intellectual property involved in the operation of the acquired business. However, the results of the pending appraisal may reflect a value for certain customer contracts or other identifiable intangible assets, the quantification of which cannot be determined at this time. The purchase price and preliminary purchase price allocation results in the following pro forma adjustments (in thousands):

| | |
|---|---|
| Inventory | $ 326,715 |
| Other current assets | 1,439 |
| Property, plant and equipment | 451,863 |
| Other noncurrent assets | 28,316 |
| Purchase price | 808,333 |
| Less liabilities assumed | 5,178 |
| Preliminary purchase price allocation | $ 803,155 |

| | |
|---|---|
| November 2007 equity offering | $ 143,000 |
| Contributions from our general partner to maintain its 2% interest | 3,035 |
| April 2008 equity offering | 236,227 |
| Contributions from our general partner to maintain its 2% interest | 5,025 |
| Senior note offering, net of issuance costs | 346,882 |
| Borrowings on revolving credit agreement, net of issuance costs | 68,986 |
| Total sources | $ 803,155 |

(f) To adjust cost of product sales from the LIFO method to the weighted-average cost method, which is the method we use.

(g) To adjust depreciation expense for the preliminary purchase price allocation to property, plant and equipment for the year ended December 31, 2007 based on an estimated life of 25 years and no salvage value.

(h) To reflect interest expense of $31.1 million for the year ended December 31, 2007 attributable to (i) the sale of $350.0 million of 7.65% senior notes, (ii) borrowings on our variable rate revolving credit agreement, (iii) the amortization of debt issuance costs, and (iv) amortization of debt discount. For pro forma presentation purposes, the debt discount and the debt issuance costs associated with each debt instrument have been amortized from January 1, 2007 using the effective interest method. A 1/8% change in the interest rate associated with the borrowings under our revolving credit agreement would have a $0.1 million effect on interest expense for the year ended December 31, 2007.

(i) The pro forma adjustments to the statements of income have not been tax-effected as the effect on income tax is not material.

(j) To reflect the adjustment to the general partner's interest in net income that has been calculated assuming our common units issued in November 2007 and April 2008 were outstanding as of January 1, 2007 and the same quarterly distributions per limited partner unit that were earned in 2007. The general partner's incentive distribution rights have been calculated as defined by NuStar Energy L.P.'s partnership agreement. The following reflects the general partner's total interest in the pro forma combined net income (in thousands):

| | For the Year Ended December 31, 2007 |
|---|---|
| General partner's 2% ownership interest in net income | $ 2,938 |
| General partner's incentive distribution | 21,120 |
| Net income applicable to general partner | $ 24,058 |

(k) To adjust the weighted average number of basic units outstanding to the number of common units outstanding at the completion of the acquisition.