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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

o **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.)**
19003 IH-10 West San Antonio, Texas	**78257**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

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

Large accelerated filer	x	Accelerated filer	£
Non-accelerated filer	o (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 o No x

The number of common units outstanding as of October 31, 2012 was 77,886,078.

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)

	September 30, 2012	December 31, 2011
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 107,456	$ 17,497
Accounts receivable, net of allowance for doubtful accounts of $2,248 and $2,147 as of September 30, 2012 and December 31, 2011, respectively	453,137	547,808
Receivable from related party	2,358	—
Inventories	240,694	587,785
Income tax receivable	995	4,148
Other current assets	59,600	43,685
Total current assets	864,240	1,200,923
Property, plant and equipment, at cost	4,171,269	4,413,305
Accumulated depreciation and amortization	(1,016,179)	(982,837)
Property, plant and equipment, net	3,155,090	3,430,468
Intangible assets, net	26,518	38,923
Goodwill	822,911	846,717
Investment in joint ventures	116,139	66,687
Deferred income tax asset	2,080	9,141
Note receivable from related party	170,711	—
Other long-term assets, net	206,195	288,331
Total assets	$ 5,363,884	$ 5,881,190
Liabilities and Partners' Equity		
Current liabilities:		
Current portion of long-term debt	$ 517,863	$ 364,959
Accounts payable	439,622	454,326
Payable to related party	13,717	6,735
Accrued interest payable	23,966	29,833
Accrued liabilities	97,441	71,270
Taxes other than income tax	15,020	13,455
Income tax payable	2,771	3,222
Total current liabilities	1,110,400	943,800
Long-term debt, less current portion	1,518,543	1,928,071
Long-term payable to related party	16,004	14,502
Deferred income tax liability	30,851	35,437
Other long-term liabilities	15,987	95,045
Commitments and contingencies (Note 6)		
Partners' equity:		
Limited partners (77,886,078 and 70,756,078 common units outstanding as of September 30, 2012 and December 31, 2011, respectively)	2,679,791	2,817,069
General partner	60,375	62,539
Accumulated other comprehensive loss	(80,981)	(27,407)
Total NuStar Energy L.P. partners' equity	2,659,185	2,852,201
Noncontrolling interest	12,914	12,134
Total partners' equity	2,672,099	2,864,335
Total liabilities and partners' equity	$ 5,363,884	$ 5,881,190

See Condensed Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Service revenues:				
Third parties	$ 221,108	$ 210,395	$ 634,350	$ 607,866
Related party	713	286	2,198	823
Total service revenues	221,821	210,681	636,548	608,689
Product sales	1,522,945	1,613,669	4,745,815	4,039,461
Total revenues	1,744,766	1,824,350	5,382,363	4,648,150
Costs and expenses:				
Cost of product sales	1,486,985	1,535,609	4,638,011	3,797,424
Operating expenses:				
Third parties	103,387	98,464	288,283	281,419
Related party	39,032	37,151	115,065	109,061
Total operating expenses	142,419	135,615	403,348	390,480
General and administrative expenses:				
Third parties	8,773	8,746	26,566	27,865
Related party	16,181	8,985	48,710	41,968
Total general and administrative expenses	24,954	17,731	75,276	69,833
Depreciation and amortization expense	39,686	42,418	129,943	124,354
Asset impairment loss	—	—	249,646	—
Goodwill impairment loss	—	—	22,132	—
Gain on legal settlement	—	—	(28,738)	—
Total costs and expenses	1,694,044	1,731,373	5,489,618	4,382,091
Operating income (loss)	50,722	92,977	(107,255)	266,059
Equity in (loss) earnings of joint ventures	(951)	2,599	3,816	6,997
Interest expense, net	(24,867)	(21,565)	(71,037)	(62,644)
Other (expense) income, net	(19,940)	767	(21,384)	(5,699)
Income (loss) before income tax expense	4,964	74,778	(195,860)	204,713
Income tax expense	622	4,497	20,354	13,311
Net income (loss)	4,342	70,281	(216,214)	191,402
Less net (loss) income attributable to noncontrolling interest	(47)	123	(217)	143
Net income (loss) attributable to NuStar Energy L.P.	$ 4,389	$ 70,158	$ (215,997)	$ 191,259
Net (loss) income per unit applicable to limited partners (Note 12)	$ (0.09)	$ 0.92	$ (3.40)	$ 2.49
Weighted-average limited partner units outstanding	72,383,578	64,612,423	71,302,538	64,611,181
Comprehensive (loss) income	$ (4,018)	$ (55,969)	$ (268,791)	$ 44,529
Less comprehensive income (loss) attributable to noncontrolling interest	66	(2,063)	780	(2,318)
Comprehensive (loss) income attributable to NuStar Energy L.P.	$ (4,084)	$ (53,906)	$ (269,571)	$ 46,847

See Condensed Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities:		
Net (loss) income	$ (216,214)	$ 191,402
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	129,943	124,354
Amortization of debt related items	(5,718)	(8,328)
Loss (gain) from sale or disposition of assets	19,828	(117)
Asset and goodwill impairment loss	271,778	—
Gain on legal settlement	(28,738)	—
Deferred income tax expense	1,403	4,130
Equity in earnings of joint ventures	(3,816)	(6,997)
Distributions of equity in earnings of joint venture	6,364	9,397
Changes in current assets and current liabilities (Note 13)	108,750	(216,427)
Other, net	(11,701)	4,457
Net cash provided by operating activities	271,879	101,871
Cash Flows from Investing Activities:		
Reliability capital expenditures	(21,420)	(32,808)
Strategic capital expenditures	(299,358)	(211,150)
Acquisitions	—	(100,693)
Investment in other long-term assets	(2,364)	(8,449)
Proceeds from sale or disposition of assets	35,547	445
Proceeds from sale of Asphalt Operations	436,276	—
Increase in note receivable from related party	(170,711)	—
Net cash used in investing activities	(22,030)	(352,655)
Cash Flows from Financing Activities:		
Proceeds from long-term debt borrowings	1,805,168	707,102
Proceeds from short-term debt borrowings	71,880	31,600
Proceeds from senior note offering, net of issuance costs	247,408	—
Long-term debt repayments	(2,287,178)	(348,153)
Short-term debt repayments	(71,880)	(31,600)
Proceeds from issuance of common units, net of issuance costs	336,662	1,583
Contributions from general partner	7,121	70
Distributions to unitholders and general partner	(267,228)	(240,571)
(Payments for) proceeds from termination of interest rate swaps	(5,678)	12,632
Other, net	363	(785)
Net cash (used in) provided by financing activities	(163,362)	131,878
Effect of foreign exchange rate changes on cash	3,472	(3,001)
Net increase (decrease) in cash and cash equivalents	89,959	(121,907)
Cash and cash equivalents as of the beginning of the period	17,497	181,121
Cash and cash equivalents as of the end of the period	$ 107,456	$ 59,214

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 and Operations
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 petroleum refining and marketing. Unless otherwise indicated, the terms “NuStar Energy,” “the Partnership,” “we,” “our” and “us” are used in this report to refer to NuStar Energy L.P., to one or more of our consolidated subsidiaries or to all of them taken as a whole. NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) owns our general partner, Riverwalk Logistics, L.P., and owns a 15.1% total interest in us as of September 30, 2012.

We conduct our operations through our 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 condensed consolidated financial statements include the accounts of the Partnership and subsidiaries in which the Partnership has a controlling interest. Noncontrolling interests are separately disclosed on the financial statements. Inter-partnership balances and transactions have been eliminated in consolidation. We account for investments in 50% or less-owned entities using the equity method.

These unaudited condensed 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 the Quarterly Report on 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 are adequate. All such adjustments are of a normal recurring nature unless disclosed otherwise. Financial information for the three and nine months ended September 30, 2012 and 2011 included in these Condensed Notes to Consolidated Financial Statements is derived from our unaudited condensed consolidated financial statements. Operating results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The consolidated balance sheet as of December 31, 2011 has been derived from the audited consolidated financial statements as of that date. These unaudited condensed 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, 2011.

2. DISPOSITIONS

Asphalt Operations
On September 28, 2012, we sold a 50% voting interest (the Asphalt Sale) in NuStar Asphalt LLC (Asphalt JV), previously a wholly owned subsidiary, to an affiliate of Lindsay Goldberg LLC (Lindsay Goldberg), a private investment firm. Asphalt JV owns and operates asphalt refining assets that were previously wholly owned by NuStar Energy, including the asphalt refineries located in Paulsboro, New Jersey and Savannah, Georgia (collectively, the Asphalt Operations). Lindsay Goldberg paid $175.0 million for the Class A equity interests (Class A Interests) of Asphalt JV, while we retained the Class B equity interests with a fair value of $52.0 million (Class B Interests). The Class A Interests have a distribution preference over the Class B Interests, as well as a liquidation preference.

NuStar Asphalt Refining, LLC and NuStar Marketing LLC are wholly owned subsidiaries of NuStar Asphalt LLC. Unless otherwise indicated, the term “Asphalt JV” is used in this report to refer to Asphalt JV, to one or more of its consolidated subsidiaries or to all of them taken as a whole.

At closing, we received $261.3 million from Asphalt JV for inventory related to the Asphalt Operations, pending a final inventory valuation. Asphalt JV funded the purchase of those inventories with proceeds from borrowings under a third-party asset-based revolving credit facility (the Third-Party Financing) and a $250.0 million unsecured revolving credit facility provided by NuStar Energy (the NuStar JV Facility). In addition to the NuStar JV Facility, we entered into various other agreements with Asphalt JV. See Note 9. Related Party Transactions for additional discussion of our agreements with Asphalt JV.

Deconsolidation. We determined the equity of Asphalt JV is not sufficient to finance its activities without additional subordinated support, including support provided by us as described in Note 9. Related Party Transactions. Therefore, we determined the Asphalt JV is a variable interest entity (VIE). An entity is required to consolidate a VIE if the entity is considered the primary beneficiary of the VIE. We analyzed our relationship with Asphalt JV, including our representation on the board of members, our equity interests and our rights under the various agreements with Asphalt JV and determined that NuStar Energy does not have the power to direct the activities most significant to the economic performance of Asphalt JV. As a result, NuStar Energy is not the primary beneficiary of Asphalt JV. Upon closing, we deconsolidated Asphalt JV and started reporting our remaining investment in Asphalt JV using the equity method of accounting. Since the fair value of the consideration we received was less than the carrying amount of the assets of the Asphalt Operations, we recognized a loss of $21.6 million in “Other (expense) income, net” in the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2012.

As of September 30, 2012, we included our 50% interest in Asphalt JV within “Investment in joint ventures” on the consolidated balance sheet. The condensed consolidated statements of comprehensive income include the results of operations for Asphalt JV in “Equity in earnings of joint ventures” commencing on September 28, 2012. Because of our continued involvement with Asphalt JV, we have not presented the results of operations for the Asphalt Operations prior to closing as discontinued operations. Beginning on September 28, 2012, we have presented transactions between us and the Asphalt JV as related party transactions in the consolidated financial statements.

Our maximum exposure to loss as a result of our involvement with Asphalt JV is approximately $448.7 million, which consists of (i) our investment in Asphalt JV of $48.7 million as of September 30, 2012, (ii) up to $250.0 million under the NuStar JV Facility and (iii) up to $150.0 million for credit support, including guarantees.

Other
On April 16, 2012, we sold five terminals in Georgia and Alabama with an aggregate storage capacity of 1.8 million barrels for total proceeds of $30.8 million.

3. ASSET IMPAIRMENTS

In anticipation of the Asphalt Sale, we evaluated the goodwill and other long-lived assets associated with the Asphalt Operations for potential impairment. As of June 30, 2012, we estimated the fair value of the Asphalt Operations reporting unit as the sum of (i) the purchase price to be paid by Lindsay Goldberg for the Class A Interests of Asphalt JV, (ii) the fair value of the Class B Interests of Asphalt JV that we would retain and (iii) the fair value of the working capital, primarily inventory. We determined the fair value of the Class B Interests using a combination of estimated discounted future cash flows and a pricing model. The fair value of the working capital was based on estimated current market prices. The estimated fair value of the Asphalt Operations reporting unit was less than its carrying value, which resulted in the recognition of a goodwill impairment loss of $22.1 million in the second quarter of 2012. In addition, in the second quarter of 2012, we recorded an asset impairment loss of $244.3 million in order to write-down the carrying value of long-lived assets related to the Asphalt Operations, including fixed assets, intangible assets and other long-term assets to their estimated fair value. The goodwill impairment loss and the asset impairment loss related to the Asphalt Operations are reported in the asphalt and fuels marketing segment.

In the second quarter of 2012, we reduced the carrying value of the fixed assets of one of our refined product terminals to its estimated fair value and recorded an asset impairment loss of $2.1 million. The impairment loss resulted from changing market conditions that reduced the estimated cash flows for that terminal. The impairment loss associated with this refined product terminal was reported in the storage segment. In addition, we recorded an asset impairment loss of $3.3 million in the second quarter of 2012 in order to reduce the carrying value of certain corporate assets we intend to sell to their estimated sales price of $2.8 million. These corporate assets that are held for sale are included in “Other current assets” on the consolidated balance sheet as of September 30, 2012.

The total asset impairment loss consisted of the following:

	Nine Months Ended September 30, 2012
	(Thousands of Dollars)
Asphalt Operations:	
Property, plant and equipment, net	$ 232,759
Intangible assets, net	6,564
Other long-term assets, net	4,902
Asset impairment loss	244,225
Other:	
Property, plant and equipment, net	5,421
Total asset impairment loss	$ 249,646

4. INVENTORIES

Inventories consisted of the following:

	September 30, 2012	December 31, 2011
	(Thousands of Dollars)	
Crude oil	$ 11,267	$ 157,297
Finished products	221,113	421,288
Materials and supplies	8,314	9,200
Total	$ 240,694	$ 587,785

5. DEBT

Revolving Credit Agreement

On May 2, 2012, NuStar Logistics replaced its $1.2 billion five-year revolving credit agreement (the 2007 Revolving Credit Agreement) with a new $1.5 billion five-year revolving credit agreement (the 2012 Revolving Credit Agreement), which includes the ability to borrow up to the equivalent of $250.0 million in Euros. NuStar Logistics used borrowings of $588.6 million under the 2012 Revolving Credit Agreement and cash on hand to repay in full the balance on the 2007 Revolving Credit Agreement. Obligations under the 2012 Revolving Credit Agreement are guaranteed by NuStar Energy and NuPOP. NuPOP will be released from its guarantee of the 2012 Revolving Credit Agreement when it no longer guarantees NuStar Logistics public debt instruments.

The 2012 Revolving Credit Agreement contains customary restrictive covenants, including requiring us to maintain, as of the end of each rolling period, which consists of any period of four consecutive fiscal quarters, a consolidated debt coverage ratio (consolidated indebtedness to consolidated EBITDA, as defined in the 2012 Revolving Credit Agreement) not to exceed 5.00-to-1.00; provided, for the rolling period ending June 30th of each year, the maximum consolidated debt coverage ratio will increase to 5.50-to-1.00. Moreover, if we consummate an acquisition for an aggregate net consideration of at least $50.0 million, the maximum consolidated debt coverage ratio will increase to 5.50-to-1.00 for two rolling periods.

On June 29, 2012, we amended the 2012 Revolving Credit Agreement to permit unlimited investments in joint ventures and unconsolidated subsidiaries, provided that no default exists, and to limit the amount of cash distributions for such joint ventures and unconsolidated subsidiaries included in the calculation of the consolidated debt coverage ratio to 20% of consolidated EBITDA (the Amendment). In addition, the Amendment provides that we will be in compliance with the consolidated debt coverage ratio as long as it does not exceed 6.50-to-1.00 for the rolling period ended June 30, 2012 or 6.00-to-1.00 for the rolling period ending September 30, 2012. The Amendment further stipulates that if the Asphalt Operations were owned by an unconsolidated joint venture, the maximum allowed consolidated debt coverage would revert to 5.00-to-1.00. Therefore, as of September 30, 2012, our consolidated debt coverage ratio could not exceed 5.00-to-1.00. The requirement not to exceed a maximum consolidated debt coverage ratio may limit the amount we can borrow under the 2012 Revolving Credit Agreement to an amount less than the total amount available for borrowing. As of September 30, 2012, our consolidated debt coverage ratio was 4.3x, and we had $1,152.9 million available for borrowing.

During the nine months ended September 30, 2012, we borrowed an aggregate $1,772.0 million under our revolving credit agreements to fund working capital requirements, our capital expenditures and distributions. Additionally, we repaid $1,937.2 million during the nine months ended September 30, 2012 under our revolving credit agreements. These borrowings and repayments include borrowings under the 2012 Revolving Credit Agreement to pay down the 2007 Revolving Credit Agreement and the $100.0 million of 6.875% senior notes due July 15, 2012.

The 2012 Revolving Credit Agreement bears interest, at our option, based on either an alternative base rate or a LIBOR-based rate. The interest rate on the 2012 Revolving Credit Agreement is subject to adjustment if our debt rating is downgraded (or subsequently upgraded) by certain credit rating agencies. As of September 30, 2012, our weighted average interest rate was 1.7%.

UK Term Loan
On June 29, 2012, our UK subsidiary, NuStar Terminals Limited, amended the £21.0 million amended and restated term loan agreement (the UK Term Loan) to be consistent with the covenant terms of the 2012 Revolving Credit Agreement. As a result of this amendment to the UK Term Loan, the covenants and ratios of the UK Term Loan are substantially the same as the 2012 Revolving Credit Agreement, as amended.

NuStar Logistics' 6.875% Senior Notes
In July 2012, we repaid the $100.0 million of 6.875% senior notes due July 15, 2012 with borrowings under our 2012 Revolving Credit Agreement.

NuStar Logistics' 4.75% Senior Notes
On February 2, 2012, NuStar Logistics issued $250.0 million of 4.75% senior notes under our May 13, 2010 shelf registration statement. The net proceeds of $247.4 million were used to repay the outstanding principal amount of NuPOP's 7.75% senior notes due February 15, 2012. The interest on the 4.75% senior notes is payable semi-annually in arrears on February 1 and August 1 of each year beginning on August 1, 2012. The notes will mature on February 1, 2022. The 4.75% senior notes do not have sinking fund requirements. These notes rank equally with existing senior unsecured indebtedness of NuStar Logistics and contain restrictions on NuStar Logistics' ability to incur secured indebtedness unless the same security is also provided for the benefit of holders of the senior notes. In addition, the senior notes limit NuStar Logistics' ability to incur indebtedness secured by certain liens and to engage in certain sale-leaseback transactions. At the option of NuStar Logistics, the 4.75% senior notes may be redeemed in whole or in part at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest to the redemption date. The 4.75% senior notes are fully and unconditionally guaranteed by NuStar Energy and NuPOP.

