

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from _____ to _____

Commission File Number 1-16417



NUSTAR ENERGY L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

19003 IH-10 West

San Antonio, Texas

(Address of principal executive offices)

74-2956831

(I.R.S. Employer
Identification No.)

78257

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: Common units representing partnership interests listed on the New York Stock Exchange.

Securities registered pursuant to 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The aggregate market value of the common units held by non-affiliates was approximately \$3,261 million based on the last sales price quoted as of June 29, 2012, the last business day of the registrant's most recently completed second quarter.

The number of common units outstanding as of January 31, 2013 was 77,886,078.

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PART I

Unless otherwise indicated, the terms “NuStar Energy L.P.,” “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. In the following Items 1., 1A. and 2., “Business, Risk Factors and Properties,” we make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions and resources. The words “forecasts,” “intends,” “believes,” “expects,” “plans,” “scheduled,” “goal,” “may,” “anticipates,” “estimates” and similar expressions identify forward-looking statements. We do not undertake to update, revise or correct any of the forward-looking information. You are cautioned that such forward-looking statements should be read in conjunction with our disclosures beginning on page 34 of this report under the heading: “CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION.”

ITEM 1. BUSINESS, RISK FACTORS AND PROPERTIES

OVERVIEW

NuStar Energy L.P. (NuStar Energy), a Delaware limited partnership, completed its initial public offering of common units on April 16, 2001. Our common units are traded on the New York Stock Exchange (NYSE) under the symbol “NS.” Our principal executive offices are located at 19003 IH-10 West, San Antonio, Texas 78257 and our telephone number is (210) 918-2000.

We are engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and petroleum refining and marketing. We divide our operations into the following three reportable business segments: storage, transportation, and asphalt and fuels marketing. As of December 31, 2012, our assets included:

- 61 terminal and storage facilities providing 83.2 million barrels of storage capacity;
- 5,484 miles of refined product pipelines with 21 associated terminals providing storage capacity of 4.9 million barrels and two tank farms providing storage capacity of 1.4 million barrels;
- 2,000 miles of anhydrous ammonia pipelines;
- 1,150 miles of crude oil pipelines with 2.5 million barrels of associated storage capacity;
- a fuels refinery with a throughput capacity of 14,500 barrels per day and 0.4 million barrels of aggregate storage capacity; and
- a 50% ownership interest in a joint venture that owns a terminal and an asphalt refinery with a throughput capacity of 74,000 barrels per day with a combined storage capacity of 5.3 million barrels.

We conduct our operations through our wholly owned subsidiaries, primarily NuStar Logistics, L.P. (NuStar Logistics) and NuStar Pipeline Operating Partnership L.P. (NuPOP). Our revenues include:

- tariffs for transporting crude oil, refined products and anhydrous ammonia through our pipelines;
- fees for the use of our terminal and storage facilities and related ancillary services; and
- sales of asphalt and other refined petroleum products.

Our business strategy is to increase per unit cash distributions to our partners through:

- continuous improvement of our operations by improving safety and environmental stewardship, cost controls and asset reliability and integrity;
- internal growth through enhancing the utilization of our existing assets by expanding our business with current and new customers, as well as investments in strategic expansion projects;
- external growth from acquisitions that meet our financial and strategic criteria;
- identification of non-core assets that do not meet our financial and strategic criteria and evaluation of potential dispositions;
- complementary operations such as our fuels marketing operations, which provide us the opportunity to optimize the use and profitability of our assets; and
- growth and improvement of our asphalt joint venture to benefit from anticipated decreases in overall asphalt supply and higher asphalt margins.

The term “throughput” as used in this document generally refers to the crude oil or refined product barrels or tons of ammonia, as applicable, that pass through our pipelines, terminals, storage tanks or refineries.

Our internet website address is <http://www.nustarenergy.com>. Information contained on our website is not part of this report. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed with (or furnished to) the Securities and Exchange Commission (SEC) are available on our internet website, free of charge, as soon as reasonably practicable after we file or furnish such material (select the “Investors” link, then the “Financial Reports SEC Filings” link). We also post our corporate governance guidelines, code of business conduct and ethics, code of ethics for senior financial officers and the charters of our board’s committees on our internet website free of charge (select the “Investors” link, then the “Corporate Governance” link). Our governance documents are available in print to any unitholder that makes a written request to Corporate Secretary, NuStar Energy L.P., 19003 IH-10 West, San Antonio, Texas 78257.

RECENT DEVELOPMENTS

San Antonio Refinery Sale

On April 19, 2011, we purchased certain refining and storage assets, inventory and other working capital items from AGE Refining, Inc. The assets consisted of a 14,500 barrel per day refinery in San Antonio, Texas that refines crude oil to produce various refined petroleum products (the San Antonio Refinery) and 0.4 million barrels of aggregate storage capacity. On January 1, 2013, we sold the San Antonio Refinery and related assets, which included inventory, a terminal in Elmendorf, Texas and a pipeline connecting the terminal and refinery for approximately \$115.0 million. We have presented the results of operations for the San Antonio Refinery and related assets, previously reported in the transportation and asphalt and fuels marketing segments, as discontinued operations for the years ended December 31, 2012 and 2011. As of December 31, 2012, we reclassified the assets related to the sale of the San Antonio Refinery as “Assets held for sale” on the consolidated balance sheet.

Asphalt Sale

On September 28, 2012, we sold a 50% ownership 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 the 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 of Asphalt JV, while we retained the Class B equity interests with a fair value of \$52.0 million. At closing, we received \$263.8 million from Asphalt JV for inventory related to the Asphalt Operations. Upon closing, we deconsolidated Asphalt JV and started reporting our remaining investment in Asphalt JV using the equity method of accounting. Therefore, as of December 31, 2012, we have presented our 50% ownership interest in Asphalt JV as “Investment in joint ventures” on the consolidated balance sheet. The consolidated statements of 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.

TexStar Asset Acquisition

On December 13, 2012, NuStar Logistics completed its acquisition of the TexStar Crude Oil Assets (as defined below), including 100% of the partnership interest in TexStar Crude Oil Pipeline, LP, from TexStar Midstream Services, LP and certain of its affiliates (collectively, TexStar) for \$325.4 million (the TexStar Asset Acquisition). The TexStar Crude Oil Assets consist of approximately 140 miles of crude oil pipelines and gathering lines, as well as five terminals and storage facilities providing 0.6 million barrels of storage capacity. The consolidated statements of income include the results of operations for the TexStar Asset Acquisition in the transportation segment commencing on December 13, 2012.