Gulf Opportunity Zone Revenue Bonds
In 2008, 2010 and 2011, the Parish of St. James, Louisiana issued, pursuant to the Gulf Opportunity Zone Act of 2005, tax-exempt revenue bonds (GoZone Bonds) associated with our St. James terminal expansions. The GoZone Bonds bear interest based on a weekly tax-exempt bond market interest rate, and we pay interest monthly. The interest rate was 0.2% as of September 30, 2012. The proceeds are deposited with a trustee and disbursed to us upon our request for reimbursement of expenditures related to our St. James terminal expansions. We include the amount remaining in trust related to the GoZone Bonds in "Other long-term assets, net," and the amount of bonds issued in "Long-term debt, less current portion" on the consolidated balance sheets. For the nine months ended September 30, 2012, we received $38.8 million from the trustee. As of September 30, 2012, the amount remaining in trust totaled $134.6 million.

Line of Credit
On July 2, 2012, our short-term line of credit that had an uncommitted borrowing capacity of up to $20.0 million was terminated. During the nine months ended September 30, 2012, we borrowed and repaid $71.9 million related to this line of credit.

Credit Ratings
The interest rates on the 2012 Revolving Credit Agreement and NuStar Logistics' $350.0 million of 7.65% senior notes are subject to adjustment if our debt rating is downgraded (or subsequently upgraded) by certain credit rating agencies. In July 2012, Standard & Poor's lowered our credit rating to BB+ from BBB- and revised the outlook to Stable. In August 2012, Fitch Ratings also lowered our credit rating to BB+ from BBB- and revised the outlook to Stable. The interest rates applicable to the

2012 Revolving Credit Agreement do not adjust unless both Moody’s and Standard & Poor’s change their ratings. However, the downgrade by Standard & Poor’s caused the interest rate on NuStar Logistics’ $350.0 million of 7.65% senior notes to increase by 0.25%. These downgrades may also require us to provide additional credit support for certain contracts.

6. COMMITMENTS AND CONTINGENCIES

Contingencies
We have contingent liabilities resulting from various litigation, claims and commitments, as 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 September 30, 2012, we have accrued $0.3 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 United States 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. We reached an agreement to settle the claims of the United States government with respect to the Otis AFB pipeline and to resolve the underlying dispute between Kaneb and Grace. The settlement was approved by the United States Bankruptcy Court for the District of Delaware and a consent decree was entered by the United States District Court for the District of Massachusetts. Pursuant to the terms of the settlement, we paid approximately $13.1 million to the United States government in July 2012 and received releases of claims from various private parties and a covenant not to sue from the United States government. In connection with the settlement, we recognized a gain of $28.7 million during the second quarter of 2012.

Other
We are 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.

Commitments
On November 17, 2010, we entered into a crude purchase commitment with Statoil Brasil Oleo E Gas Limitada (Statoil) to purchase an average of 10,000 barrels per day of crude oil over a three-year period, which began in December 2011. Pending receipt of and payment for one final shipment from Statoil in the fourth quarter of 2012, this agreement will be terminated.

In connection with the deconsolidation of the Asphalt Operations, our future minimum rental payments applicable to noncancellable operating leases were reduced by certain storage and railcar lease obligations.

7. 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. We consider counterparty credit risk and our own credit risk in the determination of all estimated fair values.

Recurring Fair Value Measurements

Product Imbalances. We value our assets and liabilities related to product imbalances using quoted market prices in active markets as of the reporting date.

Interest Rate Swaps. We estimate the fair value of both our fixed-to-floating and forward-starting interest rate swaps using discounted cash flows, which use observable inputs such as time to maturity and market interest rates.

Commodity Derivatives. We base the fair value of certain of our commodity derivative instruments on quoted prices on an exchange; accordingly, we include these in Level 1 of the fair value hierarchy. We also have derivative instruments for which we determine fair value using industry pricing services and other observable inputs, such as quoted prices on an exchange for similar derivative instruments. Therefore, we include these derivative instruments in Level 2 of the fair value hierarchy. We have consistently applied these valuation techniques in all periods presented. See Note 8. Derivatives and Risk Management Activities for a discussion of our derivative instruments.

The following assets and liabilities are measured at fair value:

	September 30, 2012			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	$ 898	$ —	$ —	$ 898
Commodity derivatives	19,013	2,365	—	21,378
Other long-term assets, net:				
Commodity derivatives	—	6,675	—	6,675
Accrued liabilities:				
Product imbalances	(577)	—	—	(577)
Commodity derivatives	(5,929)	(20,861)	—	(26,790)
Interest rate swaps	—	(41,117)	—	(41,117)
Other long-term liabilities:				
Commodity derivatives	—	(1,265)	—	(1,265)
Total	$ 13,405	$ (54,203)	$ —	$ (40,798)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	$ 2,117	$ —	$ —	$ 2,117
Commodity derivatives	10,282	1,830	—	12,112
Other long-term assets, net:				
Commodity derivatives	—	27,084	—	27,084
Interest rate swaps	—	2,335	—	2,335
Accrued liabilities:				
Product imbalances	(1,469)	—	—	(1,469)
Commodity derivatives	(5,424)	—	—	(5,424)
Interest rate swaps	—	(22,009)	—	(22,009)
Other long-term liabilities:				
Interest rate swaps	—	(27,190)	—	(27,190)
Total	$ 5,506	$ (17,950)	$ —	$ (12,444)

Fair Value of Financial Instruments
We recognize cash equivalents, receivables, payables and debt in our consolidated balance sheets at their carrying amount.
The fair values of these financial instruments, except for debt, approximate their carrying amounts. The estimated fair value and carrying amount of our debt was as follows:

	September 30, 2012	December 31, 2011
	(Thousands of Dollars)	
Fair value	$ 2,018,993	$ 2,377,565
Carrying amount	$ 2,036,406	$ 2,293,030

We estimated the fair value of our publicly-traded senior notes based upon quoted prices in active markets; therefore, we determined the fair value of our publicly traded senior notes falls in Level 1 of the fair value hierarchy. For our other debt, for which a quoted market price is not available, we estimated the fair value using a discounted cash flow analysis using current incremental borrowing rates for similar types of borrowing arrangements and determined the fair value falls in Level 2 of the fair value hierarchy.

As of September 30, 2012, we also had a note receivable from related party of $170.7 million under the NuStar JV Facility. The note receivable related to the NuStar JV Facility was recorded at face value, and the fair value of the note receivable approximates its carrying amount as of September 30, 2012. See Note 9. Related Party Transactions for additional information on the NuStar JV Facility.

8. DERIVATIVES AND RISK MANAGEMENT ACTIVITIES

We utilize various derivative instruments to: (i) manage our exposure to commodity price risk; (ii) manage our exposure to interest rate risk; and (iii) attempt to profit from market fluctuations. Our risk management policies and procedures are designed to monitor interest rates, futures and swap positions and over-the-counter positions, as well as physical volumes, grades, locations and delivery schedules, to help ensure that our hedging activities address our market risks. Our risk management committee oversees our trading controls and procedures and certain aspects of our 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, which was approved by our board of directors.

Interest Rate Risk
We are a party to certain interest rate swap agreements that we use to manage our exposure to changes in interest rates. We entered into fixed-to-floating interest rate swap agreements associated with a portion of our fixed-rate senior notes. During the six months ended June 30, 2012, we entered into and terminated fixed-to-floating interest rate swap agreements with an

aggregate notional amount of $200.0 million related to the 4.75% senior notes issued on February 2, 2012. Under the terms of these interest rate swap agreements, we received a fixed rate of 4.75% and paid a variable rate based on one month USD LIBOR plus a percentage that varied with each agreement. We also terminated fixed-to-floating interest rate swap agreements with an aggregate notional amount of $270.0 million associated with our 4.80% senior notes. We received $19.7 million in connection with the terminations, which we are amortizing into "Interest expense, net" over the remaining lives of the 4.80% and 4.75% senior notes. The termination payments are included in cash flows from financing activities on the consolidated statements of cash flows. We had no fixed-to-floating interest rate swaps as of September 30, 2012, and the total aggregate notional amount of the fixed-to-floating interest rate swaps was $270.0 million as of December 31, 2011.

We are also a party to forward-starting interest rate swap agreements related to forecasted probable debt issuances. We entered into these swaps in order to hedge the risk of changes in the interest payments attributable to changes in the benchmark interest rate during the period from the effective date of the swap to the issuance of the forecasted debt. These swaps are designated and qualify as cash flow hedges. In connection with the issuance of the 4.75% senior notes on February 2, 2012, we terminated forward-starting interest rate swap agreements with an aggregate notional amount of $225.0 million. We paid $25.4 million in connection with the terminations, which is being amortized into "Interest expense, net" over the life of the 4.75% senior notes. The termination payment is included in cash flows from financing activities on the consolidated statements of cash flows. As of September 30, 2012 and December 31, 2011, the total aggregate notional amount of the forward-starting interest rate swaps was $275.0 million and $500.0 million, respectively.

Commodity Price Risk
We are exposed to market risks related to the volatility of crude oil and refined product prices. In order to attempt to reduce the risk of commodity price fluctuations with respect to our crude oil and finished product inventories and related firm commitments to purchase and/or sell such inventories, we utilize commodity futures and swap contracts, which qualify, and we designate them as, fair value hedges.

We also enter into commodity swap contracts to attempt to hedge the price risk associated with the San Antonio refinery. These contracts fix the purchase price of crude oil and sales prices of refined products for a portion of the expected production of the San Antonio refinery, thereby attempting to mitigate the risk of volatility of future cash flows associated with hedged volumes. These contracts qualify, and we designate them, as cash flow hedges. During the second quarter of 2012, we reduced the hedged volumes of the expected production of the San Antonio refinery, thereby exposing us to additional price risk.

Derivatives that are intended to hedge our commodity price risk, but fail to qualify as fair value or cash flow hedges, are considered economic hedges, and we record associated gains and losses from such derivatives in net income. We also entered into commodity derivatives in order to attempt to profit from market fluctuations. These derivative instruments were financial positions entered into without underlying physical inventory and were not considered hedges. Changes in the fair values were recorded in net income.

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 23.0 million barrels and 27.8 million barrels as of September 30, 2012 and December 31, 2011, respectively.

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

		Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
		(Thousands of Dollars)			
Derivatives Designated as Hedging Instruments:					
Commodity contracts	Other current assets	$ 4,182	$ 36,116	$ (783)	$ (33,616)
Commodity contracts	Other long-term assets, net	22,943	86,052	(20,761)	(66,175)
Interest rate swaps	Other long-term assets, net	—	2,335	—	—
Commodity contracts	Accrued liabilities	15,132	—	(40,708)	—
Interest rate swaps	Accrued liabilities	—	—	(41,117)	(22,009)
Commodity contracts	Other long-term liabilities	9,861	—	(9,171)	—
Interest rate swaps	Other long-term liabilities	—	—	—	(27,190)
Total		52,118	124,503	(112,540)	(148,990)
Derivatives Not Designated as Hedging Instruments:					
Commodity contracts	Other current assets	26,484	15,568	(8,505)	(5,956)
Commodity contracts	Other long-term assets, net	13,726	7,207	(9,233)	—
Commodity contracts	Accrued liabilities	21,035	519	(22,249)	(5,943)
Commodity contracts	Other long-term liabilities	—	—	(1,955)	—
Total		61,245	23,294	(41,942)	(11,899)
Total Derivatives		$ 113,363	$ 147,797	$ (154,482)	$ (160,889)

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 September 30, 2012:				
Interest rate swaps	Interest expense, net	$ —	$ —	$ —
Commodity contracts	Cost of product sales	(23,131)	22,505	(626)
Total		$ (23,131)	$ 22,505	$ (626)
Three months ended September 30, 2011:				
Interest rate swaps	Interest expense, net	$ 45,963	$ (46,320)	$ (357)
Commodity contracts	Cost of product sales	3,772	(4,508)	(736)
Total		$ 49,735	$ (50,828)	$ (1,093)
Nine months ended September 30, 2012:				
Interest rate swaps	Interest expense, net	$ (17,345)	$ 17,345	$ —
Commodity contracts	Cost of product sales	(20,496)	19,058	(1,438)
Total		$ (37,841)	$ 36,403	$ (1,438)
Nine months ended September 30, 2011:				
Interest rate swaps	Interest expense, net	$ 54,577	$ (55,172)	$ (595)
Commodity contracts	Cost of product sales	(7,292)	6,212	(1,080)
Total		$ 47,285	$ (48,960)	$ (1,675)

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Derivatives Designated as Cash Flow Hedging Instruments	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Income Statement Location (a)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
	(Thousands of Dollars)		(Thousands of Dollars)	
Three months ended September 30, 2012:				
Interest rate swaps	$ (3,825)	Interest expense, net	$ (645)	$ —
Commodity contracts	(20,629)	Cost of product sales	(8,728)	277
Total	$ (24,454)		$ (9,373)	$ 277
Three months ended September 30, 2011:				
Interest rate swaps	$ (63,100)	Interest expense, net	$ —	$ —
Commodity contracts	(46,532)	Cost of product sales	(7,733)	3,594
Total	$ (109,632)		$ (7,733)	$ 3,594
Nine months ended September 30, 2012:				
Interest rate swaps	$ (17,276)	Interest expense, net	$ (1,697)	$ —
Commodity contracts	(73,289)	Cost of product sales	(24,590)	4,287
Total	$ (90,565)		$ (26,287)	$ 4,287
Nine months ended September 30, 2011:				
Interest rate swaps	$ (75,930)	Interest expense, net	$ —	$ —
Commodity contracts	(62,986)	Cost of product sales	(8,958)	3,594
Total	$ (138,916)		$ (8,958)	$ 3,594

(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 Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income
		(Thousands of Dollars)
Three months ended September 30, 2012:		
Commodity contracts	Cost of product sales	$ (846)
Three months ended September 30, 2011:		
Commodity contracts	Cost of product sales	$ 5,482
Nine months ended September 30, 2012:		
Commodity contracts	Revenues	$ (7,654)
Commodity contracts	Cost of product sales	23,091
		$ 15,437
Nine months ended September 30, 2011:		
Commodity contracts	Revenues	$ 235
Commodity contracts	Cost of product sales	(5,685)
Commodity contracts	Operating expenses	46
		$ (5,404)

For derivatives designated as cash flow hedging instruments, once a hedged transaction occurs, we reclassify the effective portion from accumulated OCI to “Cost of product sales” or “Interest expense, net.” As of September 30, 2012, we expect to reclassify a loss of $25.6 million to “Cost of product sales” and a loss of $4.2 million to “Interest expense, net” 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 approximately three years for our commodity contracts and less than one year for our forward-starting interest rate swaps.

9. RELATED PARTY TRANSACTIONS

The following table summarizes information pertaining to related party transactions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Thousands of Dollars)			
Revenues	$ 713	$ 286	$ 2,198	$ 823
Operating expenses	$ 39,032	$ 37,151	$ 115,065	$ 109,061
General and administrative expenses	$ 16,181	$ 8,985	$ 48,710	$ 41,968

NuStar GP, LLC
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 United States operations. Certain of our wholly owned subsidiaries employ persons who perform services for our international operations. 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 $13.7 million and $6.7 million as of September 30, 2012 and December 31, 2011, 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 September 30, 2012 and December 31, 2011 of $16.0 million and $14.5 million, respectively, related to amounts payable for retiree medical benefits and other post-employment benefits.

Asphalt JV
As of September 30, 2012, we had a receivable from Asphalt JV of $2.1 million associated with the Asphalt Sale.

Financing Agreements and Credit Support. The NuStar JV Facility is an unsecured revolving credit facility provided by NuStar Energy that will be available to fund working capital needs and for general purposes of Asphalt JV in an aggregate principal amount not to exceed $250.0 million for a term of seven years. The NuStar JV Facility matures on September 28, 2019 and bears interest based on either an alternative base rate or a LIBOR-based rate. We recognize interest income over the term of the facility in “Interest expense, net” on the consolidated statements of comprehensive income. As of September 30, 2012, the interest rate was 4.875%. In the event NuStar Energy no longer owns an equity interest in Asphalt JV, the interest rate increases and the availability under the NuStar JV Facility is reduced to a maximum of $167.0 million after two years and $83.0 million after three years. On September 28, 2012, Asphalt JV borrowed $170.7 million from us under the NuStar JV Facility.

In addition, during the term of the NuStar JV Facility, NuStar Energy will provide credit support, such as guarantees, letters of credit and cash collateral, as applicable, of up to $150.0 million. As of September 30, 2012, NuStar Energy has provided guarantees for commodity purchases, lease obligations and certain utilities for Asphalt JV with a maximum potential exposure of $141.8 million. In addition, NuStar has provided three guarantees to suppliers that do not specify a maximum amount. All guarantees were in existence prior to the Asphalt Sale, and the majority of these guarantees have no expiration date. In the event NuStar Energy must fund its obligation under these guarantees, that amount will be added to borrowings under the NuStar JV Facility.

Terminal Service Agreements. Simultaneously with the Asphalt Sale, we entered into four terminal service agreements with Asphalt JV for our terminals in Wilmington, NC, Rosario, NM, Catoosa, OK and Houston, TX. Pursuant to the terms of the agreements, we will provide aggregate storage capacity of 0.8 million barrels and blending services to Asphalt JV for a service charge of $1.5 million per year. The storage charge will be adjusted annually based on the percentage increase in the consumer price index. The terminal service agreements each have a term of ten years, with Asphalt JV's option to extend for an additional five years. Asphalt JV also has the option to terminate any terminal service agreement with 90 days written notice. If any of the terminal service agreements are extended, the storage charge will be based on the then-current fair market storage rates for comparable storage services charged by us to third parties.

Crude Oil Supply Agreements. In connection with the Asphalt Sale, NuStar Marketing LLC assigned the crude oil supply agreement (the PDVSA Crude Oil Supply Agreement) with an affiliate of Petróleos de Venezuela S. A. (PDVSA) to NuStar Logistics.

Simultaneously with the Asphalt Sale, we entered into a crude oil supply agreement with Asphalt JV (the Asphalt JV Crude Oil Supply Agreement) that commits Asphalt JV to purchase from us in a given year the lesser of (i) the number of barrels of crude oil required to be purchased by us from PDVSA under the PDVSA Crude Oil Supply Agreement for such year or (ii) 35,000 barrels per day of crude oil multiplied by the number of days in such year. The price for the crude oil under this agreement will be the actual price paid by us to PDVSA under the PDVSA Crude Oil Supply Agreement and will include any credits received or adjustments made. The Asphalt JV Crude Oil Supply Agreement is effective for the term of the PDVSA Crude Oil Supply Agreement.

Services Agreements Between Asphalt JV and NuStar GP,LLC. In conjunction with the Asphalt Sale, NuStar GP, LLC entered into a services agreement with Asphalt JV, effective September 28, 2012 (the Asphalt JV Services Agreement). The Asphalt JV Services Agreement provides that NuStar GP, LLC will furnish certain administrative and other operating services necessary to conduct the business of Asphalt JV. Asphalt JV will compensate NuStar GP, LLC for these services through an annual fee totaling $10.0 million, subject to adjustment based on the annual merit increase percentage applicable to NuStar GP, LLC employees for the most recently completed contract year. The Asphalt JV Services Agreement will terminate on December 31, 2017 and will automatically renew for successive two-year terms. Asphalt JV may terminate the Asphalt JV Services Agreement at any time, with 180 days prior written notice or reduce the level of service with 45 days prior written notice.

In addition, NuStar GP, LLC entered into an employee services agreement with Asphalt JV, effective September 28, 2012 (the Asphalt JV Employee Services Agreement). The Asphalt JV Employee Services Agreement provides that certain of NuStar GP, LLC employees will provide employee-services to Asphalt JV. In exchange, Asphalt JV will reimburse NuStar GP, LLC for the compensation expense of those employees at the same rates that were in effect at the effective date of the Asphalt JV Employee Services Agreement, including an annual bonus amount that does not exceed NuStar GP, LLC's target bonus plan. The employees covered under the Asphalt JV Employee Services Agreement will not be entitled to any new unit-based compensation grants from NuStar GP, LLC, and Asphalt JV will not be responsible for unit-based compensation costs prior to the effective date. The Asphalt JV Employee Services Agreement will terminate on December 31, 2012.

Other

For the three and nine months ended September 30, 2012, the majority of related party revenues resulted from storage agreements between our Turkey subsidiary and the noncontrolling shareholder. We had a receivable of $0.3 million as of September 30, 2012 related to these revenues.

10. OTHER (EXPENSE) INCOME

Other (expense) income, net consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Thousands of Dollars)			
(Loss) gain from sale or disposition of assets	$ (19,880)	$ (119)	$ (19,828)	$ 117
Contingent loss adjustment	—	(3,250)	—	(3,250)
Storage agreement early termination costs	—	—	—	(5,000)
Foreign exchange (losses) gains	(1,069)	3,059	(3,568)	2,483
Other, net	1,009	1,077	2,012	(49)
Other (expense) income, net	$ (19,940)	$ 767	$ (21,384)	$ (5,699)

For the three and nine months ended September 30, 2012, the (loss) gain on sale or disposition of assets included a $21.6 million loss in connection with the deconsolidation of Asphalt JV. See Note 2. Dispositions for additional discussion on the Asphalt Sale.

For the nine months ended September 30, 2011, "Other (expense) income, net" included $5.0 million in costs associated with the early termination of a third-party storage agreement at our Paulsboro, New Jersey asphalt refinery.

11. PARTNERS' EQUITY

Issuance of Common Units
On September 10, 2012, we issued 7,130,000 common units representing limited partner interests at a price of $48.94 per unit. We used the net proceeds from this offering of $344.1 million, including a contribution of $7.1 million from our general partner to maintain its 2% general partner interest, for general partnership purposes, including repayments of outstanding borrowings under our 2012 Revolving Credit Agreement and working capital purposes.

Partners' Equity Activity
The following table summarizes changes in the carrying amount of equity attributable to NuStar Energy L.P. partners and noncontrolling interest:

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	NuStar Energy L.P. Partners' Equity	Noncontrolling Interest	Total Partners' Equity	NuStar Energy L.P. Partners' Equity	Noncontrolling Interest	Total Partners' Equity
	(Thousands of Dollars)					
Beginning balance	$ 2,408,269	$ 12,848	$ 2,421,117	$ 2,644,221	$ 14,745	$ 2,658,966
Net (loss) income	4,389	(47)	4,342	70,158	123	70,281
Other comprehensive (loss) income:						
Foreign currency translation adjustment	6,608	113	6,721	(22,165)	(2,186)	(24,351)
Net unrealized loss on cash flow hedges	(24,454)	—	(24,454)	(109,632)	—	(109,632)
Net loss reclassified into income on cash flow hedges	9,373	—	9,373	7,733	—	7,733
Total other comprehensive (loss) income	(8,473)	113	(8,360)	(124,064)	(2,186)	(126,250)
Cash distributions to partners	(89,076)	—	(89,076)	(81,339)	—	(81,339)
Issuance of common units, including contribution from general partner	344,076	—	344,076	3,391	—	3,391
Ending balance	$ 2,659,185	$ 12,914	$ 2,672,099	$ 2,512,367	$ 12,682	$ 2,525,049

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

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	NuStar Energy L.P. Partners' Equity	Noncontrolling Interest	Total Partners' Equity	NuStar Energy L.P. Partners' Equity	Noncontrolling Interest	Total Partners' Equity
	(Thousands of Dollars)					
Beginning balance	$ 2,852,201	$ 12,134	$ 2,864,335	$ 2,702,700	$ —	$ 2,702,700
Acquisition	—	—	—	—	15,000	15,000
Net (loss) income	(215,997)	(217)	(216,214)	191,259	143	191,402
Other comprehensive (loss) income:						
Foreign currency translation adjustment	10,704	997	11,701	(14,454)	(2,461)	(16,915)
Net unrealized loss on cash flow hedges	(90,565)	—	(90,565)	(138,916)	—	(138,916)
Net loss reclassified into income on cash flow hedges	26,287	—	26,287	8,958	—	8,958
Total other comprehensive (loss) income	(53,574)	997	(52,577)	(144,412)	(2,461)	(146,873)
Cash distributions to partners	(267,228)	—	(267,228)	(240,571)	—	(240,571)
Issuance of common units, including contribution from general partner	344,076	—	344,076	3,391	—	3,391
Other	(293)	—	(293)	—	—	—
Ending balance	$ 2,659,185	$ 12,914	$ 2,672,099	$ 2,512,367	$ 12,682	$ 2,525,049

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 the 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 to priority income allocations, if any, 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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Thousands of Dollars)			
Net (loss) income attributable to NuStar Energy L.P.	$ 4,389	$ 70,158	$ (215,997)	$ 191,259
Less general partner incentive distribution	10,805	8,972	30,437	26,503
Net (loss) income after general partner incentive distribution	(6,416)	61,186	(246,434)	164,756
General partner interest	2%	2%	2%	2%
General partner allocation of net (loss) income after general partner incentive distribution	(128)	1,223	(4,928)	3,294
General partner incentive distribution	10,805	8,972	30,437	26,503
Net income applicable to general partner	$ 10,677	$ 10,195	$ 25,509	$ 29,797

Cash Distributions

On August 10, 2012, we paid a quarterly cash distribution totaling $89.1 million, or $1.095 per unit, related to the second quarter of 2012. On October 25, 2012, we announced a quarterly cash distribution of $1.095 per unit related to the third quarter of 2012. This distribution will be paid on November 14, 2012 to unitholders of record on November 9, 2012 and will total $98.1 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 September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(Thousands of Dollars, Except Per Unit Data)			
General partner interest	$ 1,961	$ 1,628	$ 5,525	$ 4,847
General partner incentive distribution	10,805	8,972	30,437	26,503
Total general partner distribution	12,766	10,600	35,962	31,350
Limited partners' distribution	85,285	70,814	240,241	211,019
Total cash distributions	$ 98,051	$ 81,414	$ 276,203	$ 242,369
Cash distributions per unit applicable to limited partners	$ 1.095	$ 1.095	$ 3.285	$ 3.265

12. 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 September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(Thousands of Dollars, Except Unit and Per Unit Data)			
Net (loss) income attributable to NuStar Energy L.P.	$ 4,389	$ 70,158	$ (215,997)	$ 191,259
Less general partner distribution (including IDR)	12,766	10,600	35,962	31,350
Less limited partner distribution	85,285	70,814	240,241	211,019
Distributions (greater than) less than earnings	$ (93,662)	$ (11,256)	$ (492,200)	$ (51,110)
General partner earnings:				
Distributions	$ 12,766	$ 10,600	$ 35,962	$ 31,350
Allocation of distributions (greater than) less than earnings (2%)	(1,874)	(225)	(9,846)	(1,023)
Total	$ 10,892	$ 10,375	$ 26,116	$ 30,327
Limited partner earnings:				
Distributions	$ 85,285	$ 70,814	$ 240,241	$ 211,019
Allocation of distributions (greater than) less than earnings (98%)	(91,788)	(11,031)	(482,354)	(50,087)
Total	$ (6,503)	$ 59,783	$ (242,113)	$ 160,932
Weighted-average limited partner units outstanding	72,383,578	64,612,423	71,302,538	64,611,181
Net (loss) income per unit applicable to limited partners	$ (0.09)	$ 0.92	$ (3.40)	$ 2.49

13. STATEMENTS OF CASH FLOWS

Changes in current assets and current liabilities were as follows:

	Nine Months Ended September 30,	
	2012	2011
	(Thousands of Dollars)	
Decrease (increase) in current assets:		
Accounts receivable	$ 95,213	$ (148,814)
Receivable from related party	(3,149)	—
Inventories	60,878	(176,936)
Income tax receivable	3,190	—
Other current assets	(17,571)	(25,838)
Increase (decrease) in current liabilities:		
Accounts payable	(11,854)	153,626
Payable to related party	6,976	2,023
Accrued interest payable	(5,867)	(6,092)
Accrued liabilities	(21,253)	(21,471)
Taxes other than income tax	2,662	5,607
Income tax payable	(475)	1,468
Changes in current assets and current liabilities	$ 108,750	$ (216,427)

The above changes in current assets and current liabilities differ from changes between amounts reflected in the applicable balance sheets due to our deconsolidation of the Asphalt Operations in connection with the Asphalt Sale and the effect of foreign currency translation.

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

	Nine Months Ended September 30,	
	2012	2011
	(Thousands of Dollars)	
Cash paid for interest, net of amount capitalized	$ 85,583	$ 87,576
Cash paid for income taxes, net of tax refunds received	$ 18,308	$ 11,974

14. INCOME TAXES

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

	September 30, 2012	December 31, 2011
	(Thousands of Dollars)	
Deferred income tax assets:		
Net operating losses	$ 24,552	$ 17,089
Environmental and legal reserves	216	14,822
Capital loss	1,712	1,044
Valuation allowance	(71)	(1,161)
Total deferred income tax assets	26,409	31,794
Deferred income tax liabilities:		
Property, plant and equipment	(54,184)	(57,392)
Other	(996)	(698)
Total deferred income tax liabilities	(55,180)	(58,090)
Net deferred income tax liability	$ (28,771)	$ (26,296)
Reported on the Consolidated Balance Sheets as:		
Deferred income tax asset	$ 2,080	$ 9,141
Deferred income tax liability	(30,851)	(35,437)
Net deferred income tax liability	$ (28,771)	$ (26,296)

Grace Energy Corporation Matter
In connection with the settlement of the Grace Energy Corporation matter, we recognized a pre-tax gain of $28.7 million within one of our taxable subsidiaries. As a result, we recorded related income tax expense of $10.1 million, resulting from the reduction of the related deferred income tax asset. See Note 6. Commitments and Contingencies for a discussion on the Grace Energy Corporation matter.

Canadian Income Tax Audit
During the second quarter of 2012, we recorded $1.0 million of additional income tax liability and $2.2 million of interest and penalties associated with an ongoing Canadian income tax audit for the years 2006 through 2011. We also recorded $1.3 million of Canadian withholding tax and $0.7 million of interest and penalties associated with the withholding tax liability related to interest payments made from our Canadian subsidiaries to a United States entity from 2003 to 2009. We believe that adequate provisions for uncertainties related to the Canadian audits have been reflected in the financial statements.

15. SEGMENT INFORMATION

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

Results of operations for the reportable segments were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Thousands of Dollars)			
Revenues:				
Storage:				
Third parties	$ 128,538	$ 128,561	$ 389,412	$ 381,460
Intersegment	19,679	13,042	55,542	35,925
Related party	713	286	2,198	823
Total storage	148,930	141,889	447,152	418,208
Transportation:				
Third parties	92,570	81,834	244,938	226,406
Intersegment	1,160	65	2,171	65
Total transportation	93,730	81,899	247,109	226,471
Asphalt and fuels marketing:				
Third parties	1,522,945	1,613,669	4,745,815	4,039,461
Intersegment	99	5,024	406	9,618
Total asphalt and fuels marketing	1,523,044	1,618,693	4,746,221	4,049,079
Consolidation and intersegment eliminations	(20,938)	(18,131)	(58,119)	(45,608)
Total revenues	$ 1,744,766	$ 1,824,350	$ 5,382,363	$ 4,648,150
Operating income:				
Storage	$ 50,422	$ 48,778	$ 160,696	$ 140,322
Transportation	42,597	38,248	111,418	102,808
Asphalt and fuels marketing	(15,682)	25,418	(323,996)	97,689
Consolidation and intersegment eliminations	(22)	29	(48)	(16)
Total segment operating (loss) income	77,315	112,473	(51,930)	340,803
General and administrative expenses	(24,954)	(17,731)	(75,276)	(69,833)
Other depreciation and amortization expense	(1,639)	(1,765)	(5,492)	(4,911)
Other asset impairment loss	—	—	(3,295)	—
Gain on legal settlement	—	—	28,738	—
Total operating (loss) income	$ 50,722	$ 92,977	$ (107,255)	$ 266,059

Total assets by reportable segment were as follows:

	September 30, 2012	December 31, 2011
	(Thousands of Dollars)	
Storage	$ 2,609,293	$ 2,597,904
Transportation	1,355,492	1,251,474
Asphalt and fuels marketing	996,154	1,717,960
Total segment assets	4,960,939	5,567,338
Other partnership assets	402,945	313,852
Total consolidated assets	$ 5,363,884	$ 5,881,190

16. 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 each of 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
September 30, 2012
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ 7,281	$ 12	$ —	$ 100,163	$ —	$ 107,456
Receivables, net	—	38,215	10,350	410,091	(3,161)	455,495
Inventories	—	2,585	8,050	230,079	(20)	240,694
Income tax receivable	—	—	—	995	—	995
Other current assets	—	18,367	1,311	39,922	—	59,600
Intercompany receivable	—	383,534	568,526	—	(952,060)	—
Total current assets	7,281	442,713	588,237	781,250	(955,241)	864,240
Property, plant and equipment, net	—	1,353,763	584,868	1,216,459	—	3,155,090
Intangible assets, net	—	1,929	—	24,589	—	26,518
Goodwill	—	18,094	170,652	634,165	—	822,911
Investment in wholly owned subsidiaries	3,248,470	67,390	1,228,601	2,322,860	(6,867,321)	—
Investment in joint ventures	—	48,696	—	67,443	—	116,139
Deferred income tax asset	—	—	—	2,080	—	2,080
Note receivable from related party	—	170,711	—	—	—	170,711
Other long-term assets, net	498	157,006	26,328	22,363	—	206,195
Total assets	$ 3,256,249	$ 2,260,302	$ 2,598,686	$ 5,071,209	$ (7,822,562)	$ 5,363,884
Liabilities and Partners' Equity						
Current portion of long-term debt	$ —	$ 232,428	$ 251,535	$ 33,900	$ —	$ 517,863
Payables	100	54,642	9,502	392,256	(3,161)	453,339
Accrued interest payable	—	19,049	4,896	21	—	23,966
Accrued liabilities	750	54,972	6,165	35,554	—	97,441
Taxes other than income tax	63	6,339	3,566	5,052	—	15,020
Income tax payable	—	230	2	2,539	—	2,771
Intercompany payable	515,170	—	—	436,891	(952,061)	—
Total current liabilities	516,083	367,660	275,666	906,213	(955,222)	1,110,400
Long-term debt, less current portion	—	1,518,543	—	—	—	1,518,543
Long-term payable to related party	—	10,562	—	5,442	—	16,004
Deferred income tax liability	—	—	—	30,851	—	30,851
Other long-term liabilities	—	2,821	165	13,001	—	15,987
Total partners' equity	2,740,166	360,716	2,322,855	4,115,702	(6,867,340)	2,672,099
Total liabilities and partners' equity	$ 3,256,249	$ 2,260,302	$ 2,598,686	$ 5,071,209	$ (7,822,562)	$ 5,363,884

(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 Balance Sheets
December 31, 2011
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ 139	$ 14	$ —	$ 17,344	$ —	$ 17,497
Receivables, net	—	27,533	6,877	514,477	(1,079)	547,808
Inventories	—	2,311	6,370	579,152	(48)	587,785
Income tax receivable	—	—	—	4,148	—	4,148
Other current assets	—	9,796	2,423	31,466	—	43,685
Intercompany receivable	—	893,268	780,066	—	(1,673,334)	—
Total current assets	139	932,922	795,736	1,146,587	(1,674,461)	1,200,923
Property, plant and equipment, net	—	1,150,318	596,229	1,683,921	—	3,430,468
Intangible assets, net	—	1,966	—	36,957	—	38,923
Goodwill	—	18,094	170,652	657,971	—	846,717
Investment in wholly owned subsidiaries	3,386,170	220,513	1,159,620	2,216,792	(6,983,095)	—
Investment in joint venture	—	—	—	66,687	—	66,687
Deferred income tax asset	—	—	—	9,141	—	9,141
Other long-term assets, net	364	192,007	26,329	69,631	—	288,331
Total assets	$ 3,386,673	$ 2,515,820	$ 2,748,566	$ 5,887,687	$ (8,657,556)	$ 5,881,190
Liabilities and Partners' Equity						
Current portion of long-term debt	$ —	$ 331,317	$ 1,060	$ 32,582	$ —	$ 364,959
Payables	—	32,590	11,512	418,038	(1,079)	461,061
Accrued interest payable	—	21,332	8,489	12	—	29,833
Accrued liabilities	829	42,788	4,661	22,992	—	71,270
Taxes other than income tax	125	5,661	2,678	4,991	—	13,455
Income tax payable	—	352	7	2,863	—	3,222
Intercompany payable	506,111	—	—	1,167,223	(1,673,334)	—
Total current liabilities	507,065	434,040	28,407	1,648,701	(1,674,413)	943,800
Long-term debt, less current portion	—	1,424,891	503,180	—	—	1,928,071
Long-term payable to related party	—	8,027	—	6,475	—	14,502
Deferred income tax liability	—	—	—	35,437	—	35,437
Other long-term liabilities	—	29,939	220	64,886	—	95,045
Total partners' equity	2,879,608	618,923	2,216,759	4,132,188	(6,983,143)	2,864,335
Total liabilities and partners' equity	$ 3,386,673	$ 2,515,820	$ 2,748,566	$ 5,887,687	$ (8,657,556)	$ 5,881,190