ORGANIZATIONAL STRUCTURE

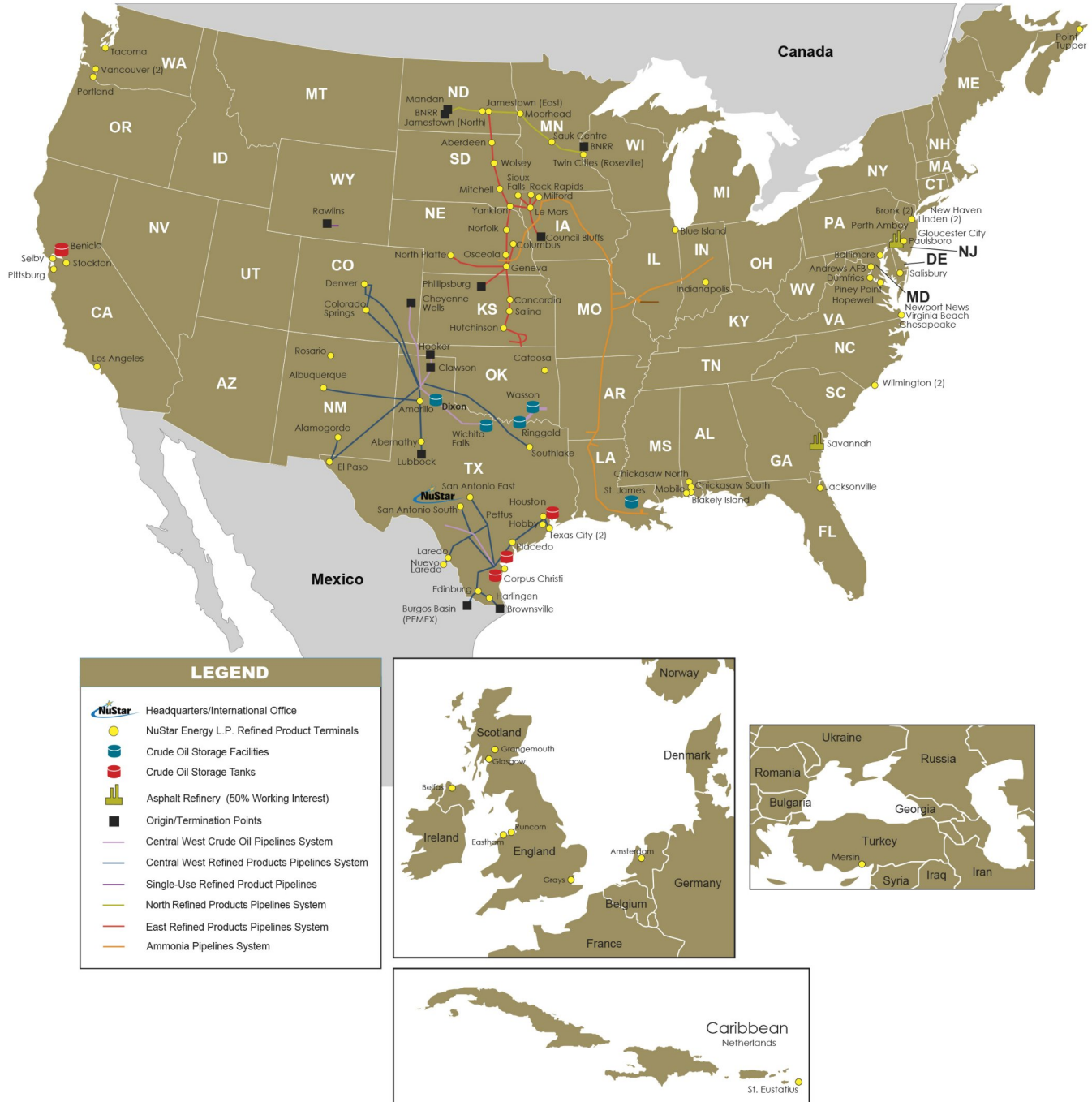
Our operations are managed by NuStar GP, LLC, the general partner of our general partner. NuStar GP, LLC, a Delaware limited liability company, is a consolidated subsidiary of NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH).

The following chart depicts our organizational structure at December 31, 2012.

SEGMENTS

Our three reportable business segments are storage, transportation, and asphalt and fuels marketing. Detailed financial information about our segments is included in Note 25 in the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data.”

The following map depicts our operations at December 31, 2012.



STORAGE

Our storage segment includes terminal and storage facilities that provide storage, handling and other services for petroleum products, specialty chemicals, crude oil and other liquids and storage tanks used to store and deliver crude oil. As of December 31, 2012, we owned and operated:

- 49 terminal and storage facilities in the United States, with total storage capacity of 51.0 million barrels;
- A terminal on the island of St. Eustatius with tank capacity of 13.4 million barrels and a transshipment facility;
- A terminal located in Point Tupper with tank capacity of 7.7 million barrels and a transshipment facility;
- Six terminals located in the United Kingdom and one terminal located in Amsterdam, the Netherlands, with total storage capacity of approximately 9.5 million barrels;
- Two terminals in Mersin, Turkey with total storage capacity of 1.4 million barrels; and
- A terminal located in Nuevo Laredo, Mexico.

Description of Largest Terminal Facilities

St. Eustatius. We own and operate a 13.4 million barrel petroleum storage and terminalling facility located on the island of St. Eustatius in the Caribbean, which is located at a point of minimal deviation from major shipping routes. This facility is capable of handling a wide range of petroleum products, including crude oil and refined products, and it can accommodate the world's largest tankers for loading and discharging crude oil and other petroleum products. A two-berth jetty, a two-berth monopile with platform and buoy systems, a floating hose station and an offshore single point mooring buoy with loading and unloading capabilities serve the terminal's customers' vessels. The fuel oil and petroleum product facilities have in-tank and in-line blending capabilities, while the crude tanks have tank-to-tank blending capability and in-tank mixers. In addition to the storage and blending services at St. Eustatius, this facility has the flexibility to utilize certain storage capacity for both feedstock and refined products to support our atmospheric distillation unit. This unit is capable of processing up to 25,000 barrels per day of feedstock, ranging from condensates to heavy crude oil. We own and operate all of the berthing facilities at the St. Eustatius terminal. Separate fees apply for the use of the berthing facilities, as well as associated services, including pilotage, tug assistance, line handling, launch service, emergency response services and other ship services.

St. James, Louisiana. Our St. James terminal, which is located on the Mississippi River near St. James, Louisiana, has a total storage capacity of 8.2 million barrels. The facility is located on almost 900 acres of land, some of which is undeveloped. The majority of the storage tanks and infrastructure is suited for light crude oil, with four tanks capable of fuel oil or heated crude oil storage. Additionally, the facility has one barge dock and two ship docks. Our St. James terminal can receive product from gathering pipelines in the Gulf of Mexico, and deliver to connecting pipelines that supply refineries in the Gulf Coast and Midwest. The St. James terminal also has a unit train rail facility and a manifest rail facility, which are served by the Union Pacific Railroad and have a combined capacity in excess of 150,000 barrels per day.

Point Tupper. We own and operate a 7.7 million barrel terminalling and storage facility located at Point Tupper on the Strait of Canso, near Port Hawkesbury, Nova Scotia, which is located approximately 700 miles from New York City and 850 miles from Philadelphia. This facility is the deepest independent, ice-free marine terminal on the North American Atlantic coast, with access to the East Coast, Canada and the Midwestern United States via the St. Lawrence Seaway and the Great Lakes system. With one of the premier jetty facilities in North America, the Point Tupper facility can accommodate substantially all of the world's largest, fully laden very large crude carriers and ultra large crude carriers for loading and discharging crude oil, petroleum products and petrochemicals. Crude oil and petroleum product movements at the terminal are fully automated. Separate fees apply for the use of the jetty facility, as well as associated services, including pilotage, tug assistance, line handling, launch service, spill response services and other ship services.

Piney Point, Maryland. Our terminal and storage facility in Piney Point is located on approximately 400 acres on the Potomac River. The Piney Point terminal has 5.4 million barrels of storage capacity and is the closest deep-water facility to Washington, D.C. This terminal competes with other large petroleum terminals in the East Coast water-borne market extending from New York Harbor to Norfolk, Virginia. The terminal currently stores petroleum products consisting primarily of fuel oils. The terminal has a dock with a 36-foot draft for tankers and four berths for barges. It also has truck-loading facilities, product-blending capabilities and is connected to a pipeline that supplies residual fuel oil to two power generating stations.

Amsterdam. Our Amsterdam terminal has a total storage capacity of 3.8 million barrels. This facility is located at the Port of Amsterdam and primarily stores petroleum products including gasoline, diesel and fuel oil. This facility has two docks for vessels and five docks for inland barges.

Linden, New Jersey. We own 50% of ST Linden Terminal LLC, which owns a terminal and storage facility in Linden, New Jersey. The terminal is located on a 44-acre facility that provides it with deep-water terminalling capabilities at New York Harbor. This terminal primarily stores petroleum products, including gasoline, jet fuel and fuel oils. The facility has a total

storage capacity of 4.3 million barrels and can receive and deliver products via ship, barge and pipeline. The terminal includes two owned docks and a third leased dock with draft limits of 36, 26 and 20 feet, respectively.