(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 Comprehensive (Loss) Income
For the Three Months Ended September 30, 2012
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ —	$ 98,529	$ 48,486	$ 1,606,734	$ (8,983)	$ 1,744,766
Costs and expenses	460	58,001	36,977	1,607,594	(8,988)	1,694,044
Operating (loss) income	(460)	40,528	11,509	(860)	5	50,722
Equity in earnings (loss) of subsidiaries	4,849	(13,291)	13,862	24,246	(29,666)	—
Equity in (loss) earnings of joint ventures	—	(3,304)	—	2,353	—	(951)
Interest expense, net	—	(21,777)	(2,800)	(290)	—	(24,867)
Other (expense) income, net	—	(21,491)	1,678	(127)	—	(19,940)
Income (loss) before income tax expense	4,389	(19,335)	24,249	25,322	(29,661)	4,964
Income tax expense	—	97	1	524	—	622
Net income (loss)	4,389	(19,432)	24,248	24,798	(29,661)	4,342
Less net loss attributable to noncontrolling interest	—	—	—	(47)	—	(47)
Net income (loss) attributable to NuStar Energy L.P.	$ 4,389	$ (19,432)	$ 24,248	$ 24,845	$ (29,661)	$ 4,389
Comprehensive income (loss)	$ 4,389	$ (22,612)	$ 24,248	$ 19,618	$ (29,661)	$ (4,018)
Less comprehensive income attributable to noncontrolling interest	—	—	—	66	—	66
Comprehensive income (loss) attributable to NuStar Energy L.P.	$ 4,389	$ (22,612)	$ 24,248	$ 19,552	$ (29,661)	$ (4,084)

(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 Comprehensive Income
For the Three Months Ended September 30, 2011
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ —	$ 78,554	$ 46,076	$ 1,708,288	$ (8,568)	$ 1,824,350
Costs and expenses	482	38,068	32,090	1,669,422	(8,689)	1,731,373
Operating (loss) income	(482)	40,486	13,986	38,866	121	92,977
Equity in earnings of subsidiaries	70,641	7,285	29,828	51,102	(158,856)	—
Equity in earnings of joint venture	—	—	—	2,599	—	2,599
Interest expense, net	—	(15,210)	(5,685)	(670)	—	(21,565)
Other income, net	—	109	246	412	—	767
Income (loss) before income tax expense	70,159	32,670	38,375	92,309	(158,735)	74,778
Income tax expense	1	542	—	3,954	—	4,497
Net income (loss)	70,158	32,128	38,375	88,355	(158,735)	70,281
Less net income attributable to noncontrolling interest	—	—	—	123	—	123
Net income (loss) attributable to NuStar Energy L.P.	$ 70,158	$ 32,128	$ 38,375	$ 88,232	$ (158,735)	$ 70,158
Comprehensive income (loss)	$ 70,158	$ (30,972)	$ 38,375	$ 25,205	$ (158,735)	$ (55,969)
Less comprehensive loss attributable to noncontrolling interest	—	—	—	(2,063)	—	(2,063)
Comprehensive income (loss) attributable to NuStar Energy L.P.	$ 70,158	$ (30,972)	$ 38,375	$ 27,268	$ (158,735)	$ (53,906)

(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 Comprehensive (Loss) Income
For the Nine Months Ended September 30, 2012
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ —	$ 262,585	$ 142,769	$ 5,000,895	$ (23,886)	$ 5,382,363
Costs and expenses	1,280	155,739	103,673	5,252,848	(23,922)	5,489,618
Operating (loss) income	(1,280)	106,846	39,096	(251,953)	36	(107,255)
Equity in (loss) earnings of subsidiaries	(214,717)	(342,197)	76,380	106,073	374,461	—
Equity in (loss) earnings of joint ventures	—	(3,304)	—	7,120	—	3,816
Interest expense, net	—	(60,540)	(9,799)	(698)	—	(71,037)
Other (expense) income, net	—	(21,199)	1,751	(1,936)	—	(21,384)
(Loss) income before income tax expense	(215,997)	(320,394)	107,428	(141,394)	374,497	(195,860)
Income tax expense	—	238	1,331	18,785	—	20,354
Net (loss) income	(215,997)	(320,632)	106,097	(160,179)	374,497	(216,214)
Less net loss attributable to noncontrolling interest	—	—	—	(217)	—	(217)
Net (loss) income attributable to NuStar Energy L.P.	$ (215,997)	$ (320,632)	$ 106,097	$ (159,962)	$ 374,497	$ (215,997)
Comprehensive (loss) income	$ (215,997)	$ (336,211)	$ 106,097	$ (197,177)	$ 374,497	$ (268,791)
Less comprehensive income attributable to noncontrolling interest	—	—	—	780	—	780
Comprehensive (loss) income attributable to NuStar Energy L.P.	$ (215,997)	$ (336,211)	$ 106,097	$ (197,957)	$ 374,497	$ (269,571)

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

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Condensed Consolidating Statements of Comprehensive Income
For the Nine Months Ended September 30, 2011
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ —	$ 212,483	$ 136,525	$ 4,325,226	$ (26,084)	$ 4,648,150
Costs and expenses	1,283	124,399	98,669	4,184,028	(26,288)	4,382,091
Operating (loss) income	(1,283)	88,084	37,856	141,198	204	266,059
Equity in earnings of subsidiaries	192,543	41,827	86,491	146,940	(467,801)	—
Equity in earnings of joint venture	—	—	—	6,997	—	6,997
Interest expense, net	—	(43,234)	(17,236)	(2,174)	—	(62,644)
Other income (loss), net	—	292	265	(6,256)	—	(5,699)
Income (loss) before income tax expense	191,260	86,969	107,376	286,705	(467,597)	204,713
Income tax expense	1	1,569	—	11,741	—	13,311
Net income (loss)	191,259	85,400	107,376	274,964	(467,597)	191,402
Less net income attributable to noncontrolling interest	—	—	—	143	—	143
Net income (loss) attributable to NuStar Energy L.P.	$ 191,259	$ 85,400	$ 107,376	$ 274,821	$ (467,597)	$ 191,259
Comprehensive income (loss)	$ 191,259	$ 9,470	$ 107,376	$ 204,021	$ (467,597)	$ 44,529
Less comprehensive loss attributable to noncontrolling interest	—	—	—	(2,318)	—	(2,318)
Comprehensive income (loss) attributable to NuStar Energy L.P.	$ 191,259	$ 9,470	$ 107,376	$ 206,339	$ (467,597)	$ 46,847

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

Condensed Consolidating Statements of Cash Flows
For the Nine Months Ended September 30, 2012
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 265,905	$ 91,736	$ 46,183	$ 142,700	$ (274,645)	$ 271,879
Cash flows from investing activities:						
Capital expenditures	—	(237,408)	(11,816)	(71,554)	—	(320,778)
Investment in other long-term assets	—	—	—	(2,364)	—	(2,364)
Proceeds from sale or disposition of assets	—	150	4,531	30,866	—	35,547
Proceeds from sale of Asphalt Operations	—	436,276	—	—	—	436,276
Increase in note receivable from related party	—	(170,711)	—	—	—	(170,711)
Investment in subsidiaries	(344,244)	—	—	(34)	344,278	—
Net cash (used in) provided by investing activities	(344,244)	28,307	(7,285)	(43,086)	344,278	(22,030)
Cash flows from financing activities:						
Debt borrowings	—	1,877,048	—	—	—	1,877,048
Debt repayments	—	(2,109,058)	(250,000)	—	—	(2,359,058)
Senior note offering, net	—	247,408	—	—	—	247,408
Issuance of common units, net of issuance costs	336,662	—	—	—	—	336,662
General partner contribution	7,121	—	—	—	—	7,121
Distributions to unitholders and general partner	(267,228)	(267,228)	—	(7,426)	274,654	(267,228)
Contributions from (distributions to) affiliates	—	344,244	—	34	(344,278)	—
Payments for termination of interest rate swaps	—	(5,678)	—	—	—	(5,678)
Net intercompany borrowings (repayments)	9,059	(206,846)	211,102	(13,306)	(9)	—
Other, net	(133)	496	—	—	—	363
Net cash provided by (used in) financing activities	85,481	(119,614)	(38,898)	(20,698)	(69,633)	(163,362)
Effect of foreign exchange rate changes on cash	—	(431)	—	3,903	—	3,472
Net increase (decrease) in cash and cash equivalents	7,142	(2)	—	82,819	—	89,959
Cash and cash equivalents as of the beginning of the period	139	14	—	17,344	—	17,497
Cash and cash equivalents as of the end of the period	$ 7,281	$ 12	$ —	$ 100,163	$ —	$ 107,456

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

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Condensed Consolidating Statements of Cash Flows
For the Nine Months Ended September 30, 2011
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 239,146	$ 84,681	$ 20,883	$ (2,244)	$ (240,595)	$ 101,871
Cash flows from investing activities:						
Capital expenditures	—	(152,764)	(4,954)	(86,240)	—	(243,958)
Acquisition	—	—	—	(100,693)	—	(100,693)
Investment in other long-term assets	—	—	—	(8,449)	—	(8,449)
Proceeds from sale or disposition of assets	—	57	79	309	—	445
Investment in subsidiaries	(57,300)	(47,820)	(56,727)	(56,727)	218,574	—
Net cash used in investing activities	(57,300)	(200,527)	(61,602)	(251,800)	218,574	(352,655)
Cash flows from financing activities:						
Debt borrowings	—	738,702	—	—	—	738,702
Debt repayments	—	(379,753)	—	—	—	(379,753)
Issuance of common units, net of issuance costs	1,583	—	—	—	—	1,583
General partner contribution	70	—	—	—	—	70
Distributions to unitholders and general partner	(240,571)	(240,571)	—	(24)	240,595	(240,571)
Contributions from (distributions to) affiliates	57,300	(57,300)	56,727	161,847	(218,574)	—
Proceeds from termination of interest rate swaps	—	12,632	—	—	—	12,632
Net intercompany borrowings (repayments)	(159)	(66,833)	(16,008)	83,000	—	—
Other, net	—	181	—	(966)	—	(785)
Net cash (used in) provided by financing activities	(181,777)	7,058	40,719	243,857	22,021	131,878
Effect of foreign exchange rate changes on cash	—	1,139	—	(4,140)	—	(3,001)
Net increase (decrease) in cash and cash equivalents	69	(107,649)	—	(14,327)	—	(121,907)
Cash and cash equivalents as of the beginning of the period	53	107,655	—	73,413	—	181,121
Cash and cash equivalents as of the end of the period	$ 122	$ 6	$ —	$ 59,086	$ —	$ 59,214

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

17. SUBSEQUENT EVENT

TexStar Purchase Agreement

On November 2, 2012, NuStar Logistics entered into an Asset Purchase Agreement (the Purchase Agreement) with TexStar Crude Oil Services, LP, TexStar Crude Oil Pipeline, LP, TexStar Midstream Utility, LP, TexStar Midstream Transport, LP, TexStar Midstream Services, LP and Frio LaSalle Pipeline, LP (collectively, the Sellers), to purchase the following assets:

- approximately 140 miles of crude oil pipelines and gathering lines that are currently under construction and upon completion will have throughput capacity of 100,000 barrels per day (the Crude Oil Pipelines);
- five terminals and storage facilities providing 643,400 barrels of storage capacity (the Crude Oil Terminals and Storage Facilities); and
- 38 miles of natural gas liquids (NGL) Y-grade pipeline and two fractionators with a combined capacity of 57,000 barrels per day (the NGL Assets); with the NGL Assets currently under construction.

The acquisition also includes a lease for a terminal and storage facility located near Corpus Christi providing 144,000 barrels of storage capacity (the Redfish Bay Lease). The Crude Oil Pipelines, the Crude Oil Terminals and Storage Facilities and the Redfish Bay Lease are collectively referred to herein as the "Crude Oil Assets." The Crude Oil Assets and the NGL Assets are collectively referred to herein as the "Assets."

The purchase price for the Assets is approximately $425.0 million, subject to certain purchase price adjustments, and is expected to close in two separate transactions. The acquisition of the Crude Oil Assets is expected to close in December 2012 (the Initial Closing), subject to customary closing conditions such as approval under the Hart-Scott Rodino Antitrust Improvements Act. The acquisition of the NGL Assets is expected to close in the first quarter of 2013 (the Second Closing), subject to certain closing conditions such as completion of the Initial Closing and achieving certain milestones with respect to the development of the NGL Assets. If the Second Closing does not occur, it will have no impact on the Purchase Agreement with respect to the Crude Oil Assets. The Initial Closing and the Second Closing are collectively referred to herein as the "Transaction." Upon the Initial Closing, we will pay the Sellers approximately $325.0 million and at the Second Closing, we will pay the Sellers approximately $100.0 million. Both payments are subject to certain purchase price adjustments. We expect to fund the purchase price with a combination of borrowings under our 2012 Revolving Credit Agreement and potential equity or debt offerings, pending market conditions.

The parties to the Purchase Agreement have made customary representations, warranties and covenants for a transaction of this type in this industry, including, among others, Sellers' agreement to continue to operate the Assets, during the period prior to the consummation of the Transaction, in the ordinary course of business, consistent with past practice or as otherwise set forth in the Purchase Agreement. The Sellers also agreed to continue construction of the Crude Oil Assets and NGL Assets. The Purchase Agreement also contains post-closing indemnification obligations for, among other matters, breaches of representations and warranties and certain retained and assumed obligations.

The Purchase Agreement contains certain termination rights prior to consummation of the Transaction by: (i) mutual written consent of NuStar Logistics and Sellers; (ii) NuStar Logistics if casualty losses result in damages in excess of $17.0 million; (iii) NuStar Logistics or Sellers, as applicable, if the other party has breached a representation, warranty or covenant contained in the Purchase Agreement so that such party is incapable of fulfilling its obligations under a closing condition; (iv) by NuStar Logistics or Sellers if the Initial Closing has not occurred by December 15, 2012, subject to extension as provided in the Purchase Agreement; or (v) by NuStar Logistics or Sellers if the Second Closing has not occurred by January 31, 2013, subject to extension as provided in the Purchase Agreement.

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, 2011, Part I, Item 1A "Risk Factors," as well as our subsequent current and quarterly reports, for a discussion of certain of those risks, uncertainties and assumptions.

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

OVERVIEW

NuStar Energy L.P. (NuStar Energy) is a publicly held Delaware limited partnership engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and petroleum refining and marketing. Unless otherwise indicated, the terms "NuStar Energy," "the Partnership," "we," "our" and "us" are used in this report to refer to NuStar Energy L.P., to one or more of our consolidated subsidiaries or to all of them taken as a whole. NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) owns our general partner, Riverwalk Logistics, L.P., and owns a 15.1% total interest in us as of September 30, 2012. Our Management's Discussion and Analysis of Financial Condition and Results of Operations is presented in six sections:

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

Operations

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

Storage. We own terminals and storage facilities in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom and Turkey providing approximately 83.0 million barrels of storage capacity. Our terminals and storage facilities provide storage and handling services on a fee basis for petroleum products, specialty chemicals and other liquids, including crude oil and other feedstocks.

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 5,480 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 4.5 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 953 miles of crude oil pipelines in Texas, Oklahoma, Kansas, Colorado and Illinois, as well as 1.9 million barrels of crude storage in Texas and Oklahoma located along those 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 operations, fuels marketing operations and our San Antonio refinery. Our asphalt operations include two asphalt refineries with a combined throughput capacity of 104,000 barrels per day at which we refine crude oil to produce asphalt and certain other refined products. Within our fuels marketing operations, we purchase crude oil and refined petroleum products for resale. Additionally, this segment includes a fuels refinery in San Antonio, Texas, with a throughput capacity of 14,500 barrels per day at which we refine crude oil to produce various refined petroleum products. The results of operations for the asphalt and fuels marketing segment depend largely on the margin between our cost and the sales prices of the products we market. Therefore, the results of operations for this segment are more sensitive to changes in commodity prices compared to the operations of the storage and transportation segments. We enter into derivative contracts to attempt to mitigate the effects of commodity price fluctuations.

On September 28, 2012, we sold a 50% voting interest (the Asphalt Sale) in NuStar Asphalt LLC (Asphalt JV), previously a wholly-owned subsidiary, to an affiliate of Lindsay Goldberg LLC (Lindsay Goldberg), a private investment firm. Asphalt JV owns and operates asphalt refining assets that were previously wholly owned by NuStar Energy, including the asphalt refineries located in Paulsboro, New Jersey and Savannah, Georgia (collectively, the Asphalt Operations). Lindsay Goldberg paid $175.0 million for the Class A equity interests (Class A Interests) of Asphalt JV, while we retained the Class B equity interests with a fair value of $52.0 million (Class B Interests). The Class A Interests have a distribution preference over the Class B Interests, as well as a liquidation preference. At closing, we received $261.3 million from Asphalt JV for inventory related to the Asphalt Operations, pending a final inventory valuation. Since the fair value of the consideration we received was less than the carrying amount of the assets of the Asphalt Operations, we recognized a loss of $21.6 million in “Other (expense) income, net” in the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2012.

Upon closing, we deconsolidated Asphalt JV and started reporting our remaining investment in Asphalt JV using the equity method of accounting. Therefore, as of September 30, 2012, we have presented our 50% interest in Asphalt JV as “Investment in joint ventures” on the consolidated balance sheet. The condensed consolidated statements of comprehensive income include the results of operations for Asphalt JV in “Equity in earnings of joint ventures” commencing on September 28, 2012. Because of our continued involvement with Asphalt JV, we have not presented the results of operations for the Asphalt Operations prior to closing as discontinued operations.

In anticipation of the Asphalt Sale, we evaluated the goodwill and other long-lived assets associated with the Asphalt Operations for potential impairment. We determined the fair value of the Asphalt Operations reporting unit was less than its carrying value, which resulted in the recognition of a goodwill impairment loss of $22.1 million in the second quarter of 2012. In addition, we recorded an impairment loss of $244.3 million in the second quarter of 2012 to write-down the carrying value of long-lived assets related to the Asphalt Operations, including fixed assets, intangible assets and other long-term assets to their estimated fair value. The goodwill impairment loss and the asset impairment loss related to the Asphalt Operations is reported in the asphalt and fuels marketing segment. Please refer to Note 2 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for a discussion of the Asphalt Sale. Please refer to Note 3 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for a discussion on the related asset impairments and the fair value measurements.