Terminal and Storage Facilities

The following table sets forth information about our terminal and storage facilities as of December 31, 2012:

<u>Facility</u>	<u>Tank Capacity</u> (Barrels)	<u>Primary Products Handled</u>
U.S. Terminals and Storage Facilities:		
Mobile, AL (Blakely Island)	1,185,000	Petroleum products, crude oil and feedstocks
Mobile, AL (Chickasaw North)	333,000	Crude oil and feedstocks
Mobile, AL (Chickasaw South)	328,000	Petroleum products, crude oil and feedstocks
Los Angeles, CA	608,000	Petroleum products
Benicia, CA (refinery tankage)	3,655,000	Crude oil and feedstocks
Pittsburg, CA	398,000	Asphalt
Selby, CA	3,060,000	Petroleum products, ethanol
Stockton, CA	809,000	Petroleum products, ethanol, fertilizer
Colorado Springs, CO	328,000	Petroleum products, ethanol
Denver, CO	110,000	Petroleum products, ethanol
Jacksonville, FL	2,590,000	Petroleum products, asphalt
Blue Island, IL	732,000	Petroleum products, ethanol
Indianapolis, IN	428,000	Petroleum products
St. James, LA	8,216,000	Crude oil and feedstocks
Andrews AFB, MD (a)	75,000	Petroleum products
Baltimore, MD	764,000	Chemicals, asphalt, petroleum products
Piney Point, MD	5,394,000	Petroleum products
Wilmington, NC	331,000	Asphalt
Linden, NJ	389,000	Petroleum products
Linden, NJ (b)	2,130,000	Petroleum products
Paulsboro, NJ	68,000	Petroleum products
Alamogordo, NM (a)	124,000	Petroleum products
Albuquerque, NM	251,000	Petroleum products, ethanol
Rosario, NM	166,000	Asphalt
Catoosa, OK	358,000	Asphalt
Portland, OR	1,361,000	Petroleum products, ethanol
Abernathy, TX	160,000	Petroleum products
Amarillo, TX	272,000	Petroleum products
Corpus Christi, TX	329,000	Petroleum products
Corpus Christi, TX (North Beach)	1,721,000	Crude oil and feedstocks
Corpus Christi, TX (refinery tankage)	4,030,000	Crude oil and feedstocks
Edinburg, TX	270,000	Petroleum products
El Paso, TX (c)	428,000	Petroleum products, ethanol
Harlingen, TX	285,000	Petroleum products
Houston, TX (Hobby Airport)	106,000	Petroleum products
Houston, TX	91,000	Asphalt
Laredo, TX	219,000	Petroleum products
Placedo, TX	100,000	Petroleum products

<u>Facility</u>	<u>Tank Capacity</u> (Barrels)	<u>Primary Products Handled</u>
San Antonio (east), TX	150,000	Petroleum products
San Antonio (south), TX	225,000	Petroleum products
Southlake, TX	574,000	Petroleum products, ethanol
Texas City, TX	128,000	Petroleum products
Texas City, TX	2,827,000	Chemicals, petroleum products
Texas City, TX (refinery tankage)	3,141,000	Crude oil and feedstocks
Dumfries, VA	556,000	Petroleum products, asphalt
Virginia Beach, VA (a)	41,000	Petroleum products
Tacoma, WA	416,000	Petroleum products, ethanol
Vancouver, WA	342,000	Chemicals
Vancouver, WA	433,000	Petroleum products
Total U.S.	51,035,000	
Foreign Terminals and Storage Facilities:		
St. Eustatius, the Netherlands	13,390,000	Petroleum products, crude oil and feedstocks
Amsterdam, the Netherlands	3,846,000	Petroleum products
Point Tupper, Canada	7,725,000	Petroleum products, crude oil and feedstocks
Grays, England	1,958,000	Petroleum products
Eastham, England	2,096,000	Chemicals, petroleum products
Runcorn, England	149,000	Molten sulfur
Grangemouth, Scotland	579,000	Petroleum products, chemicals
Glasgow, Scotland	401,000	Petroleum products
Belfast, Northern Ireland	480,000	Petroleum products
Mersin, Turkey (d)	790,000	Petroleum products
Mersin, Turkey (d)	656,000	Petroleum products
Nuevo Laredo, Mexico	50,000	Petroleum products
Total Foreign	32,120,000	
Total Terminals and Storage Facilities	83,155,000	

- (a) Terminal facility also includes pipelines to U.S. government military base locations.
- (b) We own 50% of this terminal through a joint venture.
- (c) We own a 66.67% undivided interest in the El Paso refined product terminal. The tank capacity represents the proportionate share of capacity attributable to our ownership interest.
- (d) We own 75% of the outstanding capital of a Turkish company, which owns two terminals in Mersin, Turkey.

Storage Operations

Revenues for the storage segment include fees for tank storage agreements, in which a customer agrees to pay for a certain amount of storage in a tank over a period of time (storage lease revenues), and throughput agreements, in which a customer pays a fee per barrel for volumes moving through our terminals (throughput revenues). Our terminals also provide blending, additive injections, handling and filtering services. We charge a fee for each barrel of crude oil and certain other feedstocks that we deliver to Valero Energy Corporation's (Valero Energy) Benicia, Corpus Christi West and Texas City refineries from our crude oil storage tanks. Our facilities at Point Tupper and St. Eustatius charge fees to provide services such as pilotage, tug assistance, line handling, launch service, spill response services and other ship services.

Demand for Refined Petroleum Products

The operations of our refined product terminals depend in large part on the level of demand for products stored in our terminals in the markets served by those assets. The majority of products stored in our terminals are refined petroleum products. Demand for our terminalling services will generally increase or decrease with demand for refined petroleum products, and demand for refined petroleum products tends to increase or decrease with the relative strength of the economy.

Customers

We provide storage and terminalling services for crude oil and refined petroleum products to many of the world's largest producers of crude oil, integrated oil companies, chemical companies, oil traders and refiners. In addition, our blending capabilities in our storage assets have attracted customers who have leased capacity primarily for blending purposes. The largest customer of our storage segment is Valero Energy, which accounted for approximately 20% of the total revenues of the segment for the year ended December 31, 2012. No other customer accounted for more than 10% of the revenues of the segment for this period.

Competition and Business Considerations

Many major energy and chemical companies own extensive terminal storage facilities. Although such terminals often have the same capabilities as terminals owned by independent operators, they generally do not provide terminalling services to third parties. In many instances, major energy and chemical companies that own storage and terminalling facilities are also significant customers of independent terminal operators. Such companies typically have strong demand for terminals owned by independent operators when independent terminals have more cost-effective locations near key transportation links, such as deep-water ports. Major energy and chemical companies also need independent terminal storage when their owned storage facilities are inadequate, either because of size constraints, the nature of the stored material or specialized handling requirements.

Independent terminal owners generally compete on the basis of the location and versatility of terminals, service and price. A favorably located terminal will have access to various cost-effective transportation modes both to and from the terminal. Transportation modes typically include waterways, railroads, roadways and pipelines. Terminals located near deep-water port facilities are referred to as "deep-water terminals," and terminals without such facilities are referred to as "inland terminals," although some inland facilities located on or near navigable rivers are served by barges.

Terminal versatility is a function of the operator's ability to offer complex handling requirements for diverse products. The services typically provided by the terminal include, among other things, the safe storage of the product at specified temperature, moisture and other conditions, as well as receipt at and delivery from the terminal, all of which must be in compliance with applicable environmental regulations. A terminal operator's ability to obtain attractive pricing is often dependent on the quality, versatility and reputation of the facilities owned by the operator. Although many products require modest terminal modification, operators with versatile storage capabilities typically require less modification prior to usage, ultimately making the storage cost to the customer more attractive.

The main competition at our St. Eustatius and Point Tupper locations for crude oil handling and storage is from "lightering," which involves transferring liquid cargo from larger vessels to smaller vessels, usually while at sea. The price differential between lightering and terminalling is primarily driven by the charter rates for vessels of various sizes. Lightering generally takes significantly longer than discharging at a terminal. Depending on charter rates, the longer charter period associated with lightering is generally offset by various costs associated with terminalling, including storage costs, dock charges and spill response fees. However, terminalling is generally safer and reduces the risk of environmental damage associated with lightering, provides more flexibility in the scheduling of deliveries and allows our customers to deliver their products to multiple locations. Lightering in U.S. territorial waters creates a risk of liability for owners and shippers of oil under the U.S. Oil Pollution Act of 1990 and other state and federal legislation. In Canada, similar liability exists under the Canadian Shipping Act. Terminalling also provides customers with the ability to access value-added terminal services.

Our crude oil storage tanks are physically integrated with and serve refineries owned by Valero Energy. Additionally, we have entered into various agreements with Valero Energy governing the usage of these tanks. As a result, we believe that we will not face significant competition for our services provided to those refineries.

TRANSPORTATION

Our pipeline operations consist of the transportation of refined petroleum products, crude oil and anhydrous ammonia. Refined product pipelines in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota cover approximately 5,484 miles. Our crude oil pipelines in Texas, Oklahoma, Kansas, Colorado and Illinois cover 1,150 miles. Our anhydrous ammonia pipeline in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska covers 2,000 miles.

On December 13, 2012, NuStar Logistics completed its acquisition of the TexStar Crude Oil Assets, including 100% of the partnership interest in TexStar Crude Oil Pipeline, LP, from TexStar Midstream Services, LP and certain of its affiliates for \$325.4 million (the TexStar Asset Acquisition).

As of December 31, 2012, we owned and operated:

- refined product pipelines with an aggregate length of 3,134 miles originating at Valero Energy's McKee, Three Rivers and Corpus Christi refineries and terminating at certain of NuStar Energy's terminals, or connecting to third-party pipelines or terminals for further distribution, including a 25-mile hydrogen pipeline (collectively, the Central West System);
- a 1,910-mile refined product pipeline originating in southern Kansas and terminating at Jamestown, North Dakota, with a western extension to North Platte, Nebraska and an eastern extension into Iowa (the East Pipeline);
- a 440-mile refined product pipeline originating at Tesoro Corporation's Mandan, North Dakota refinery and terminating in Minneapolis, Minnesota (the North Pipeline);
- crude oil pipelines in Texas, Oklahoma, Kansas, Colorado and Illinois with an aggregate length of 1,150 miles and crude oil storage facilities providing 2.5 million barrels of storage capacity in Texas, Oklahoma and Colorado that are located along the crude oil pipelines; and
- a 2,000-mile anhydrous ammonia pipeline originating at the Louisiana delta area that travels north through the midwestern United States forking east and west to terminate in Nebraska and Indiana (the Ammonia Pipeline).

We charge tariffs on a throughput basis for transporting refined products, crude oil, feedstocks and anhydrous ammonia.

Description of Pipelines

Central West System. The Central West System pipelines were constructed to support the refineries to which they are connected. These pipelines are physically integrated with and principally serve refineries owned by Valero Energy. The refined products transported in these pipelines include gasoline, distillates (including diesel and jet fuel), natural gas liquids and other products produced primarily by Valero Energy's McKee, Three Rivers and Corpus Christi refineries. These pipelines deliver refined products to key markets in Texas, New Mexico and Colorado. The Central West System transported approximately 100.9 million barrels for the year ended December 31, 2012.

The following table lists information about each of our refined product pipelines included in the Central West System:

<u>Origin and Destination</u>	<u>Refinery</u>	<u>Length</u> (Miles)	<u>Ownership</u>	<u>Capacity</u> (Barrels/Day)
McKee to El Paso, TX	McKee	408	67%	42,000
McKee to Colorado Springs, CO	McKee	256	100%	32,500
Colorado Springs, CO to Airport	McKee	2	100%	12,000
Colorado Springs to Denver, CO	McKee	101	100%	32,000
McKee to Denver, CO	McKee	321	30%	11,000
McKee to Amarillo, TX (6") (a)	McKee	49	100%	51,000
McKee to Amarillo, TX (8") (a)	McKee	49	100%	
Amarillo to Abernathy, TX	McKee	102	67%	16,800
Amarillo, TX to Albuquerque, NM	McKee	293	50%	17,000
Abernathy to Lubbock, TX	McKee	19	46%	8,000
McKee to Southlake, TX	McKee	375	100%	26,000
Three Rivers to San Antonio, TX	Three Rivers	85	100%	33,500
Three Rivers to US/Mexico International Border near Laredo, TX	Three Rivers	108	100%	32,000
Three Rivers to Corpus Christi, TX	Three Rivers	72	100%	15,000
Three Rivers to Pettus to San Antonio, TX	Three Rivers	103	100%	27,500
Three Rivers to Pettus, TX (b)	Three Rivers	30	100%	N/A
El Paso, TX to Kinder Morgan	McKee	12	67%	65,500
Corpus Christi to Pasadena, TX	Corpus Christi	208	100%	105,000
Corpus Christi to Brownsville, TX	Corpus Christi	194	100%	45,000
US/Mexico International Border near Penitas, TX to Edinburg, TX	N/A	33	100%	24,000
Clear Lake, TX to Texas City, TX	N/A	25	100%	N/A
Other refined product pipeline (c)	N/A	289	50%	N/A
Total		3,134		595,800

- (a) The capacity information disclosed above for the McKee to Amarillo, Texas 6-inch pipeline reflects both McKee to Amarillo, Texas pipelines on a combined basis.
- (b) The refined product pipeline from Three Rivers to Pettus, Texas is temporarily idled. The Pettus to Corpus Christi, Texas segment of this refined product pipeline was reactivated as a crude oil pipeline in the second quarter of 2011.
- (c) This category consists of the temporarily idled 6-inch Amarillo, Texas to Albuquerque, New Mexico refined product pipeline.

East Pipeline. The East Pipeline covers 1,910 miles, including 242 miles that are temporarily idled, and moves refined products and natural gas liquids north in pipelines ranging in diameter from 6 inches to 16 inches. The East Pipeline system also includes storage capacity of approximately 1.4 million barrels at our two tanks farms at McPherson and El Dorado, Kansas. The East Pipeline transports refined petroleum products and natural gas liquids to NuStar Energy and third party terminals along the system and to receiving pipeline connections in Kansas. Shippers on the East Pipeline obtain refined petroleum products from refineries in Kansas, Oklahoma and Texas. The East Pipeline transported approximately 49.6 million barrels for the year ended December 31, 2012.

North Pipeline. The North Pipeline originates at Tesoro's Mandan, North Dakota refinery and runs from west to east approximately 440 miles from its origin to the Minneapolis, Minnesota area. For the year ended December 31, 2012, the North Pipeline transported approximately 16.1 million barrels.

Pipeline-Related Terminals. The East and North Pipelines also include 21 truck-loading terminals through which refined petroleum products are delivered to storage tanks and then loaded into petroleum product transport trucks. Revenues earned at these terminals relate solely to the volumes transported on the pipeline. Separate fees are not charged for the use of these terminals. Instead, the terminalling fees are a portion of the transportation rate included in the pipeline tariff. As a result, these terminals are included in this segment instead of the storage segment.

The following table lists information about each of our refined product terminals connected to the East or North Pipelines as of December 31, 2012:

<u>Location of Terminals</u>	<u>Tank Capacity</u> (Barrels)	<u>Related Pipeline System</u>
Iowa:		
LeMars	111,000	East
Milford	180,000	East
Rock Rapids	230,000	East
Kansas:		
Concordia	83,000	East
Hutchinson	116,000	East
Salina	85,000	East
Minnesota:		
Moorhead	473,000	North
Sauk Centre	143,000	North
Roseville	624,000	North
Nebraska:		
Columbus	178,000	East
Geneva	677,000	East
Norfolk	179,000	East
North Platte	256,000	East
Osceola	83,000	East
North Dakota:		
Jamestown (North)	173,000	North
Jamestown (East)	181,000	East
South Dakota:		
Aberdeen	186,000	East
Mitchell	74,000	East
Sioux Falls	417,000	East
Wolsey	145,000	East
Yankton	258,000	East
Total	<u><u>4,852,000</u></u>	

Ammonia Pipeline. The 2,000 mile pipeline, including 57 miles that are temporarily idled, originates in the Louisiana delta area, where it has access to three marine terminals and three anhydrous ammonia plants on the Mississippi River. It runs north through Louisiana and Arkansas into Missouri, where at Hermann, Missouri, one branch splits and goes east into Illinois and Indiana, while the other branch continues north into Iowa and then turns west into Nebraska. The Ammonia Pipeline is connected to multiple third-party-owned terminals, which include industrial facility delivery locations. Product is supplied to the pipeline from anhydrous ammonia plants in Louisiana and imported product delivered through the marine terminals. Anhydrous ammonia is primarily used as agricultural fertilizer. It is also used as a feedstock to produce other nitrogen derivative fertilizers and explosives. The Ammonia Pipeline transported approximately 1.5 million tons (or approximately 14.0 million barrels) for the year ended December 31, 2012.

Crude Oil Pipelines. Shippers on our crude oil pipelines deliver crude oil to our pipelines for transport to: (i) refineries that connect to our pipelines, (ii) third-party pipelines and (iii) NuStar terminals for further delivery to marine vessels or third-party pipelines. Our crude oil pipelines transport crude oil and other feedstocks from various points in Texas, Oklahoma, Kansas and Colorado to Valero Energy's McKee, Three Rivers and Ardmore refineries. Our crude oil pipelines also transport crude oil for producers and marketers in the Eagle Ford Shale region in South Texas to U.S. refinery centers via our North Beach marine terminal in Corpus Christi, Texas. The crude oil pipelines transported approximately 126.5 million barrels for the year ended December 31, 2012.