The following factors affect the results of our operations:

- company-specific factors, such as facility 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 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.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

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

	Three Months Ended September 30,		
	2012	**2011**	**Change**
Statement of Income Data:			
Revenues:			
Services revenues	$ 221,821	$ 210,681	$ 11,140
Product sales	1,522,945	1,613,669	(90,724)
Total revenues	1,744,766	1,824,350	(79,584)
Costs and expenses:			
Cost of product sales	1,486,985	1,535,609	(48,624)
Operating expenses	142,419	135,615	6,804
General and administrative expenses	24,954	17,731	7,223
Depreciation and amortization expense	39,686	42,418	(2,732)
Total costs and expenses	1,694,044	1,731,373	(37,329)
Operating income	50,722	92,977	(42,255)
Equity in (loss) earnings of joint ventures	(951)	2,599	(3,550)
Interest expense, net	(24,867)	(21,565)	(3,302)
Other (expense) income, net	(19,940)	767	(20,707)
Income before income tax expense	4,964	74,778	(69,814)
Income tax expense	622	4,497	(3,875)
Net income	$ 4,342	$ 70,281	$ (65,939)
Net (loss) income per unit applicable to limited partners	$ (0.09)	$ 0.92	$ (1.01)
Weighted-average limited partner units outstanding	72,383,578	64,612,423	7,771,155

Highlights

Net income decreased $65.9 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, primarily due to a decrease in segment operating income and an increase in other expense and general and administrative expenses. Segment operating income decreased $35.2 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, primarily due to an operating loss from the asphalt and fuels marketing segment. Other expense increased for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to a $21.6 million loss related to the Asphalt Sale.

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

	Three Months Ended September 30,		
	2012	2011	Change
Storage:			
Throughput (barrels/day)	780,560	721,618	58,942
Throughput revenues	$ 23,222	$ 21,743	$ 1,479
Storage lease revenues	125,708	120,146	5,562
Total revenues	148,930	141,889	7,041
Operating expenses	75,210	71,386	3,824
Depreciation and amortization expense	23,298	21,725	1,573
Segment operating income	$ 50,422	$ 48,778	$ 1,644
Transportation:			
Refined products pipelines throughput (barrels/day)	521,255	523,279	(2,024)
Crude oil pipelines throughput (barrels/day)	368,846	319,103	49,743
Total throughput (barrels/day)	890,101	842,382	47,719
Throughput revenues	$ 93,730	$ 81,899	$ 11,831
Operating expenses	37,788	30,796	6,992
Depreciation and amortization expense	13,345	12,855	490
Segment operating income	$ 42,597	$ 38,248	$ 4,349
Asphalt and Fuels Marketing:			
Product sales	$ 1,523,044	$ 1,618,693	$ (95,649)
Cost of product sales	1,495,312	1,545,340	(50,028)
Gross margin	27,732	73,353	(45,621)
Operating expenses	42,010	41,862	148
Depreciation and amortization expense	1,404	6,073	(4,669)
Segment operating (loss) income	$ (15,682)	$ 25,418	$ (41,100)
Consolidation and Intersegment Eliminations:			
Revenues	$ (20,938)	$ (18,131)	$ (2,807)
Cost of product sales	(8,327)	(9,731)	1,404
Operating expenses	(12,589)	(8,429)	(4,160)
Total	$ (22)	$ 29	$ (51)
Consolidated Information:			
Revenues	$ 1,744,766	$ 1,824,350	$ (79,584)
Cost of product sales	1,486,985	1,535,609	(48,624)
Operating expenses	142,419	135,615	6,804
Depreciation and amortization expense	38,047	40,653	(2,606)
Segment operating income	77,315	112,473	(35,158)
General and administrative expenses	(24,954)	(17,731)	(7,223)
Other depreciation and amortization expense	(1,639)	(1,765)	126
Consolidated operating income	$ 50,722	$ 92,977	$ (42,255)

Storage

Throughputs increased 58,942 barrels per day and throughput revenues increased $1.5 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, primarily due to new contracts at our Corpus Christi crude storage tanks that became effective July 1, 2012 associated with Eagle Ford Shale projects. Throughputs and revenues also increased due to increased demand in markets served by our Texas City crude storage tanks.

Storage lease revenues increased $5.6 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, primarily due to an increase of $12.1 million from completed expansion projects, including a new unit train offloading facility and tank expansion at our St. James terminal.

These increases were partially offset by:

- a decrease of $2.3 million due to the sale of five refined product terminals in April 2012;
- a decrease of $1.9 million due to the conversion of some lease-based contracts to throughput-based contracts at our Corpus Christi crude storage tanks effective July 1, 2012 associated with Eagle Ford Shale projects; and
- a decrease of $1.5 million at our Point Tupper terminal, mainly due to a decrease in throughputs.

Operating expenses increased $3.8 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to increased salaries and wages and less capitalized overhead as a result of fewer capital projects.

Depreciation and amortization expense increased $1.6 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, primarily due to the completion of the St. James terminal unit train and tank expansion projects.

Transportation

Revenues increased $11.8 million and throughputs increased 47,719 barrels per day, for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, primarily due to:

- an increase in revenues of $6.7 million and an increase in throughputs of 48,912 barrels per day on crude oil pipelines that serve Eagle Ford Shale production in South Texas, two of which were placed in service in the second and third quarters of 2011. In addition, we entered into a new customer contract and increased fees on certain pipelines in the third quarter of 2012;
- an increase in revenues of $1.7 million and an increase in throughputs of 5,340 barrels per day on the North Pipeline mainly due to increased output following the completion of an expansion project at the Mandan refinery in June 2012;
- an increase in revenues of $1.4 million and an increase in throughputs of 7,580 barrels per day on the East Pipeline mainly due to 2011 turnaround activity and operating issues at refineries served by the pipeline;
- an increase in revenues of $1.3 million and an increase in throughputs of 7,878 barrels per day on refined product pipelines that serve the McKee refinery due to increased demand; and
- an increase in revenues of $1.2 million and an increase in throughputs of 11,782 barrels per day on the Elmendorf to San Antonio crude oil pipeline that was placed in service in April 2012.

These increases in revenues and throughputs were partially offset by a decrease in revenues of $2.0 million and a decrease in throughputs of 25,298 barrels per day on the Houston pipeline as it is being converted to new service.

Operating expenses increased $7.0 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to temporary barge rental costs to move a customer’s product associated with Eagle Ford Shale projects and increased regulatory expenses on the Ammonia Pipeline.

Asphalt and Fuels Marketing

Sales and cost of product sales decreased $95.6 million and $50.0 million, respectively, resulting in a decrease in total gross margin of $45.6 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011. The gross margin from our fuels marketing operations decreased $22.0 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, primarily due to hedge losses and a decrease in the gross margin per barrel and volumes sold associated with our crude oil sales. In addition, we reduced the scope of our bunker fuel operations this quarter by liquidating our inventory and exiting two markets where results had been weak, which contributed to the decrease in gross margin for our bunker fuel sales.

The gross margin from the San Antonio refinery decreased $14.5 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to hedge losses and a decrease in the gross margin per barrel, which resulted from higher weighted-average inventory costs and sales prices that either decreased, or remained flat, compared to the same period in prior year.

The gross margin from our asphalt operations decreased $8.7 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to weak demand for asphalt, resulting in a 17% decrease in volumes sold and a decrease in gross margin per barrel. The gross margin per barrel decreased to $5.55 for the three months ended September 30, 2012, compared to $5.96 for the three months ended September 30, 2011.

Operating expenses remained flat for the three months ended September 30, 2012, compared to the three months ended September 30, 2011. Operating expenses for our fuels marketing operations increased, mainly due to increased fuel and vessel costs associated with bunker fuel sales and increased railcar costs associated with fuel oil sales. Increases in operating expenses were offset by decreased costs associated with storage agreements that expired in 2012 related to our asphalt operations.

Depreciation and amortization expense decreased $4.7 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, as a result of reclassifying depreciable assets related to our asphalt operations to “Assets held for sale” on the consolidated balance sheet and discontinuing depreciation of these assets as of June 30, 2012.

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

General
General and administrative expenses increased $7.2 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, primarily due to higher compensation expense associated with our long-term incentive plans, which fluctuates with our unit price.

Equity in (loss) earnings of joint ventures changed by $3.6 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to a $3.3 million loss from our investment in Asphalt JV.

Interest expense, net increased $3.3 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to higher interest rates and letter of credit fees on the new $1.5 billion five-year revolving credit agreement. In addition, we had reduced benefits from interest rate swaps for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, as we had fewer fixed-to-floating interest rate swaps in 2012 compared to 2011, and in February 2012, we began recognizing the interest expense related to terminated forward-starting interest rate swap agreements.

Other (expense) income, net changed by $20.7 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to a $21.6 million loss associated with the Asphalt Sale.

Income tax expense decreased $3.9 million for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, mainly due to lower taxable income.

Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

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

	Nine Months Ended September 30,		
	2012	2011	Change
Statement of Income Data:			
Revenues:			
Services revenues	$ 636,548	$ 608,689	$ 27,859
Product sales	4,745,815	4,039,461	706,354
Total revenues	5,382,363	4,648,150	734,213
Costs and expenses:			
Cost of product sales	4,638,011	3,797,424	840,587
Operating expenses	403,348	390,480	12,868
General and administrative expenses	75,276	69,833	5,443
Depreciation and amortization expense	129,943	124,354	5,589
Asset impairment loss	249,646	—	249,646
Goodwill impairment loss	22,132	—	22,132
Gain on legal settlement	(28,738)	—	(28,738)
Total costs and expenses	5,489,618	4,382,091	1,107,527
Operating (loss) income	(107,255)	266,059	(373,314)
Equity in earnings of joint ventures	3,816	6,997	(3,181)
Interest expense, net	(71,037)	(62,644)	(8,393)
Other expense, net	(21,384)	(5,699)	(15,685)
(Loss) income before income tax expense	(195,860)	204,713	(400,573)
Income tax expense	20,354	13,311	7,043
Net (loss) income	$ (216,214)	$ 191,402	$ (407,616)
Net (loss) income per unit applicable to limited partners	$ (3.40)	$ 2.49	$ (5.89)
Weighted-average limited partner units outstanding	71,302,538	64,611,181	6,691,357

Highlights

For the nine months ended September 30, 2012, we reported a net loss of $216.2 million, compared to net income of $191.4 million for the nine months ended September 30, 2011, primarily due to an operating loss of $324.0 million in the asphalt and fuels marketing segment. The operating loss of the asphalt and fuels marketing segment mainly resulted from an asset impairment charge of $266.4 million in the second quarter of 2012 related to the long-lived assets of our asphalt operations. In addition, the gross margin for the asphalt and fuels marketing segment decreased $141.4 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011.

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

	Nine Months Ended September 30, 2012	2011	Change
Storage:			
Throughput (barrels/day)	755,893	679,031	76,862
Throughput revenues	$ 67,679	$ 58,388	$ 9,291
Storage lease revenues	379,473	359,820	19,653
Total revenues	447,152	418,208	28,944
Operating expenses	214,605	213,230	1,375
Depreciation and amortization expense	69,725	64,656	5,069
Asset impairment loss	2,126	—	2,126
Segment operating income	$ 160,696	$ 140,322	$ 20,374
Transportation:			
Refined products pipelines throughput (barrels/day)	490,775	509,354	(18,579)
Crude oil pipelines throughput (barrels/day)	333,859	304,554	29,305
Total throughput (barrels/day)	824,634	813,908	10,726
Throughput revenues	$ 247,109	$ 226,471	$ 20,638
Operating expenses	96,084	85,381	10,703
Depreciation and amortization expense	39,607	38,282	1,325
Segment operating income	$ 111,418	$ 102,808	$ 8,610
Asphalt and Fuels Marketing:			
Product sales	$ 4,746,221	$ 4,049,079	$ 697,142
Cost of product sales	4,659,912	3,821,379	838,533
Gross margin	86,309	227,700	(141,391)
Operating expenses	128,829	113,506	15,323
Depreciation and amortization expense	15,119	16,505	(1,386)
Asset and goodwill impairment loss	266,357	—	266,357
Segment operating (loss) income	$ (323,996)	$ 97,689	$ (421,685)
Consolidation and Intersegment Eliminations:			
Revenues	$ (58,119)	$ (45,608)	$ (12,511)
Cost of product sales	(21,901)	(23,955)	2,054
Operating expenses	(36,170)	(21,637)	(14,533)
Total	$ (48)	$ (16)	$ (32)
Consolidated Information:			
Revenues	$ 5,382,363	$ 4,648,150	$ 734,213
Cost of product sales	4,638,011	3,797,424	840,587
Operating expenses	403,348	390,480	12,868
Depreciation and amortization expense	124,451	119,443	5,008
Asset and goodwill impairment loss	268,483	—	268,483
Segment operating (loss) income	(51,930)	340,803	(392,733)
General and administrative expenses	(75,276)	(69,833)	(5,443)
Other depreciation and amortization expense	(5,492)	(4,911)	(581)
Other asset impairment loss	(3,295)	—	(3,295)
Gain on legal settlement	28,738	—	28,738
Consolidated operating (loss) income	$ (107,255)	$ 266,059	$ (373,314)

Storage

Throughput revenues increased $9.3 million and throughputs increased 76,862 barrels per day for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, primarily due to a turnaround in the first quarter of 2011 at the refinery served by our Benicia crude oil storage tanks. In addition, throughputs and revenues increased at the Edinburg, Texas and Harlingen, Texas terminals due to ethanol blending services that started in the third quarter of 2011 and at certain terminals serving the McKee refinery as customers shifted volumes to our terminals in 2012 due to maintenance requirements.

Storage lease revenues increased $19.7 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, primarily due to:

- an increase of $30.2 million at our St. James terminal resulting from completed tank expansion projects and the unit train offloading facility project, as well as new customer contracts and rate escalations; and
- an increase of $4.5 million at our St. Eustatius terminal facility mainly due to rate escalations and increased reimbursable revenues.

These increases in revenues were partially offset by:

- a decrease in revenues of $6.9 million at our Point Tupper terminal facility, mainly due to decreased dockage and throughputs, which were partially offset by higher storage revenues;
- a decrease in revenues of $4.8 million due to the sale of five refined product terminals in April 2012; and
- a decrease in revenues of $4.9 million at our UK, Amsterdam and Turkey terminals, mainly due to the effect of foreign exchange rates and a decrease in customer product movements.

Depreciation and amortization expense increased $5.1 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, primarily due to the completion of the St. James terminal unit train and tank expansion projects.

The asset impairment loss of $2.1 million for the nine months ended September 30, 2012 represents the write-down of the carrying value of one of our terminals due to changing market conditions that reduced the estimated cash flows for that terminal.

Transportation

Revenues increased $20.6 million and throughputs increased 10,726 barrels per day, for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, primarily due to:

- an increase in revenues of $9.5 million and an increase in throughputs of 31,641 barrels per day on pipelines that were placed in service in the second and third quarters of 2011 to serve Eagle Ford Shale production in South Texas;
- an increase in revenues of $4.5 million on the Ammonia Pipeline, while throughputs remained flat, due to increased long-haul deliveries resulting in a higher average tariff. Fewer long-haul deliveries occurred in 2011 due to supply issues caused by flooding in the Midwest;
- an increase in revenues of $4.0 million on the East Pipeline, despite a decrease in throughputs of 4,914 barrels per day, due to higher average tariffs resulting from increased long-haul deliveries and an increase in the annual index adjustment;
- an increase in revenues of $2.2 million and an increase in throughputs of 7,405 barrels per day on the Elmendorf to San Antonio crude oil pipeline that was placed in service in April 2012;
- an increase in revenues of $2.1 million and an increase in throughputs of 1,308 barrels per day on the North Pipeline, mainly due to an increase in the annual index adjustment and the completion of an expansion project at the Mandan refinery in June 2012; and
- an increase in revenues of $1.8 million and an increase in throughputs of 6,237 barrels per day on refined product pipelines serving the Three Rivers refinery, mainly due to a turnaround and operational issues in 2011 at the refinery.

These increases in revenues and throughputs were partially offset by:

- a decrease in revenues of $3.4 million and a decrease in throughputs of 32,671 barrels per day on pipelines serving the McKee refinery, primarily due to a turnaround at the McKee refinery in April and May 2012. The decrease in revenues was partially offset by a throughput deficiency payment received in the second quarter of 2012 related to one of the pipelines serving the McKee refinery; and
- a decrease in revenues of $1.9 million and a decease in throughputs of 8,846 barrels per day on the Houston pipeline as it is being converted to new service.

Operating expenses increased $10.7 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, mainly due to temporary barge rental costs to move a customer’s product associated with Eagle Ford Shale projects and increased regulatory expenses on the Ammonia Pipeline.

Asphalt and Fuels Marketing
Sales and cost of product sales increased $697.1 million and $838.5 million, respectively, resulting in a decrease in total gross margin of $141.4 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011. The gross margin from our asphalt operations decreased $79.3 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, mainly due to a decrease in gross margin per barrel, as well as a decrease in sales volumes. The gross margin per barrel decreased to $4.79 for the nine months ended September 30, 2012, compared to $9.67 for the nine months ended September 30, 2011, while sales volumes decreased by approximately 15%.

The gross margin from the San Antonio refinery, acquired in the second quarter of 2011, decreased $27.7 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, mainly due to hedge losses and falling sales prices coupled with higher weighted-average costs, which resulted in an overall negative gross margin.

The gross margin from our fuels marketing operations decreased $34.4 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, mainly due to rising costs, which outpaced rising sales prices, and hedge losses associated with fuel oil sales. In addition, the gross margin from bunker fuel sales decreased as a result of a decrease in the gross margin per barrel, despite an increase in volumes sold. We reduced the scope of our bunker fuel operations this quarter by liquidating our inventory and exiting two markets where results had been weak, which contributed to the decrease in gross margin for bunker fuel sales. Furthermore, during the second quarter of 2012, crude oil prices fell sharply, causing a similar decline in prices for our fuel oil and bunker fuel. During this period of declining prices, we did not hedge our fuel oil and bunker fuel inventories, and the gross margin earned for sales of those products declined significantly.

Operating expenses increased $15.3 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, primarily due to increased fuel and vessel costs associated with bunker fuel sales and increased railcar costs associated with fuel oil sales.

Depreciation and amortization expense decreased $1.4 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, primarily as a result of reclassifying depreciable assets related to our asphalt operations to “Assets held for sale” on the consolidated balance sheet and discontinuing depreciation of these assets as of June 30, 2012.

The asset impairment loss of $266.4 million for the nine months ended September 30, 2012 represents the write-down of the carrying value of our long-lived assets related to our asphalt operations, including fixed assets, goodwill, intangible assets and other long-term assets, in the second quarter of 2012.

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

General
General and administrative expenses increased $5.4 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, primarily due to higher compensation expense associated with our long-term incentive plans, which fluctuates with our unit price.

The other asset impairment loss of $3.3 million for the nine months ended September 30, 2012 represents the write-down of the carrying value of certain corporate assets we intend to sell to the estimated sales price.

The gain on legal settlement of $28.7 million for the nine months ended September 30, 2012 represents the settlement of the Grace Energy Corporation matter in the second quarter of 2012. Please refer to Note 6 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for a detailed discussion of the Grace Energy Corporation matter.

Equity in earnings of joint ventures decreased $3.2 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, primarily due to a $3.3 million loss from our investment in Asphalt JV.

Interest expense, net increased $8.4 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, mainly due to higher interest rates and letter of credit fees on the new $1.5 billion five-year revolving credit agreement. In addition, we had reduced benefits from interest rate swaps for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, as we had fewer fixed-to-floating interest rate swaps in 2012 compared to 2011, and in February 2012, we began recognizing the interest expense related to terminated forward-starting interest rate swap agreements.