The following table sets forth information about each of our crude oil pipelines:

<u>Origin and Destination</u>	<u>Refinery</u>	<u>Length</u> (Miles)	<u>Ownership</u>	<u>Capacity</u> (Barrels/Day)
Dixon, TX to McKee	McKee	44	100%	63,500
Hooker, OK to Clawson, TX (a)	McKee	41	50%	22,000
Clawson, TX to McKee	McKee	31	100%	36,000
Wichita Falls, TX to McKee	McKee	272	100%	110,000
Three Rivers to Corpus Christi, TX (16")	Three Rivers	70	100%	200,000
Ringgold, TX to Wasson, OK	Ardmore	44	100%	90,000
Wasson, OK to Ardmore (8"-10") (b)	Ardmore	24	100%	90,000
Wasson, OK to Ardmore (8")	Ardmore	15	100%	40,000
Patoka, IL to Wood River	Wood River	57	24%	60,500
Three Rivers to Corpus Christi, TX (Odem)	Corpus Christi	68	100%	38,000
Pettus, TX to Corpus Christi, TX	N/A	60	100%	30,000
Oakville, TX to Corpus Christi, TX (12")	N/A	57	100%	55,000
Elmendorf, TX to San Antonio, TX (c)	San Antonio	13	100%	20,000
Gardendale, TX to Oakville, TX (d)	N/A	140	100%	100,000
Other (e)	N/A	214		N/A
Total		<u>1,150</u>		<u>955,000</u>

- (a) We receive 50% of the tariff with respect to 100% of the barrels transported in the Hooker, Oklahoma to Clawson, Texas pipeline. Accordingly, the capacity is given with respect to 100% of the pipeline.
- (b) The Wasson, Oklahoma to Ardmore (8"- 10") pipelines referred to above originate at Wasson as two pipelines but merge into one pipeline prior to reaching Ardmore.
- (c) On January 1, 2013, we sold this pipeline in connection with the sale of the San Antonio Refinery.
- (d) Crude oil pipelines acquired on December 13, 2012 in connection with the TexStar Asset Acquisition.
- (e) This category consists of the temporarily idled Cheyenne Wells, CO to McKee and Healdton to Ringling, Oklahoma crude oil pipelines.

The following table sets forth information about the crude oil storage facilities located along our crude oil pipelines as of December 31, 2012:

<u>Location</u>	<u>Refinery</u>	<u>Capacity</u> (Barrels)
Dixon, TX	McKee	244,000
Ringgold, TX	Ardmore	598,000
Wichita Falls, TX	McKee	661,000
Wasson, OK	Ardmore	227,000
Clawson, TX	McKee	77,000
South Texas (a)	N/A	643,000
Other (b)	McKee	68,000
Total		<u>2,518,000</u>

- (a) Crude oil tanks along the Gardendale, Texas to Oakville, Texas pipeline acquired on December 13, 2012 in connection with the TexStar Asset Acquisition.
- (b) This category includes crude oil tanks along the Cheyenne Wells, Colorado to McKee crude oil pipelines located at Carlton, Colorado, Sturgis, Oklahoma, and Stratford, Texas.

Pipeline Operations

Revenues for the pipelines are based upon origin-to-destination throughput volumes traveling through our pipelines and their related tariff rates.

In general, a shipper on our refined petroleum product pipelines delivers products to the pipeline from refineries or third-party

pipelines. Shippers are required to supply us with a notice of shipment indicating sources of products and destinations. Shipments are tested or receive certifications to ensure compliance with our product specifications. We charge our shippers tariff rates based on transportation from the origination point on the pipeline to the point of delivery. We invoice our refined product shippers upon delivery for our Central West System and our North and Ammonia Pipelines, and we invoice our shippers on our East Pipeline when their product enters the line.

Shippers on our crude oil pipelines deliver crude oil to our pipelines for transport to: (i) refineries that connect to our pipelines, (ii) third-party pipelines and (iii) NuStar terminals for further delivery to marine vessels or third-party pipelines.

The pipelines in the Central West System, the East Pipeline, the North Pipeline and the Ammonia Pipeline and the crude oil pipelines are subject to federal regulation by one or more of the following governmental agencies or laws: the Federal Energy Regulatory Commission (the FERC), the Surface Transportation Board (the STB), the Department of Transportation (DOT), the Environmental Protection Agency (EPA) and the Homeland Security Act. Additionally, the operations and integrity of the pipelines are subject to the respective state jurisdictions.

The majority of our pipelines are common carrier and are subject to federal and state tariff regulation. In general, we are authorized by the FERC to adopt market-based rates. Common carrier activities are those for which transportation through our pipelines is available, at published tariffs filed, in the case of interstate petroleum product shipments, with the FERC or, in the case of intrastate petroleum product shipments, with the relevant state authority, to any shipper of petroleum products who requests such services and satisfies the conditions and specifications for transportation. The Ammonia Pipeline is subject to federal regulation by the STB and state regulation by Louisiana.

We use Supervisory Control and Data Acquisition remote supervisory control software programs to continuously monitor and control our pipelines. The system monitors quantities of products injected in and delivered through the pipelines and automatically signals the appropriate personnel upon deviations from normal operations that require attention.

Demand for and Sources of Refined Products and Crude Oil

The operations of our Central West System and the East and North Pipelines depend on the level of demand for refined products in the markets served by the pipelines and the ability and willingness of refiners and marketers having access to the pipelines to supply such demand by deliveries through the pipelines.

The majority of the refined products delivered through the pipelines in the Central West System are gasoline and diesel fuel that originate at refineries owned by Valero Energy. Demand for these products fluctuates as prices for these products fluctuate. Prices fluctuate for a variety of reasons including the overall balance in supply and demand, which is affected by general economic conditions and affects refinery utilization rates, among other factors. Prices for gasoline and diesel fuel tend to increase in the warm weather months when people tend to drive automobiles more often and further distances.

The majority of the refined products delivered through the North Pipeline are delivered to the Minneapolis, Minnesota metropolitan area and consist of gasoline and diesel fuel. Demand for those products fluctuates based on general economic conditions and with changes in the weather as more people drive during the warmer months.

Much of the refined products and natural gas liquids delivered through the East Pipeline and volumes on the North Pipeline that are not delivered to Minneapolis are ultimately used as fuel for railroads, ethanol denaturant or in agricultural operations, including fuel for farm equipment, irrigation systems, trucks used for transporting crops and crop-drying facilities. Demand for refined products for agricultural use, and the relative mix of products required, is affected by weather conditions in the markets served by the East and North Pipelines. The agricultural sector is also affected by government agricultural policies and crop prices. Although periods of drought suppress agricultural demand for some refined products, particularly those used for fueling farm equipment, the demand for fuel for irrigation systems often increases during such times. The mix of refined products delivered for agricultural use varies seasonally, with gasoline demand peaking in early summer, diesel fuel demand peaking in late summer and propane demand higher in the fall. In addition, weather conditions in the areas served by the East Pipeline affect the mix of the refined products delivered through the East Pipeline, although historically any overall impact on the total volumes shipped has not been significant.

Our refined product pipelines are also dependent upon adequate levels of production of refined products by refineries connected to the pipelines, directly or through connecting pipelines. The refineries are, in turn, dependent upon adequate supplies of suitable grades of crude oil. The pipelines in the Central West System and our crude oil pipelines are connected to refineries owned by Valero Energy, and certain pipelines are subject to long-term throughput agreements with Valero Energy. Valero Energy refineries connected directly to our pipelines obtain crude oil from a variety of foreign and domestic sources. If operations at one of these refineries were discontinued or significantly reduced, it could have a material adverse effect on our operations, although we would endeavor to minimize the impact by seeking alternative customers for those pipelines.

Our crude oil pipelines are dependent on the continued production of adequate supply of domestic crude oil in regions served by our crude oil pipelines or connecting carriers. Our crude oil pipelines are also dependent on our customers' continued access to sufficient foreign crude oil and sufficient demand for refined products for our customers to operate their refineries.

The North Pipeline is heavily dependent on Tesoro's Mandan, North Dakota refinery, which primarily runs North Dakota crude oil (although it has the ability to process other crude oils). If operations at the Tesoro refinery were interrupted, it could have a material effect on our operations. Other than the Valero Energy refineries described above and the Tesoro refinery, if operations at any one refinery were discontinued, we believe (assuming unchanged demand for refined products in markets served by the refined product pipelines) that the effects thereof would be short-term in nature and our business would not be materially adversely affected over the long term because such discontinued production could be replaced by other refineries or other sources.

The refineries connected directly to the East Pipeline obtain crude oil from producing fields located primarily in Kansas, Oklahoma and Texas, and, to a much lesser extent, from other domestic or foreign sources. In addition, refineries in Kansas, Oklahoma and Texas are also connected to the East Pipeline by third party pipelines. These refineries obtain their supplies of crude oil from a variety of sources. The majority of the refined products transported through the East Pipeline are produced at three refineries located at McPherson and El Dorado, Kansas and Ponca City, Oklahoma, which are operated by the National Cooperative Refining Association (NCRA), HollyFrontier Corporation and ConocoPhillips Company, respectively. The NCRA and Frontier Oil Corporation refineries are connected directly to the East Pipeline. The East Pipeline also has access to Gulf Coast supplies of products through third party connecting pipelines that receive products originating on the Gulf Coast.

Demand for and Sources of Anhydrous Ammonia

The Ammonia Pipeline is one of two major anhydrous ammonia pipelines in the United States and the only one capable of receiving foreign product directly into the system and transporting anhydrous ammonia into the nation's corn belt.

Our Ammonia Pipeline operations depend on overall nitrogen fertilizer use, management practices, the price of natural gas, which is the primary component of anhydrous ammonia, and the level of demand for direct application of anhydrous ammonia as a fertilizer for crop production (Direct Application). Demand for Direct Application is dependent on the weather, as Direct Application is not effective if the ground is too wet or too dry.

Corn producers have fertilizer alternatives to anhydrous ammonia, such as liquid or dry nitrogen fertilizers. Liquid and dry nitrogen fertilizers are both less sensitive to weather conditions during application but are generally more costly than anhydrous ammonia. In addition, anhydrous ammonia has the highest nitrogen content of any nitrogen-derivative fertilizer.

Customers

The largest customer of our transportation segment was Valero Energy, which accounted for approximately 45% of the total segment revenues for the year ended December 31, 2012. In addition to Valero Energy, we had approximately 65 customers for the year ended December 31, 2012, including integrated oil companies, refining companies, farm cooperatives, railroads and others. No other customer accounted for greater than 10% of the total revenues of transportation segment for the year ended December 31, 2012.

Competition and Business Considerations

Because pipelines are generally the lowest-cost method for intermediate and long-haul movement of refined petroleum products, our more significant competitors are common carrier and proprietary pipelines owned and operated by major integrated and large independent oil companies and other companies in the areas where we deliver products. Competition between common carrier pipelines is based primarily on transportation charges, quality of customer service and proximity to end users. We believe high capital costs, tariff regulation, environmental considerations and problems in acquiring rights-of-way make it unlikely that other competing pipeline systems comparable in size and scope to our pipelines will be built in the near future, as long as our pipelines have available capacity to satisfy demand and our tariffs remain at economically reasonable levels.

The costs associated with transporting products from a loading terminal to end users limit the geographic size of the market that can be served economically by any terminal. Transportation to end users from our loading terminals is conducted primarily by trucking operations of unrelated third parties. Trucks may competitively deliver products in some of the areas served by our pipelines. However, trucking costs render that mode of transportation uncompetitive for longer hauls or larger volumes. We do not believe that trucks are, or will be, effective competition to our long-haul volumes over the long-term.

Most of our refined product pipelines within the Central West System and our crude oil pipelines are physically integrated with and principally serve refineries owned by Valero Energy. As the pipelines are physically integrated with Valero Energy's refineries, we believe that we will not face significant competition for transportation services provided to the Valero Energy

refineries we serve.

Our crude oil pipelines serve areas or refineries impacted by growing domestic shale oil production in the Eagle Ford, Permian Basin and Granite Wash regions. This growing domestic production has reduced demand for imported crude oil and shifted supply sources for refineries and markets served by our pipelines. Our pipelines also face competition from other crude oil pipelines, rail and truck transportation.

The East and North Pipelines compete with an independent common carrier pipeline system owned by Magellan Midstream Partners, L.P. (Magellan) that operates approximately 100 miles east of and parallel to the East Pipeline and in close proximity to the North Pipeline. The Magellan system is a more extensive system than the East and North Pipelines. Competition with Magellan is based primarily on transportation charges, quality of customer service and proximity to end users. In addition, refined product pricing at either the origin or terminal point on a pipeline may outweigh transportation costs. Certain of the East Pipeline's and the North Pipeline's delivery terminals are in direct competition with Magellan's terminals.

Competitors of the Ammonia Pipeline include another anhydrous ammonia pipeline that originates in Oklahoma and Texas and terminates in Minnesota. The competing pipeline has the same Direct Application demand and weather issues as the Ammonia Pipeline but is restricted to domestically produced anhydrous ammonia. Midwest production facilities, nitrogen fertilizer substitutes and barge and railroad transportation represent other forms of direct competition to the pipeline under certain market conditions.

ASPHALT AND FUELS MARKETING

Our asphalt and fuels marketing segment includes our asphalt operations, our fuels marketing operations and a 14,500 barrel per day refinery in San Antonio, Texas that refines crude oil to produce various refined petroleum products, as well as an associated 0.4 million barrels of aggregate storage capacity. 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.

On January 1, 2013, we sold the San Antonio Refinery and related assets, which included inventory, a terminal in Elmendorf, Texas and a pipeline connecting the terminal and refinery. We have presented the results of operations for the San Antonio Refinery and related assets, previously reported in the transportation and asphalt and fuels marketing segments, as discontinued operations for the years ended December 31, 2012 and 2011.

Asphalt Operations

On September 28, 2012, we sold a 50% ownership interest in NuStar Asphalt LLC (Asphalt JV) to an affiliate of Lindsay Goldberg LLC, a private investment firm. Asphalt JV owns and operates the asphalt refining assets that were previously wholly owned by NuStar Energy, including the asphalt refineries located in Paulsboro, New Jersey and Savannah, Georgia. Upon closing, we deconsolidated Asphalt JV and started reporting our remaining investment in Asphalt JV using the equity method of accounting.

The Paulsboro refinery is located in Paulsboro, New Jersey on the Delaware River and has a production capacity of 74,000 barrels per day. Its location on the Delaware River allows for direct access to receipts and shipments. The refinery consists of two petroleum refining units, a liquid storage terminal for petroleum and chemical products, three marine docks, a polymer-modified asphalt production facility and a testing laboratory. The Paulsboro refinery has storage capacity of 4.1 million barrels and supplies various asphalt grades and intermediate products by ship, barge, railcar and tanker trucks to asphalt terminals in the northeastern United States.

The Savannah refinery is located in Savannah, Georgia adjacent to the Savannah River, which allows for direct access to receipts and shipments. In 2012, Asphalt JV temporarily ceased refining operations at the Savannah facility and began to operate it as an asphalt terminal. The Savannah facility has storage capacity of 1.2 million barrels and can supply various asphalt grades by truck, rail and marine vessel.

Asphalt JV obtains the majority of the crude oil processed in its asphalt refineries from us, which we obtain under a long-term crude supply agreement with Petr leos de Venezuela S. A. (PDVSA), the national oil company of Venezuela. We also entered into a \$250.0 million, seven-year unsecured revolving credit facility agreement (The NuStar JV Facility) with Asphalt JV, which will be available to fund working capital needs and for general purposes of Asphalt JV. 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.

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 term of ten years, with Asphalt JV's option to extend for an additional five years. In addition, we have terminal service agreements with Asphalt JV for aggregate storage capacity of 0.6 million barrels at our terminals in Jacksonville, FL, Dumfries, VA, and Baltimore, MD. These terminal service agreements have lease terms ranging from one to five years, with annual renewal options. Asphalt JV has the option to terminate any of these agreements at the end of a lease term with a 90 days written notice. Please read the disclosure contained in Note 18 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for additional information on our agreements with Asphalt JV.