Other expense, net decreased $15.7 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, mainly due a $21.6 million loss associated with the Asphalt Sale in September 2012. For the nine months ended September 30, 2011, other expense, net included $5.0 million in costs associated with the early termination of a third-party storage agreement at our Paulsboro, New Jersey asphalt refinery.

Income tax expense increased $7.0 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, mainly due to tax expense of $10.1 million related to the $28.7 million gain on legal settlement recognized in the second quarter of 2012, which was partially offset by lower taxable income. Please refer to Note 14 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for a discussion on income taxes.

TRENDS AND OUTLOOK

Storage Segment

In the fourth quarter of 2012, we expect the storage segment to continue to benefit from internal growth projects completed in 2011 as well as those completed in 2012, mainly at our St. James, Louisiana terminal. The fourth quarter should also begin to benefit from a tank expansion project at our St. Eustatius terminal in the Caribbean, which we expect to complete in the fourth quarter. However, fourth quarter 2012 earnings are expected to be comparable to the fourth quarter of 2011 as the expected additional earnings from those completed projects should be partially offset by higher maintenance costs at several of our terminal facilities. Overall, we expect the full year 2012 earnings for the storage segment to exceed 2011.

Transportation Segment

We expect earnings of the transportation segment for the fourth quarter and the full year 2012 to be higher as compared to the same periods in 2011. Earnings for this segment should benefit from higher throughputs related to the pipeline expansion projects completed in 2011 and in July and October of 2012 that serve Eagle Ford Shale production. The fourth quarter will also benefit from the tariff increase in the second quarter of 2012 on our pipelines regulated by the Federal Energy Regulatory Commission.

Asphalt and Fuels Marketing Segment

We completed the sale of 50% of the Asphalt Operations in the third quarter of 2012. Upon closing of the sale, we deconsolidated the Asphalt Operations and we will prospectively report our remaining investment using the equity method of accounting. Because of our ongoing involvement with the Asphalt Operations, we will not report its historic results of operations as discontinued operations. Therefore, our future results of operations for this segment, subsequent to deconsolidation, will not be comparable to the corresponding prior periods.

Although we expect fourth quarter 2012 results for our fuels marketing operations to exceed the fourth quarter of 2011, full year 2012 earnings for the fuels marketing operations are expected to be less than the full year results for the prior year, primarily due to lower earnings from heavy fuel oil and bunker fuel marketing.

Fourth quarter 2012 results for the asphalt and fuels marketing segment are expected to be higher than fourth quarter 2011 mainly due to losses sustained by the Asphalt Operations in 2011 that will no longer be reported as part of this segment.

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

LIQUIDITY AND CAPITAL RESOURCES

General

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

Cash Flows for the Nine Months Ended September 30, 2012 and 2011

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

	Nine Months Ended September 30,	
	2012	2011
	(Thousands of Dollars)	
Net cash provided by (used in):		
Operating activities	$ 271,879	$ 101,871
Investing activities	(22,030)	(352,655)
Financing activities	(163,362)	131,878
Effect of foreign exchange rate changes on cash	3,472	(3,001)
Net increase (decrease) in cash and cash equivalents	$ 89,959	$ (121,907)

Net cash provided by operating activities for the nine months ended September 30, 2012 was $271.9 million, compared to $101.9 million for the nine months ended September 30, 2011. For the nine months ended September 30, 2012, we reported a net loss of $216.2 million, compared to net income of $191.4 million for the nine months ended September 30, 2011. The net loss for the nine months ended September 30, 2012 included $271.8 million for non-cash asset impairment charges. In addition, working capital decreased by $108.8 million for the nine months ended September 30, 2012, compared to an increase of $216.4 million for the nine months ended September 30, 2011. Please refer to the Working Capital Requirements section below for a discussion of the changes in working capital. Cash flows from operating activities also include an adjustment to net loss for a pre-tax, non-cash gain on a legal settlement of $28.8 million.

For the nine months ended September 30, 2012, net cash provided by operating activities, proceeds from long-term debt borrowings, net of repayments, and proceeds from our issuance of common units were used to fund our distributions to unitholders and our general partner and capital expenditures.

For the nine months ended September 30, 2011, net cash provided by operating activities, proceeds from long-term debt borrowings, net of repayments, combined with cash on hand, were used to fund our distributions to unitholders and our general partner, capital expenditures primarily related to various terminal projects and two acquisitions.

Revolving Credit Agreement

On May 2, 2012, NuStar Logistics replaced its $1.2 billion five-year revolving credit agreement (the 2007 Revolving Credit Agreement) with a new $1.5 billion five-year revolving credit agreement (the 2012 Revolving Credit Agreement), which includes the ability to borrow up to the equivalent of $250.0 million in Euros. NuStar Logistics used borrowings of $588.6 million under the 2012 Revolving Credit Agreement and cash on hand to repay in full the balance on the 2007 Revolving Credit Agreement. Obligations under the 2012 Revolving Credit Agreement are guaranteed by NuStar Energy and NuPOP. NuPOP will be released from its guarantee of the 2012 Revolving Credit Agreement when it no longer guarantees NuStar Logistics public debt instruments. As of September 30, 2012, we had $1,152.9 million available for borrowing under our 2012 Revolving Credit Agreement.

The 2012 Revolving Credit Agreement contains customary restrictive covenants, including requiring us to maintain, as of the end of each rolling period, which consists of any period of four consecutive fiscal quarters, a consolidated debt coverage ratio (consolidated indebtedness to consolidated EBITDA, as defined in the 2012 Revolving Credit Agreement) not to exceed 5.00-to-1.00; provided, for the rolling period ending June 30th of each year, the maximum consolidated debt coverage ratio will increase to 5.50-to-1.00. Moreover, if we consummate an acquisition for an aggregate net consideration of at least $50.0

million, the maximum consolidated debt coverage ratio will increase to 5.50-to-1.00 for two rolling periods.

On June 29, 2012, we amended the 2012 Revolving Credit Agreement to permit unlimited investments in joint ventures and unconsolidated subsidiaries, provided that no default exists, and to limit the amount of cash distributions for such joint ventures and unconsolidated subsidiaries included in the calculation of the consolidated debt coverage ratio to 20% of consolidated EBITDA (the Amendment). In addition, the Amendment provides that we will be in compliance with the consolidated debt coverage ratio as long as it does not exceed 6.50-to-1.00 for the rolling period ended June 30, 2012 or 6.00-to-1.00 for the rolling period ending September 30, 2012. The Amendment further stipulates that if the Asphalt Operations were owned by an unconsolidated joint venture, the maximum allowed consolidated debt coverage would revert to 5.00-to-1.00. Therefore, as of September 30, 2012, our consolidated debt coverage ratio could not exceed 5.00-to-1.00. The requirement not to exceed a maximum consolidated debt coverage ratio may limit the amount we can borrow under the 2012 Revolving Credit Agreement to an amount less than the total amount available for borrowing. Please refer to Note 5 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a more detailed discussion on certain of our long-term debt agreements. As of September 30, 2012, the consolidated debt coverage ratio was 4.3x.

Shelf Registration Statements
Our two shelf registration statements on Form S-3 permit us to offer and sell various types of securities, including NuStar Energy common units and debt securities of NuStar Logistics and NuPOP. The shelf registration statement that became effective on April 29, 2011 permits us to sell securities having an aggregate value of up to $200.0 million, while the shelf registration statement that became effective in May 2010 does not have a stated maximum dollar limit.

If the capital markets become more volatile, our access to the capital markets may be limited, or we could face increased costs. In addition, it is possible that our ability to access the capital markets may be limited at a time when we would like or need access, 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 September 10, 2012, we issued 7,130,000 common units representing limited partner interests at a price of $48.94 per unit. We used the net proceeds from this offering of $344.1 million, including a contribution of $7.1 million from our general partner to maintain its 2% general partner interest, for general partnership purposes, including repayments of outstanding borrowings under our 2012 Revolving Credit Agreement and working capital purposes.

NuStar Logistics' 4.75% Senior Notes. On February 2, 2012, NuStar Logistics issued $250.0 million of 4.75% senior notes under our 2010 Shelf Registration Statement. The net proceeds of $247.4 million were used to repay the outstanding principal amount of NuPOP's 7.75% senior notes due February 15, 2012. Please refer to Note 5 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a more detailed discussion on certain of our long-term debt agreements.

Capital Requirements
Our operations require significant investments to maintain, upgrade or enhance the operating capacity of our existing assets. Our capital expenditures consist of:

- reliability capital expenditures, such as those required to maintain equipment reliability and safety; and
- strategic capital expenditures, such as those to expand and upgrade pipeline capacity, terminal facilities or 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 nine months ended September 30, 2012, our reliability capital expenditures totaled $23.8 million, consisting of $21.4 million primarily related to maintenance upgrade projects at our terminals and the San Antonio refinery, which are classified as "Reliability capital expenditures" in the consolidated statements of cash flows, and $2.4 million of turnaround expenditures at our San Antonio refinery, which are classified as "Investment in other long-term assets" in our consolidated statements of cash flows. Strategic capital expenditures for the nine months ended September 30, 2012 totaled $299.4 million and were primarily related to projects associated with Eagle Ford shale production in South Texas, projects at our St. James, Louisiana and St. Eustatius terminals, the San Antonio refinery and our corporate office.

For the full year 2012, we expect our capital expenditures to total approximately $445.0 million to $450.0 million, including $45.0 million to $50.0 million for reliability capital projects and $400.0 million for strategic capital projects, not including acquisitions. We continue to evaluate our capital budget and make changes as economic conditions warrant, and our actual capital expenditures for 2012 may increase or decrease from 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 2012, and our internal growth projects can be accelerated or scaled back depending on the condition of the capital markets.

Working Capital Requirements

The Asphalt Operations, which we deconsolidated as of September 28, 2012, required us to make substantial investments in working capital. Increases in the prices of the commodities we purchased caused our working capital requirements to increase, which reduced our liquidity. Our working capital requirements vary with fluctuations in commodity prices and the seasonal nature of asphalt demand as we built and stored asphalt inventories during periods of lower demand in order to sell it during periods of higher demand. This seasonal variance in demand also affected our accounts receivable and accounts payable balances, which vary depending on timing of payments.

Within working capital, accounts receivable decreased by $95.2 million during the nine months ended September 30, 2012, compared to an increase of $148.8 million during the nine months ended September 30, 2011, mainly due to decreases in bunker fuel sales as we reduced the scope of our bunker fuel operations in certain markets. In addition, our inventory balances decreased by $60.9 million during the nine months ended September 30, 2012, compared to an increase of $176.9 million during the nine months ended September 30, 2011. The decrease in inventory for the nine months ended September 30, 2012 was mainly due to a decrease in crude oil purchases related to the Asphalt Operations.

Higher inventory balances would typically also result in higher amounts of accounts payable, offsetting the impact to working capital. During the nine months ended September 30, 2012, accounts payable decreased $11.9 million, consistent with the decrease in inventory during the period.

Distributions

On August 10, 2012, we paid a quarterly cash distribution totaling $89.1 million, or $1.095 per unit, related to the second quarter of 2012. On October 25, 2012, we announced a quarterly cash distribution of $1.095 per unit related to the third quarter of 2012. This distribution will be paid on November 14, 2012 to unitholders of record on November 9, 2012 and will total $98.1 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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Thousands of Dollars, Except Per Unit Data)			
General partner interest	$ 1,961	$ 1,628	$ 5,525	$ 4,847
General partner incentive distribution	10,805	8,972	30,437	26,503
Total general partner distribution	12,766	10,600	35,962	31,350
Limited partners’ distribution	85,285	70,814	240,241	211,019
Total cash distributions	$ 98,051	$ 81,414	$ 276,203	$ 242,369
Cash distributions per unit applicable to limited partners	$ 1.095	$ 1.095	$ 3.285	$ 3.265

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.

Debt Obligations

We are a party to the following debt agreements:

- the 2012 Revolving Credit Agreement due May 2, 2017, with a balance of $63.7 million as of September 30, 2012;
- NuStar Logistics' 6.05% senior notes due March 15, 2013 with a face value of $229.9 million; 7.65% senior notes due April 15, 2018 with a face value of $350.0 million; 4.80% senior notes due September 1, 2020 with a face value of $450.0 million; and 4.75% senior notes due February 1, 2022 with a face value of $250.0 million;
- NuPOP's 5.875% senior notes due June 1, 2013 with a face value of $250.0 million;
- NuStar Logistics' $365.4 million Gulf Opportunity Zone Revenue Bonds due from 2038 to 2041;
- 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 $0.9 million as of September 30, 2012.

We have $479.9 million of debt maturing in 2013. We expect to refinance this debt by issuing additional senior notes or with borrowings under our 2012 Revolving Credit Facility.

On June 29, 2012, we amended the UK Term Loan to be consistent with the covenant terms of the 2012 Revolving Credit Agreement. As a result of this amendment to the UK Term Loan, the covenants and ratios of the UK Term Loan are substantially the same as the 2012 Revolving Credit Agreement. Management believes that, as of September 30, 2012, we are in compliance with all ratios and covenants of both the 2012 Revolving Credit Agreement and the UK Term Loan. Our other long-term debt obligations do not contain any financial covenants that are different than those contained in the 2012 Revolving Credit Agreement. However, a default under any of our debt instruments would be considered an event of default under all of our debt instruments. Please refer to Note 5 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a more detailed discussion on certain of our long-term debt agreements.

Credit Ratings

The interest rates on the 2012 Revolving Credit Agreement and NuStar Logistics' $350.0 million of 7.65% senior notes are subject to adjustment if our debt rating is downgraded (or subsequently upgraded) by certain credit rating agencies. In July 2012, Standard & Poor's lowered our credit rating to BB+ from BBB- and revised the outlook to Stable. In August 2012, Fitch Ratings also lowered our credit rating to BB+ from BBB- and revised the outlook to Stable. The interest rates applicable to the 2012 Revolving Credit Agreement do not adjust unless both Moody's and Standard & Poor's change their ratings. However, the downgrade by Standard & Poor's caused the interest rate on NuStar Logistics' $350.0 million of 7.65% senior notes to increase by 0.25%. These downgrades may also require us to provide additional credit support for certain contracts.

Interest Rate Swaps

As of September 30, 2012 and December 31, 2011, we were a party to fixed-to-floating interest rate swap agreements and forward-starting swap agreements for the purpose of hedging interest rate risk. The following table contains information on our interest rate swap agreements:

	Notional Amount		Fair Value Asset (Liability)	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
	(Thousands of Dollars)			
Type of interest rate swap agreements:				
Fixed-to-floating	$ —	$ 270,000	$ —	$ 2,335
Forward-starting	$ 275,000	$ 500,000	$ (41,117)	$ (49,199)

During the six months ended June 30, 2012, we entered into and terminated fixed-to-floating interest rate swap agreements with an aggregate notional amount of $200.0 million related to the 4.75% senior notes issued on February 2, 2012. We also terminated fixed-to-floating interest rate swap agreements with an aggregate notional amount of $270.0 million associated with our 4.80% senior notes. We received $19.7 million in connection with the terminations, which we are amortizing into "Interest expense, net" over the remaining lives of the 4.80% and 4.75% senior notes. In addition, in connection with the issuance of the 4.75% senior notes on February 2, 2012, we terminated a portion of our outstanding forward-starting interest rate swap agreements with an aggregate notional amount of $225.0 million. We paid $25.4 million in connection with the terminations of the forward-starting interest rate swaps, which is being amortized into "Interest expense, net" over the life of the 4.75% senior notes. Proceeds and payments related to the terminations are included in cash flows from financing activities on the consolidated statements of cash flows. Please refer to Note 8 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a more detailed discussion of our interest rate swaps.

Commitments
On November 17, 2010, we entered into a crude purchase commitment with Statoil Brasil Oleo E Gas Limitada (Statoil) to purchase an average of 10,000 barrels per day of crude oil over a three-year period, which began in December 2011. Pending receipt of and payment for one final shipment from Statoil in the fourth quarter of 2012, this agreement will be terminated.

In connection with the deconsolidation of the Asphalt Operations, our future minimum rental payments applicable to noncancellable operating leases were reduced by certain storage and railcar lease obligations.

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 6 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements."

RELATED PARTY TRANSACTIONS
In connection with the Asphalt Sale, we provided an unsecured revolving credit facility that will be available to fund working capital needs and for general purposes of Asphalt JV in an aggregate principal amount not to exceed $250.0 million for a term of seven years. The NuStar JV Facility matures on September 28, 2019 and bears interest based on either an alternative base rate or a LIBOR-based rate. We recognize interest income over the term of the facility in "Interest expense, net" on the consolidated statements of comprehensive income. As of September 30, 2012, the interest rate was 4.875%. In the event NuStar Energy no longer owns an equity interest in Asphalt JV, the interest rate increases and the availability under the NuStar JV Facility is reduced to a maximum of $167.0 million after two years and $83.0 million after three years. On September 28, 2012, Asphalt JV borrowed $170.7 million from us under the NuStar JV Facility.

In addition, during the term of the NuStar JV Facility, NuStar Energy will provide credit support, such as guarantees, letters of credit and cash collateral, as applicable, of up to $150.0 million. As of September 30, 2012, NuStar Energy has provided guarantees for commodity purchases, lease obligations and certain utilities for Asphalt JV with a maximum potential exposure of $141.8 million. In addition, NuStar has provided three guarantees to suppliers that do not specify a maximum amount. All guarantees were in existence prior to the Asphalt Sale, and the majority of these guarantees have no expiration date. In the event NuStar Energy must fund its obligation under these guarantees, that amount will be added to borrowings under the NuStar JV Facility.

Please refer to Note 9 of the Condensed Notes to Consolidated Financial Statements in Item 1. "Financial Statements" for a detailed discussion of our other related party transactions.

CRITICAL ACCOUNTING POLICIES
The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We manage our exposure to changing interest rates principally through the use of a combination of fixed-rate debt and variable-rate debt. In addition, we utilize fixed-to-floating interest rate swap agreements to manage a portion of the exposure to changing interest rates by converting certain fixed-rate debt to variable-rate debt. We also enter into forward-starting interest rate swap agreements to lock in the rate on the interest payments related to forecasted debt issuances. Borrowings under the 2012 Revolving Credit Agreement and Gulf Opportunity Zone Revenue Bonds expose us to increases in applicable interest rates.

During the second quarter of 2012, we terminated all of our fixed-to-floating interest rate swap agreements, which had an aggregate notional amount of $470.0 million. Please refer to Note 8 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for a more detailed discussion of our interest rate swaps.