Fuels Marketing Operations

Our fuels marketing operations provide us the opportunity to generate additional gross margin while complementing the activities of our storage and transportation segments. These operations involve the purchase of crude oil, fuel oil, bunker fuel and other refined products for resale. We utilize transportation and storage assets, including our own terminals and pipelines. Rates charged by our storage segment and tariffs charged by our transportation segment to the asphalt and fuels marketing segment are consistent with rates charged to third parties.

Since our fuels marketing operations expose us to commodity price risk, we sometimes enter into derivative instruments to mitigate the effect of commodity price fluctuations on our operations. The derivative instruments we use consist primarily of commodity futures and swap contracts.

Customers. Fuels marketing customers include major integrated refiners and trading companies. Customers for our bunker fuel sales are mainly ship owners, including cruise line companies.

Competition and Business Considerations. Our fuels marketing operations have numerous competitors, including large integrated refiners, marketing affiliates of other partnerships in our industry, as well as various international and domestic trading companies. In the sale of bunker fuel, we compete with ports offering bunker fuels that are along the route of travel of the vessel.

EMPLOYEES

Our operations are managed by NuStar GP, LLC. As of December 31, 2012, NuStar GP, LLC had 1,478 domestic employees. Certain of our wholly owned subsidiaries had 427 employees performing services for our international operations. We believe that NuStar GP, LLC and our subsidiaries each have satisfactory relationships with their employees.

RATE REGULATION

Several of our petroleum pipelines are interstate common carrier pipelines, which are subject to regulation by the FERC under the Interstate Commerce Act (ICA) and the Energy Policy Act of 1992 (the EP Act). The ICA and its implementing regulations give the FERC authority to regulate the rates charged for service on interstate common carrier pipelines and generally require the rates and practices of interstate oil pipelines to be just, reasonable and nondiscriminatory. The ICA also requires tariffs that set forth the rates a common carrier pipeline charges for providing transportation services on its interstate common carrier liquids pipelines, as well as the rules and regulations governing these services, to be maintained on file with the FERC. The EP Act deemed certain rates in effect prior to its passage to be just and reasonable and limited the circumstances under which a complaint can be made against such "grandfathered" rates. The EP Act and its implementing regulations also allow interstate common carrier oil pipelines to annually index their rates up to a prescribed ceiling level. In addition, the FERC retains cost-of-service ratemaking, market-based rates and settlement rates as alternatives to the indexing approach.

The Ammonia Pipeline is subject to regulation by the STB under the current version of the ICA. The ICA and its implementing regulations give the STB authority to regulate the rates we charge for service on the Ammonia Pipeline and generally require that our rates and practices be reasonable and nondiscriminatory.

Additionally, the rates and practices for our intrastate common carrier pipelines are subject to regulation by state commissions in Colorado, Kansas, Louisiana, North Dakota and Texas. Although the applicable state statutes and regulations vary, they generally require that intrastate pipelines publish tariffs setting forth all rates, rules and regulations applying to intrastate service, and generally require that pipeline rates and practices be just, reasonable and nondiscriminatory.

Shippers may challenge tariff rates rules and regulations on our pipelines.

ENVIRONMENTAL AND SAFETY REGULATION

Our operations are subject to extensive federal, state and local environmental 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. Our operations are also subject to extensive federal and state health and safety laws and regulations, including those relating to pipeline safety. The principal environmental and safety risks associated with our operations relate to unauthorized emissions into the air, unauthorized releases into soil, surface water or groundwater and personal injury and property damage. Compliance with these environmental and safety laws, regulations and permits increases our capital expenditures and our overall cost of business, and violations of these laws, regulations and/or permits can result in significant civil and criminal liabilities, injunctions or other penalties.

We have adopted policies, practices and procedures in the areas of pollution control, pipeline integrity, operator qualifications, public relations and education, product safety, process safety management, occupational health and the handling, storage, use and disposal of hazardous materials that are designed to prevent material environmental or other damage, to ensure the safety of our pipelines, our employees, the public and the environment and to limit the financial liability that could result from such events. Future governmental action and regulatory initiatives could result in changes to expected operating permits and procedures, additional remedial actions or increased capital expenditures and operating costs that cannot be assessed with certainty at this time. In addition, contamination resulting from spills of petroleum and other products occurs within the industry. Risks of additional costs and liabilities are inherent within the industry, and there can be no assurances that significant costs and liabilities will not be incurred in the future.

Capital Expenditures Attributable to Compliance with Environmental Regulations. In 2012, our capital expenditures attributable to compliance with environmental regulations were \$6.9 million, and are currently estimated to be approximately \$6.5 million for 2013.

RENEWABLE ENERGY AND ALTERNATIVE FUEL MANDATES

Several federal and state programs require the purchase and use of renewable energy and alternative fuels, such as battery-powered engines, biodiesel, wind energy, and solar energy. These mandates could impact the demand for refined petroleum products. For example, Congress enacted the Energy Independence and Security Act of 2007 and the American Recovery and Reinvestment Act of 2009, which, among things, mandated annually increasing levels for the use of renewable fuels such as ethanol, commencing in 2008 and escalating for 15 years, as well as increasing energy efficiency goals, including higher fuel economy standards for motor vehicles, subsidized loans for renewable energy projects, and provided funding for energy efficiency and renewable energy programs. These statutory mandates and programs may over time offset projected increases or reduce the demand for refined petroleum products, particularly gasoline, in certain markets. The increased production and use of biofuels may also create opportunities for additional pipeline transportation and additional blending opportunities within the terminals division, although that potential cannot be quantified at present. Other legislative changes may similarly alter the expected demand and supply projections for refined petroleum products in ways that cannot be predicted.

WATER

The Federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, and analogous or more stringent state statutes impose restrictions and strict controls regarding the discharge of pollutants into state waters or waters of the United States. The discharge of pollutants into state waters or waters of the United States is prohibited, except in accordance with the terms of a permit issued by applicable federal or state authorities. The Oil Pollution Act, enacted in 1990, amends provisions of the Clean Water Act as they pertain to prevention, response to and liability for oil spills. Spill prevention control and countermeasure requirements of the Clean Water Act and some state laws require response plans and the use of dikes and similar structures to help prevent contamination of state waters or waters of the United States in the event of an unauthorized discharge. Violations of any of these statutes and the related regulations could result in significant costs and liabilities.

AIR EMISSIONS

Our operations are subject to the Federal Clean Air Act, as amended, and analogous or more stringent state and local statutes. These laws and regulations regulate emissions of air pollutants from various sources, including some of our operations, and also impose various monitoring and reporting requirements. Such laws and regulations may require a facility to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions, and obtain and strictly comply with the provisions of any air permits. It is possible that these statutes and the related regulations may be revised to be more restrictive in the future, necessitating additional capital expense to ensure our operations are in compliance. We are unable to estimate the effect on our financial condition or results of

operations or the amount and timing of such required expenditures.

SOLID WASTE

We generate non-hazardous and hazardous solid wastes that are subject to the requirements of the federal Resource Conservation and Recovery Act (RCRA) and analogous or more stringent state statutes. We are not currently required to comply with a substantial portion of RCRA requirements because we do not operate any waste treatment, storage or disposal facilities. However, it is possible that additional wastes, which could include wastes currently generated during operations, will also be designated as “hazardous wastes.” Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes.

HAZARDOUS SUBSTANCES

The Comprehensive Environmental Response, Compensation and Liability Act, referred to as CERCLA and also known as Superfund, and analogous or more stringent state laws, impose joint and several liability, without regard to fault or the legality of the original act, on some classes of persons that contributed to the release of a “hazardous substance” into the environment. These persons include the owner or operator of the site and entities that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek recovery from the responsible classes of persons for the costs that they incur. In the course of our ordinary operations, we may generate waste that falls within CERCLA’s definition of a “hazardous substance.”

We currently own or lease, and have in the past owned or leased, properties where hydrocarbons are being or have been handled. Although we believe that we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where these wastes have been taken for disposal. In addition, we acquired many of these properties from third parties, and we did not control those third parties’ treatment and disposal or release of hydrocarbons or other wastes. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) or to perform remedial operations to prevent future contamination. In addition, we may be exposed to joint and several liability under CERCLA for all or part of the costs required to clean up sites at which hazardous substances may have been disposed of or released into the environment.