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

	September 30, 2012							
	Expected Maturity Dates							
	2012	2013	2014	2015	2016	There-after	Total	Fair Value
	(Thousands of Dollars, Except Interest Rates)							
Long-term Debt:								
Fixed rate	$ 34,775	$ 479,932	$ —	$ —	$ —	$ 1,050,000	$ 1,564,707	$ 1,596,034
Weighted-average interest rate	6.7%	6.0%	—	—	—	5.8%	5.9%	
Variable rate	$ —	$ —	$ —	$ —	$ —	$ 429,161	$ 429,161	$ 422,959
Weighted-average interest rate	—	—	—	—	—	0.4%	0.4%	

	December 31, 2011							
	Expected Maturity Dates							
	2012	2013	2014	2015	2016	There-after	Total	Fair Value
	(Thousands of Dollars, Except Interest Rates)							
Long-term Debt:								
Fixed rate	$ 383,456	$ 479,932	$ —	$ —	$ —	$ 800,000	$ 1,663,388	$ 1,787,532
Weighted-average interest rate	7.4%	6.0%	—	—	—	6.0%	6.3%	
Variable rate	$ 229,295	$ —	$ —	$ —	$ —	$ 365,440	$ 594,735	$ 590,033
Weighted-average interest rate	1.2%	—	—	—	—	0.1%	0.5%	
Interest Rate Swaps Fixed–to-Floating:								
Notional amount	$ —	$ —	$ —	$ —	$ —	$ 270,000	$ 270,000	$ 2,335
Weighted-average pay rate	3.2%	3.4%	3.7%	4.4%	4.9%	5.7%	4.7%	
Weighted-average receive rate	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	

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

Notional Amount		Period of Hedge	Weighted-Average Fixed Rate	Fair Value	
September 30, 2012	December 31, 2011		September 30, 2012	September 30, 2012	December 31, 2011
(Thousands of Dollars)				(Thousands of Dollars)	
$ 125,000	$ 125,000	03/13 - 03/23	3.5%	$ (19,126)	$ (12,720)
150,000	150,000	06/13 - 06/23	3.5%	(21,991)	(14,470)
—	225,000		—	—	(22,009)
$ 275,000	$ 500,000		3.5%	$ (41,117)	$ (49,199)

In connection with the issuance of the 4.75% senior notes on February 2, 2012, we terminated forward-starting interest rate swap agreements with an aggregate notional amount of $225.0 million. Please refer to Note 8 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for a more detailed discussion of our interest rate swaps.

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 attempt to mitigate the effects of commodity price fluctuations. The derivative instruments we use consist primarily of commodity futures and swap contracts. 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. 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 “Cost of product sales.” For derivative instruments that do not qualify for hedge accounting (Economic Hedges and Other Derivatives), we record the mark-to-market adjustments in “Product sales,” “Cost of product sales” or “Operating expenses.”

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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 8 of Condensed Notes to Consolidated Financial Statement in Item 1. “Financial Statements” for the volume and related fair value of all commodity contracts.

	September 30, 2012			
		Weighted Average		
	Contract Volumes	Pay Price	Receive Price	Fair Value of Current Asset (Liability)
	(Thousands of Barrels)			(Thousands of Dollars)
Fair Value Hedges:				
Futures – short:				
(refined products)	44	N/A	$ 132.34	$ (15)
Swaps – long:				
(refined products)	452	$ 100.57	N/A	$ (887)
Swaps – short:				
(refined products)	2,646	N/A	$ 100.93	$ 3,558
Cash Flow Hedges:				
Swaps – long:				
(crude oil)	1,531	$ 107.78	N/A	$ (51,807)
Economic Hedges and Other Derivatives:				
Futures – long:				
(crude oil and refined products)	88	$ 97.11	N/A	$ 12
Futures – short:				
(crude oil and refined products)	249	N/A	$ 110.14	$ (308)
Swaps – long:				
(crude oil and refined products)	3,143	$ 98.12	N/A	$ 7,194
Swaps – short:				
(crude oil and refined products)	4,462	N/A	$ 107.31	$ 7,622
Forward purchase contracts:				
(crude oil)	1,584	$ 103.85	N/A	$ (568)
Forward sales contracts:				
(crude oil)	1,584	N/A	$ 104.07	$ 5,172
Total fair value of open positions exposed to commodity price risk				$ (30,027)

	December 31, 2011			
	Contract Volumes	Weighted Average		Fair Value of Current Asset (Liability)
		Pay Price	Receive Price	
	(Thousands of Barrels)			(Thousands of Dollars)
Fair Value Hedges:				
Futures – short:				
(refined products)	20	N/A	$ 121.65	$ (15)
Cash Flow Hedges:				
Swaps – long:				
(crude oil)	9,353	$ 106.69	N/A	$ (103,078)
Swaps – short:				
(refined products)	8,805	N/A	$ 127.97	$ 126,067
Economic Hedges and Other Derivatives:				
Futures – long:				
(crude oil and refined products)	643	$ 98.79	N/A	$ 919
Futures – short:				
(crude oil and refined products)	800	N/A	$ 101.77	$ (2,075)
Swaps – long:				
(refined products)	1,355	$ 97.25	N/A	$ (1,455)
Swaps – short:				
(refined products)	2,283	N/A	$ 101.20	$ 8,756
Forward purchase contracts:				
(crude oil)	2,294	$ 106.01	N/A	$ (1,803)
Forward sales contracts:				
(crude oil)	2,294	N/A	$ 105.20	$ 3,683
Total fair value of open positions exposed to commodity price risk				$ 30,999

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 September 30, 2012.

(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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 5. Other Information

TexStar Purchase Agreement

On November 2, 2012, NuStar Logistics entered into an Asset Purchase Agreement (the Purchase Agreement) with TexStar Crude Oil Services, LP, TexStar Crude Oil Pipeline, LP, TexStar Midstream Utility, LP, TexStar Midstream Transport, LP, TexStar Midstream Services, LP and Frio LaSalle Pipeline, LP (collectively, the Sellers), to purchase the following assets:

- approximately 140 miles of crude oil pipelines and gathering lines that are currently under construction and upon completion will have throughput capacity of 100,000 barrels per day (the Crude Oil Pipelines);
- five terminals and storage facilities providing 643,400 barrels of storage capacity (the Crude Oil Terminals and Storage Facilities); and
- 38 miles of natural gas liquids (NGL) Y-grade pipeline and two fractionators with a combined capacity of 57,000 barrels per day (the NGL Assets); with the NGL Assets currently under construction.

The acquisition also includes a lease for a terminal and storage facility located near Corpus Christi providing 144,000 barrels of storage capacity (the Redfish Bay Lease). The Crude Oil Pipelines, the Crude Oil Terminals and Storage Facilities and the Redfish Bay Lease are collectively referred to herein as the “Crude Oil Assets.” The Crude Oil Assets and the NGL Assets are collectively referred to herein as the “Assets.”

The purchase price for the Assets is approximately $425.0 million, subject to certain purchase price adjustments, and is expected to close in two separate transactions. The acquisition of the Crude Oil Assets is expected to close in December 2012 (the Initial Closing), subject to customary closing conditions such as approval under the Hart-Scott Rodino Antitrust Improvements Act. The acquisition of the NGL Assets is expected to close in the first quarter of 2013 (the Second Closing), subject to certain closing conditions such as completion of the Initial Closing and achieving certain milestones with respect to the development of the NGL Assets. If the Second Closing does not occur, it will have no impact on the Purchase Agreement with respect to the Crude Oil Assets. The Initial Closing and the Second Closing are collectively referred to herein as the “Transaction.” Upon the Initial Closing, we will pay the Sellers approximately $325.0 million and at the Second Closing, we will pay the Sellers approximately $100.0 million. Both payments are subject to certain purchase price adjustments. We expect to fund the purchase price with a combination of borrowings under our 2012 Revolving Credit Agreement and potential equity or debt offerings, pending market conditions.

The parties to the Purchase Agreement have made customary representations, warranties and covenants for a transaction of this type in this industry, including, among others, Sellers' agreement to continue to operate the Assets, during the period prior to the consummation of the Transaction, in the ordinary course of business, consistent with past practice or as otherwise set forth in the Purchase Agreement. The Sellers also agreed to continue construction of the Crude Oil Assets and NGL Assets. The Purchase Agreement also contains post-closing indemnification obligations for, among other matters, breaches of representations and warranties and certain retained and assumed obligations.

The Purchase Agreement contains certain termination rights prior to consummation of the Transaction by: (i) mutual written consent of NuStar Logistics and Sellers; (ii) NuStar Logistics if casualty losses result in damages in excess of $17.0 million; (iii) NuStar Logistics or Sellers, as applicable, if the other party has breached a representation, warranty or covenant contained in the Purchase Agreement so that such party is incapable of fulfilling its obligations under a closing condition; (iv) by NuStar Logistics or Sellers if the Initial Closing has not occurred by December 15, 2012, subject to extension as provided in the Purchase Agreement; or (v) by NuStar Logistics or Sellers if the Second Closing has not occurred by January 31, 2013, subject to extension as provided in the Purchase Agreement.

Item 6. Exhibits

Exhibit Number	Description
10.01	Purchase and Sale Agreement by and among NuStar Energy L.P., NuStar Logistics, L.P., NuStar Asphalt Refining, LLC, NuStar Marketing LLC, NuStar Asphalt LLC and Asphalt Acquisition LLC dated as of July 3, 2012 (incorporated by reference to Exhibit 10.01 of NuStar Energy L.P.'s Current Report on Form 8-K filed July 6, 2012)
*10.02	Letter Agreement by and among Asphalt Acquisition LLC, NuStar Energy L.P., NuStar Logistics, L.P., NuStar Asphalt Refining, LLC, NuStar Marketing LLC and NuStar Asphalt LLC dated August 2, 2012
*10.03	Amendment No. 1 to Purchase and Sale Agreement dated as of September 28, 2012 by and among NuStar Energy L.P., NuStar Logistics, L.P., NuStar Asphalt Refining, LLC, NuStar Marketing LLC, NuStar GP, LLC, NuStar Asphalt LLC and Asphalt Acquisition LLC
*12.01	Statement of Computation of Ratio of Earnings to Fixed Charges
*31.01	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal executive officer
*31.02	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal financial officer
*32.01	Section 1350 Certification (under Section 906 of the Sarbanes-Oxley Act of 2002) of principal executive officer
*32.02	Section 1350 Certification (under Section 906 of the Sarbanes-Oxley Act of 2002) of principal financial officer
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NUSTAR ENERGY L.P.
(Registrant)

By: Riverwalk Logistics, L.P., its general partner
By: NuStar GP, LLC, its general partner

By:	**/s/ Curtis V. Anastasio**
	Curtis V. Anastasio
	President and Chief Executive Officer
	November 8, 2012
By:	**/s/ Steven A. Blank**
	Steven A. Blank
	Executive Vice President, Chief Financial Officer and Treasurer
	November 8, 2012
By:	**/s/ Thomas R. Shoaf**
	Thomas R. Shoaf
	Senior Vice President and Controller
	November 8, 2012

Asphalt Acquisition LLC

August 2, 2012

NuStar Logistics, L.P.
2330 North Loop 1604 W
San Antonio, TX 78248
Attention: Bradley C. Barron, Esq.

Ladies and Gentlemen:

Reference is made to the Purchase and Sale Agreement dated as of July 3, 2012 (the "Purchase and Sale Agreement") by and among NuStar Energy L.P., a Delaware limited partnership ("Energy"), NuStar Logistics, L.P., a Delaware limited partnership (the "Seller"), NuStar Asphalt Refining, LLC, a Delaware limited liability company ("Refining"), NuStar Marketing LLC, a Delaware limited liability company ("Marketing"), NuStar GP, LLC, a Delaware limited liability company ("GP LLC"), NuStar Asphalt LLC, a Delaware limited liability company (the "Company"), and Asphalt Acquisition LLC, a Delaware limited liability company (the "Investor," together with the Seller, Energy, Refining, Marketing, the Company and GP LLC, the "Parties", and each of them, a "Party"). Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Purchase and Sale Agreement.

The Parties hereby jointly extend the time period in which the Investor may provide notice of its election to have Section 8.2(b) of the Purchase and Sale Agreement apply. Such time period, which was scheduled to end 30 days following the execution of the Purchase and Sale Agreement, is extended to end on August 17, 2012. If the Investor provides such notice during such extended time period, then the Parties shall act in accordance therewith for all purposes as if such notice had been provided in accordance with Section 8.2(b) of the Purchase and Sale Agreement.

Except as expressly set forth herein, this letter agreement will not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the parties to the Purchase and Sale Agreement, and will not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Purchase and Sale Agreement, all of which shall continue in full force and effect.

This letter agreement and any claim, controversy or dispute arising under or related to this letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned has caused this letter agreement to be duly executed on its behalf as of the date first above written.

ASPHALT ACQUISITION LLC

By: /s/ Michael Dees

Name: Michael Dees
Title: Authorized Signatory

[signature page to letter agreement]

Accepted and agreed as of
the date first written above:

NUSTAR LOGISTICS, L.P.

By: NuStar GP, Inc., its
General Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief
Financial Officer and Treasurer

NUSTAR ASPHALT REFINING, LLC

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief
Financial Officer and Treasurer

NUSTAR MARKETING LLC

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief
Financial Officer and Treasurer

NUSTAR ENERGY L.P.

By: Riverwalk Logistics, L.P., its
General Partner

By: NuStar GP, LLC, its General
Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief
Financial Officer and Treasurer

[signature page to letter agreement]

NUSTAR GP, LLC

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief Financial Officer and Treasurer

NUSTAR ASPHALT LLC

By: NuStar Logistics, L.P., its sole member

By: NuStar GP, Inc., its General Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief Financial Officer and Treasurer

[signature page to letter agreement]

AMENDMENT NO. 1 TO
PURCHASE AND SALE AGREEMENT

This Amendment No. 1 (this "Amendment") to the Purchase and Sale Agreement dated as of July 3, 2012 (together with the Exhibits, Appendices and Disclosure Letter thereto, the "Purchase and Sale Agreement") is made as of this 28th day of September, 2012 by and among NuStar Energy L.P., a Delaware limited partnership ("Energy"), NuStar Logistics, L.P., a Delaware limited partnership (the "Seller"), NuStar Asphalt Refining, LLC, a Delaware limited liability company ("Refining"), NuStar Marketing LLC, a Delaware limited liability company ("Marketing"), NuStar GP, LLC, a Delaware limited liability company ("GP LLC"), NuStar Asphalt LLC, a Delaware limited liability company (the "Company"), and Asphalt Acquisition LLC, a Delaware limited liability company (the "Investor," together with the Seller, Energy, Refining, Marketing, the Company and GP LLC, the "Parties", and each of them, a "Party").

WHEREAS the Parties entered into the Purchase and Sale Agreement as of July 3, 2012; and

WHEREAS the Parties now wish to amend the Purchase and Sale Agreement in the manner set forth in this Amendment all in accordance with the terms and conditions of the Purchase and Sale Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged by each Party, the Parties hereto agree as follows:

SECTION 1. Definitions. Capitalized terms used in this Amendment but not defined herein shall have the meanings given to them in the Purchase and Sale Agreement.

SECTION 2. Amendment to Appendix A. The definitions of "Covered Employee" and "Equivalent Wage" shall be amended to read in full:

> "Covered Employee" means, as of the date hereof (a) each employee of the NuStar Affiliates who is expected to become an employee of the Company as of the Expiration Date and is identified as a "Group A Employee" in Section D of the Disclosure Letter and (b) each employee of the NuStar Affiliates who is expected to become an employee of the Company and is identified as a "Group B Employee" in Section D of the Disclosure Letter.
>
> "Equivalent Wage" means, with respect to any Transferred Employee, the base salary (or the base wage rate) plus any shift differential applicable with respect to such Transferred Employee as of the Transfer Date applicable to such Transferred Employee.

SECTION 3. Amendment to Appendix A. The definitions of “Active Employee”, “Employee Services Agreement”, “Expiration Date”, “Retained Employee Obligations”, “Specified Employee”, “Terminated Specified Employee”, “Transfer Date”, “Transfer Time” and “Transferred Employee” shall be added, reading in full:

“Active Employee” has the meaning specified in Section 8.9(a).

“Employee Services Agreement” shall mean that certain Employee Services Agreement dated as of September 28, 2012, among GP LLC, the Company, Refining and Marketing.

“Expiration Date” has the meaning specified in the Employee Services Agreement.

“FMLA” has the meaning specified in Section 8.9(a).

“Retained Employee Obligations” has the meaning specified in Section 8.9(b).

“Specified Employee” means each Covered Employee listed on Schedule A.

“Terminated Specified Employee” means each Specified Employee whose employment is terminated prior to the Expiration Date.

“Transfer Date” has the meaning specified in Section 8.9(a).

“Transfer Time” has the meaning specified in Section 8.9(a).

“Transferred Employee” has the meaning specified in Section 8.9(a).

SECTION 4. Amendment to Section 2.3(b). The following sentence shall be added at the end of Section 2.3(b) of the Purchase and Sale Agreement:

(a) Notwithstanding the exclusions from Purchased Inventory set forth on Section 2.3(b) of the Disclosure Letter, Purchased Inventory at the Closing may include up to 60,000 barrels of crude oil in excess of 1,000,000 barrels of crude oil; provided, however, that the market value of each such included barrel in excess of 1,000,000 barrels shall be equal to the market value thereof (as determined in accordance with Section 2.3(b) of the Disclosure Letter) discounted by $3 per barrel for purposes of calculating the Inventory Purchase Price.

SECTION 5. Amendment to Section 8.9(a). Section 8.9(a) of the Purchase and Sale Agreement shall be amended and restated to read as follows:

(a) The Company shall, or shall cause the applicable member of the Company Group to, make an offer of employment, in accordance with the requirements of this Section 8.9, no fewer than 30 days before the Expiration Date and to be effective as of the Expiration Date, to each Covered Employee who is actively at work, or is not actively at work due to vacation, holiday or sick days in compliance with the applicable policies of the NuStar Affiliates (each such Covered Employee, an "Active Employee"). With respect to each Covered Employee who is not an Active Employee due to short-term disability, emergency family, personal short-term, adoption, long-term disability, reserve military or full-time military leave or an approved leave of absence under the Family and Medical Leave Act of 1993, as amended ("FMLA"), the Company shall, or shall cause the applicable member of the Company Group to, make an offer of employment, in accordance with the requirements of this Section 8.9, to such Covered Employee effective as of the date on which such Covered Employee presents himself or herself to the Company (or such applicable member of the Company Group) for active employment following the Expiration Date; provided, that such date is no later than ten (10) business days following the last day on which any NuStar Affiliate would have been required to re-employ such Covered Employee in accordance with the applicable NuStar Plan, the provisions of FMLA, or the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 and the Department of Labor regulations promulgated thereunder, or any other applicable Law, as applicable, in each case, as if the transactions contemplated by this Agreement had not occurred. For purposes of this Agreement, the term "Transferred Employee" shall refer to each Covered Employee who accepts or does not reject an offer of employment with the Company as provided for in this Section 8.9(a), the term "Transfer Time" with respect to any Transferred Employee shall refer to (A) with respect to any Transferred Employee who is an Active Employee, 12:01 a.m. on January 1, 2013 and (B) with respect to any Transferred Employee who is not an Active Employee, 12:01 a.m. on the date upon which such Transferred Employee actually begins active employment with the applicable member of the Company Group and the term "Transfer Date" with respect to any Transferred Employee shall refer to the date on which a Transferred Employee's employment with the applicable member of the Company Group becomes effective.

SECTION 6. Amendment to Section 8.9(b). Section 8.9(b) of the Purchase and Sale Agreement shall be amended and restated to read as follows:

(a) Except with respect to any Obligations that transfer to the Company Group pursuant to Applicable Law or are Obligations of the Company Group pursuant to the Employee Services Agreement, including obligations to indemnify GP LLC and its Affiliates as provided for in Section 3.5(a) of the Employee Services Agreement, GP LLC shall retain liability and responsibility for all employment and employee benefits-related Obligations (i) incurred, or arising out of a period ending, on or prior to the Expiration Date that relate to the Covered Employees (or any dependent or beneficiary of any Covered Employee) or (ii) incurred, or arising out of a period ending, after the Expiration Date that relate to a Covered Employee that does not become a Transferred Employee (or any dependent or beneficiary of such Covered Employee) (such Obligations, the "Retained Employee Obligations"). Except with respect to any Obligations that transfer to the Company Group pursuant to Applicable Law or are Obligations of the Company Group pursuant to the Employee Services Agreement, neither Marketing, Refining, the Company, the Investor nor any of its Affiliates shall have any liability or responsibility for any Retained Employee Obligations. Except with respect to any Obligations (i) under any NuStar Plan or (ii) arising as a result of actions taken by any NuStar Affiliate on or prior to the Expiration Date, effective as of the Transfer Time applicable to a Transferred Employee, neither GP LLC nor any of its Affiliates shall have any liability or responsibility for any employment and employee benefits-related Obligations incurred, or arising following the Transfer Date applicable to a Transferred Employee that relate to such Transferred Employees (or any dependent or beneficiary of any such Transferred Employee).

SECTION 7. Amendment to Section 8.9(c). Section 8.9(c) of the Purchase and Sale Agreement shall be amended and restated to read as follows:

(a) Except in the event of any claim for workers' compensation benefits, for purposes of this Section 8.9(c), the following claims and liabilities shall be deemed to be incurred as follows: (i) medical, vision, dental and/or prescription drug benefits (including hospital expenses), upon provision of the services, materials or supplies comprising any such benefits, and (ii) short and long-term disability, life, accidental death and dismemberment and business travel accident insurance benefits, upon the death, illness, injury or accident giving rise to such benefits. A claim for workers' compensation benefits, shall be deemed to be incurred when the event giving rise to the claim (the "Workers' Compensation Event") occurs. If the Workers' Compensation Event occurs in respect of a Transferred Employee over a period both preceding and following the applicable Transfer Time, the claim shall be the joint responsibility and liability of GP LLC and the Company and shall be equitably apportioned between GP LLC and the Company based upon the relative periods of time that the Workers' Compensation Event transpired preceding and following the applicable Transfer Time.

SECTION 8. Amendment to Section 8.9(d). Section 8.9(d) of the Purchase and Sale Agreement shall be amended and restated to read as follows:

(a) GP LLC agrees to provide any required notice under and to otherwise retain all liabilities relating to the federal Worker Adjustment and Retraining Notification Act ("WARN"), or any similar state, local or foreign laws, with respect to any event, including any "plant closing" or "mass layoff" (each, as defined in WARN) or group termination or similar event, affecting Covered Employees on or prior to the Expiration Date. GP LLC shall notify the Investor prior to the Expiration Date of any "employment loss" (as defined in WARN) experienced by any Covered Employees during the 90-day period prior to the Expiration Date.

SECTION 9. Amendment to Section 8.9(e). Section 8.9(e) of the Purchase and Sale Agreement shall be amended and restated to read as follows:

(a) Effective as of the Closing (except as otherwise provided in this Section 8.9(e)), the applicable members of the Company Group shall provide (and the Parties shall cooperate reasonably and in good faith to effectuate) the following:

(i) Credit for Service. Each Transferred Employee shall be credited with all years of service for which such Transferred Employee was credited while employed by GP LLC or its applicable Affiliate ("NuStar Employer"), as of the Transfer Date applicable to such Transferred Employee (or, with respect to Company Defined Benefit Plan (as defined below), through the date on which such plan is established), under any comparable or similar Company Group employee benefit plans in which such Covered Employees participate for purposes of vesting benefits ("vested service") and participation eligibility (including eligibility to receive subsidized early retirement benefits, Social Security supplements and ancillary benefits), but in no event shall the applicable member of the Company Group have any obligation to recognize such years of service for benefit accrual in any such employee benefit plans ("credited service") or to the extent doing so would result in a duplication of benefits. Transferred Employees will be eligible for vacation and short-term leave entitlement based on years of service under the NuStar Employer's employee benefit plans.

(ii) Provision of Benefits. For a period of 18 months following the Closing Date, the applicable member of the Company Group shall make available to the Transferred Employees, as a group, employee benefit plans providing benefits that are no less favorable in the aggregate to those provided under the NuStar Plans as described in Section 8.9(e) of the Disclosure Letter; provided, however, that the Parties shall, in good faith, use their reasonable efforts to replicate the NuStar Plans, including, to the extent practical and not unreasonably cost prohibitive, engaging the same third-party service providers and insurers.

(iii) Defined Benefit Plans. The GP LLC shall cause the NuStar Employer's retirement plan (the "NuStar Retirement Plan") and related excess benefit plan (collectively, "NuStar Defined Benefit Plan") to (1) retain all liability for pension benefits accrued by each Covered Employee as of the Expiration Date, and (2) provide for distributions in accordance with the NuStar Defined Benefit Plan's distribution rules to any Covered Employee eligible for such distributions. As soon as practicable following the Expiration Date, the applicable member of the Company Group shall establish and maintain a defined benefit plan that is qualified under Section 401 of the Code ("Company Defined Benefit Plan"). The Company Group shall cause Company Defined Benefit Plan to provide that all Transferred Employees who were eligible to participate in the NuStar Retirement Plan and who remain employed with the Company Group on the date on which Company Defined Benefit Plan is established shall be immediately eligible to participate in Company Defined Benefit Plan on the date on which Company Defined Benefit Plan is established.

(iv) Qualified Defined Contribution Plans. No later than the Expiration Date, the applicable member of the Company Group shall establish and maintain a defined contribution plan that is qualified under Section 401 of the Code ("Company Defined Contribution Plan"). The applicable member of the Company Group shall (1) cause Company Defined Contribution Plan to accept the direct rollover of Transferred Employees' "eligible rollover distributions" (as defined in Section 401(a)(31) of the Code) and (2) use its commercially reasonable efforts to cause Company Defined Contribution Plan to accept the rollover or transfer of Transferred Employees' outstanding participant loans .

(v) Severance Program. (A) If within one year of the Closing Date (the "Severance Period"): (1) the applicable member of the Company Group involuntarily terminates the employment of a Transferred Employee (for reasons other than just cause or to commence employment with another entity within the Company Group) or (2) a Transferred Employee elects to terminate employment with the applicable member of the Company Group rather than accept a material reduction in compensation below his or her Equivalent Wage, the applicable member of the Company Group shall provide severance pay and other benefits to such Transferred Employee as described below ("Severance Program") in lieu of, and not otherwise in addition to, any severance to which such Transferred Employee would otherwise be entitled under any employee benefit plan, agreement or other arrangement with the Company Group. The applicable member of the Company Group shall adopt the Severance Program no later than the Expiration Date and shall not terminate it or amend it in a manner materially inconsistent with this Section 8.9(e)(v) prior to one year after the Expiration Date.

(A) The Severance Program shall provide severance pay in an amount not less than the sum of (1) the Transferred Employee's Equivalent Wage (or his/her then-current base rate of pay, if greater) and (2) the applicable member of the Company Group's contribution of the premium cost for any health benefits in which the Transferred Employee is participating as of the date of his or her termination from employment, in each case as such Covered Employee would have received from, or had paid on his or her behalf by, the applicable member of the Company Group had such Transferred Employee remained employed by the applicable member of the Company Group through the end of the Severance Period.

Notwithstanding the foregoing, the applicable member of the Company Group may condition eligibility for any benefit under the Severance Program on the execution and non-revocation of a general and comprehensive release or waiver of any and all claims. Such release or waiver shall be in such form as the applicable member of the Company Group determines in its sole discretion.

(vi) Vacation Pay. No later than the Expiration Date, the applicable member of the Company Group shall establish and maintain a vacation pay plan or policy ("Company Vacation Pay Policy") that shall (A) be applicable to each Transferred Employee upon the Transfer Date applicable to such Transferred Employee, (B) recognize the service that the NuStar Employer used for purposes of vacation pay accrual as of the Transfer Date applicable to such Transferred Employee and (C) provide a minimum annual vacation pay accrual equal to the amount of annual vacation granted to eligible employees under the NuStar Employer's vacation plan; provided, however, that during the calendar year in which the Transfer Time applicable to a Transferred Employee occurs, such annual vacation pay accrual to be provided by the applicable member of the Company Group shall be reduced pro rata based on the number of days remaining in such calendar year.

(vii) Health Care Plans. No later than the Expiration Date or such other later date as mutually agreed upon by the Parties, the applicable member of the Company Group shall establish and maintain medical, mental health, substance abuse and dental plans ("Company Health Care Plans"). Company Health Care Plans shall provide that each Transferred Employee and his or her otherwise eligible dependents shall be eligible to enroll in such plans with coverage commencing immediately upon the Transfer Date applicable to such Transferred Employee. If such Transferred Employee was enrolled in the NuStar Employer's corresponding plan as of the Transfer Date applicable to such Transferred Employee, the applicable member of the Company Group shall use its reasonable efforts to cause the Company Health Care Plans to (A) credit the expenses of the Transferred Employee that were credited toward deductibles and co-insurance for the plan year in which the Transfer Date applicable to such Transferred Employee occurs under the applicable NuStar Employer's benefit plans that provide medical, mental health, substance abuse and dental coverage ("NuStar Health Care Plans") against satisfaction of any deductibles and co-insurance for such plan year under Company Heath Care Plans, (B) not require a physical examination or other proof of insurability and (C) waive all coverage exclusions and limitations relating to waiting periods or pre-existing conditions. In addition, the applicable member of the Company Group will use its reasonable best efforts to cause Company Health Care Plans to waive any pre-existing condition limitation where required to comply with the provisions of the Health Insurance Portability and Accountability Act of 1996.

SECTION 10. Amendment to Section 8.9(f). Section 8.9(f) of the Purchase and Sale Agreement shall be amended and restated to read as follows:

(a) Effective as of the Transfer Time applicable to a Transferred Employee, the Company Group covenants that the Company Group shall be responsible for the administration of and shall assume any and all obligations arising under the continuation coverage requirements of Section 4980B of the Code and Part 6 of Title I of ERISA ("COBRA") or other applicable law with respect to such Transferred Employee and his or her beneficiaries who experience a "Qualifying Event" (as defined in COBRA) on or after the Closing Date.

SECTION 11. Amendment to Section 8.9(g). Section 8.9(g) of the Purchase and Sale Agreement shall be amended and restated to read as follows:

(a) Effective as of the Expiration Date, the applicable member of the Company Group covenants to adopt the Savannah CBA and Paulsboro CBA, as applicable (and all existing contract extension agreements, memoranda of agreement, letters of understanding and similar agreements and instruments relating thereto) and shall recognize such labor unions as the exclusive representative of the Covered Employees represented thereby immediately prior to the Expiration Date.

SECTION 12. Sections 8.9(i) and 8.9(j). Sections 8.9(i) and 8.9(j) of the Purchase and Sale Agreement are hereby added, reading in full:

(i) Notwithstanding anything to the contrary in this Section 8.9 (including Section 8.9(b)), the Company shall, after the Closing, promptly reimburse GP LLC for (i) 50% of any early retirement incentive supplement payments made by GP LLC and its Affiliates (including any applicable Plan) to Terminated Specified Employees ("Early Retirement Payments"); provided that in no event shall the Company be obligated to reimburse an amount in excess of $500,000 in the aggregate in Early Retirement Payments, and (ii) in the case of any Specified Employee who accepts employment with a NuStar Affiliate at another location, the reasonable relocation costs incurred by such NuStar Affiliate in connection with any relocation of such Specified Employee with regards to such change in employment, in all cases to an extent consistent with the NuStar relocation program; provided that in no event shall the Company be obligated to reimburse an amount in excess of $55,000 in respect of any such relocated Specified Employee. In the event that any portion of the Early Retirement Payments are paid other than in a lump-sum payment, for the purposes of the Company's reimbursement obligations under clause (i) of the immediately preceding sentence, the calculation of the Early Retirement Payments shall include a good faith estimate of the lump-sum present value of such periodic payments based on the same discount rate and the period of such payments used to determine the annuity payments.

(j) This Agreement shall not be interpreted in such a manner as to require any party hereto to violate any obligation it may have pursuant to any collective bargaining agreement. Nothing in this Agreement is intended to limit, expand or alter in any way the rights or obligations conferred by any collective bargaining agreement.

SECTION 13. Section 8.16. Section 8.16 is hereby added as follows, reading in full:

Section 8.16 Statoil Contract. At the Closing, a member of the Company Group will deliver by wire transfer of immediately available funds to the Seller an amount equal to $4,300,000 (the "Statoil Payment") in respect of transactions relating to that certain letter agreement, dated as of September 25, 2012, between Statoil Brasil Óleo e Gás Limitada ("Statoil") and Marketing (the "Statoil Letter Agreement"), which, subject to certain terms and conditions, terminates the Statoil Contract. If, upon compliance by Marketing with the terms and conditions of the Statoil Letter Agreement, the Statoil Contract does not terminate for any reason (other than (i) a material breach by Marketing of the Statoil Contract after the Closing or (ii) the entering into of an agreement between Marketing and Statoil after the Closing to amend or not to terminate the Statoil Contract), the Seller promptly shall return the Statoil Payment in immediately available funds to such member of the Company Group.

SECTION 14. Amendment to Exhibit A. Exhibit A is hereby deleted in its entirety and replaced in its entirety with Exhibit A to this Amendment.

SECTION 15. Amendment to Exhibit B. Exhibit B is hereby deleted in its entirety and replaced in its entirety with Exhibit B to this Amendment.

SECTION 16. Amendment to Section 2.3(a)(ii) of the Disclosure Letter. Section 2.3(a)(ii) of the Disclosure Letter is hereby deleted in its entirety and replaced in its entirety with Exhibit C to this Amendment.

SECTION 17. Amendment to Section D of the Disclosure Letter. Section D of the Disclosure Letter is hereby deleted in its entirety and replaced in its entirety with Exhibit D to this Amendment.

SECTION 18. Schedule A. Exhibit E to this Amendment is hereby added as Schedule A.

SECTION 19. Limited Amendment. Except as specifically amended or supplemented hereby, the Purchase and Sale Agreement shall continue in full force and effect in accordance with the provisions thereof as in existence on the date hereof. From and after the date hereof, any reference to the Purchase and Sale Agreement shall mean the Purchase and Sale Agreement as amended hereby.

SECTION 20. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties.

SECTION 21. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law rules thereof which may permit or require the application of the laws of another jurisdiction.

[*Signature pages follow*]

IN WITNESS WHEREOF, the Parties have duly executed this Amendment, all as of the day and year first above written.

NUSTAR LOGISTICS, L.P.

By: NuStar GP, Inc., its General Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief Financial Officer and Treasurer

NUSTAR ASPHALT REFINING, LLC

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Amendment No. 1 to Purchase and Sale Agreement]

NUSTAR MARKETING LLC

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Amendment No. 1 to Purchase and Sale Agreement]

NUSTAR ENERGY L.P.

By: Riverwalk Logistics, L.P., its General Partner

By: NuStar GP, LLC, its General Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Amendment No. 1 to Purchase and Sale Agreement]

NUSTAR GP, LLC

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Amendment No. 1 to Purchase and Sale Agreement]

NUSTAR ASPHALT LLC

By: NuStar Logistics, L.P., its sole member

By: NuStar GP, Inc., its General Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Amendment No. 1 to Purchase and Sale Agreement]

ASPHALT ACQUISITION LLC

By: /s/ Michael Dees
Name: Michael Dees
Title: Authorized Signatory

[Signature Page to Amendment No. 1 to Purchase and Sale Agreement]

Exhibit 12.01

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

	Nine Months Ended September 30,	Years Ended December 31,				
	2012	2011	2010	2009	2008	2007
Earnings:						
(Loss) income from continuing operations before provision for income taxes and income from equity investees	$ (199,676)	$ 227,022	$ 240,211	$ 225,791	$ 256,994	$ 154,913
Add:						
Fixed charges	98,157	113,220	103,390	102,781	113,959	91,594
Amortization of capitalized interest	752	793	642	553	440	255
Distributions from joint ventures	6,364	14,374	9,625	9,700	2,835	544
Less: Interest capitalized	(6,545)	(5,388)	(3,701)	(1,650)	(5,108)	(5,995)
Total earnings	$ (100,948)	$ 350,021	$ 350,167	$ 337,175	$ 369,120	$ 241,311
Fixed charges:						
Interest expense (a)	$ 70,035	$ 82,758	$ 77,343	$ 78,622	$ 92,971	$ 77,584
Amortization of debt issuance costs	1,709	1,738	1,118	910	815	1,030
Interest capitalized	6,545	5,388	3,701	1,650	5,108	5,995
Rental expense interest factor (b)	19,868	23,336	21,228	21,599	15,065	6,985
Total fixed charges	$ 98,157	$ 113,220	$ 103,390	$ 102,781	$ 113,959	$ 91,594
Ratio of earnings to fixed charges	(c)	3.1x	3.4x	3.3x	3.2x	2.6x

(a) The “Interest expense, net” reported in NuStar Energy L.P.'s consolidated statement of income for the nine months ended September 30, 2012 includes investment income of $0.7 million.

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

(c) For the nine months ended September 30, 2012, earnings were insufficient to cover fixed charges by $199.1 million. The deficiency included the effect of $271.8 million of impairment losses mainly resulting from the write-down of the carrying value of our long-lived assets related to our asphalt operations, including fixed assets, goodwill, intangible assets and other long-term assets.

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: November 8, 2012

/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: November 8, 2012

/s/ Steven A. Blank

Steven A. Blank

Executive 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 September 30, 2012, 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
November 8, 2012

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 September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Steven A. Blank, Executive 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

Executive Vice President, Chief Financial Officer and Treasurer

November 8, 2012

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.