While remediation of subsurface contamination is in process at several of our facilities, based on current available information, we believe that the cost of these activities will not materially affect our financial condition or results of operations. Such costs, however, are often unpredictable and, therefore, there can be no assurances that the future costs will not become material.

PIPELINE INTEGRITY AND SAFETY

Our pipelines are subject to extensive federal and state laws and regulations governing pipeline integrity and safety. For example, the federal Pipeline Safety Act of 1968, the Pipeline Safety Improvement Act of 2002, the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 and the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 and their respective implementing regulations generally require pipeline operators to maintain qualification programs for key pipeline operating personnel, to review and update their existing pipeline safety public education programs, to provide information for the National Pipeline Mapping System, to maintain spill response plans, to conduct spill response training, to implement integrity management programs for pipelines that could affect high consequence areas (i.e., areas with concentrated populations, navigable waterways and other unusually sensitive areas), maintain detailed operating and maintenance procedures and to manage human factors in pipeline control centers, including controller fatigue. While compliance with the statutes and analogous or more stringent state laws may affect our capital expenditures and operating expenses, we believe that the cost of such compliance will not materially affect our competitive position or have a material effect on our financial condition or results of operations.

RISK FACTORS

RISKS RELATED TO OUR BUSINESS

We may not be able to generate sufficient cash from operations to enable us to pay distributions at current levels to our unitholders every quarter.

The amount of cash that we can distribute to our unitholders each quarter principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- throughput volumes transported in our pipelines;
- lease renewals or throughput volumes in our terminals and storage facilities;
- tariff rates and fees we charge and the returns we realize for our services;
- the results of our marketing, trading and hedging activities, which fluctuate depending upon the relationship between refined product prices and prices of crude oil and other feedstocks;
- demand for crude oil, refined products and anhydrous ammonia;
- the effect of worldwide energy conservation measures;
- our operating costs;
- weather conditions;
- domestic and foreign governmental regulations and taxes; and
- prevailing economic conditions.

In addition, the amount of cash that we will have available for distribution will depend on other factors, including:

- our debt service requirements and restrictions on distributions contained in our current or future debt agreements;
- the sources of cash used to fund our acquisitions;
- our capital expenditures;
- fluctuations in our working capital needs;
- issuances of debt and equity securities; and
- adjustments in cash reserves made by our general partner, in its discretion.

Because of these factors, we may not have sufficient available cash each quarter to continue paying distributions at their current level or at all. Furthermore, cash distributions to our unitholders depend primarily upon cash flow, including cash flow from financial reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items.

Therefore, we may make cash distributions during periods when we record net losses and may not make cash distributions during periods when we record net income.

Reduced demand for refined products could affect our results of operations and ability to make distributions to our unitholders.

Any sustained decrease in demand for refined products in the markets served by our pipelines, terminals or fuels marketing operations could result in a significant reduction in throughputs in our pipelines, storage in our terminals or earnings in our fuels marketing operations, which would reduce our cash flow and our ability to make distributions to our unitholders. Factors that could lead to a decrease in market demand include:

- a recession or other adverse economic condition that results in lower spending by consumers on gasoline, diesel and travel;
- higher fuel taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of gasoline;
- an increase in automotive engine fuel economy, whether as a result of a shift by consumers to more fuel-efficient vehicles or technological advances by manufacturers;
- an increase in the market price of crude oil that leads to higher refined product prices, including asphalt prices, which may reduce demand for refined products and drive demand for alternative products. Market prices for fuel oil and refined products, including fuel oil, are subject to wide fluctuation in response to changes in global and regional supply that are beyond our control, and increases in the price of crude oil may result in a lower demand for refined products that we market, including fuel oil;
- a decrease in corn acres planted, which may reduce demand for anhydrous ammonia; and
- the increased use of alternative fuel sources, such as battery-powered engines.

A decrease in lease renewals or throughputs in our assets would cause our revenues to decline and could adversely affect our ability to make cash distributions to our unitholders.

A decrease in lease renewals or throughputs in our assets would cause our revenues to decline and could adversely affect our ability to make cash distributions to our unitholders. Such a decrease could result from a customer's failure to renew a lease, a temporary or permanent decline in the amount of crude oil or refined products stored at and transported from the refineries we serve and own or construction by our competitors of new transportation or storage assets in the markets we serve. Factors that could result in such a decline include:

- a material decrease in the supply of crude oil;
- a material decrease in demand for refined products in the markets served by our pipelines, terminals and refineries;
- scheduled refinery turnarounds or unscheduled refinery maintenance;
- operational problems or catastrophic events at a refinery;
- environmental proceedings or other litigation that compel the cessation of all or a portion of the operations at a refinery;
- a decision by our current customers to redirect refined products transported in our pipelines to markets not served by our pipelines or to transport crude oil or refined products by means other than our pipelines;
- increasingly stringent environmental regulations; or
- a decision by our current customers to sell one or more of the refineries we serve to a purchaser that elects not to use our pipelines and terminals.

If we are unable to complete capital projects at their expected costs and/or in a timely manner, or if the market conditions assumed in our project economics deteriorate, our financial condition, results of operations, or cash flows could be affected materially and adversely.

Delays or cost increases related to capital spending programs involving construction of new facilities (or improvements and repairs to our existing facilities) could adversely affect our ability to achieve forecasted operating results. Although we evaluate and monitor each capital spending project and try to anticipate difficulties that may arise, such delays or cost increases may arise as a result of factors that are beyond our control, including:

- denial or delay in issuing requisite regulatory approvals and/or permits;
- unplanned increases in the cost of construction materials or labor;
- disruptions in transportation of modular components and/or construction materials;
- severe adverse weather conditions, natural disasters or other events (such as equipment malfunctions, explosions, fires or spills) affecting our facilities, or those of vendors and suppliers;
- shortages of sufficiently skilled labor, or labor disagreements resulting in unplanned work stoppages;
- market-related increases in a project's debt or equity financing costs; and/or
- nonperformance by, or disputes with, vendors, suppliers, contractors or sub-contractors involved with a project.

Our forecasted operating results also are based upon our projections of future market fundamentals that are not within our control, including changes in general economic conditions, availability to our customers of attractively priced alternative supplies of crude oil and refined products and overall customer demand.

Our operations are subject to operational hazards and unforeseen interruptions, and we do not insure against all potential losses. Therefore, we could be seriously harmed by unexpected liabilities.

Our operations are subject to operational hazards and unforeseen interruptions such as natural disasters, adverse weather, accidents, fires, explosions, hazardous materials releases, mechanical failures and other events beyond our control. These events might result in a loss of equipment or life, injury or extensive property damage, as well as an interruption in our operations. In the event any of our facilities are forced to shut down for a significant period of time, it may have a material adverse effect on our earnings, our other results of operations and our financial condition as a whole.

We may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased substantially and could escalate further. Certain insurance coverage could become unavailable or available only for reduced amounts of coverage and at higher rates. For example, our insurance carriers require broad exclusions for losses due to terrorist acts. If we were to incur a significant liability for which we are not fully insured, such a liability could have a material adverse effect on our financial position and our ability to make distributions to our unitholders and to meet our debt service requirements.

The price volatility of crude oil and refined products can reduce our revenues and ability to make distributions to our unitholders.

Revenues associated with our fuels marketing operations result primarily from our crude blending and trading operations and fuel oil sales. We also maintain product inventory related to these activities. The price and market value of crude oil and refined products is volatile. Our revenues will be adversely affected by this volatility during periods of decreasing prices because of the reduction in the value and resale price of our inventory. Conversely, during periods of increasing petroleum product prices, our revenues may be adversely affected because of the increased costs associated with obtaining our inventory. Future price volatility could have an adverse impact on our results of operations, cash flow and ability to make distributions to our unitholders.

Our marketing and trading of crude oil and refined products may expose us to trading losses and hedging losses, and non-compliance with our risk management policies could result in significant financial losses.

In order to manage our exposure to commodity price fluctuations associated with our fuels marketing operations segment, we may engage in crude oil and refined product hedges. As a result, our marketing and trading of crude oil and refined products may expose us to price volatility risk for the purchase and sale of crude oil and petroleum products, including distillates and fuel oil. We attempt to mitigate this volatility risk through hedging, but we are still exposed to basis risk. We may also be exposed to inventory and financial liquidity risk due to the inability to trade certain products or rising costs of carrying some inventories. Further, our marketing and trading activities, including any hedging activities, may cause volatility in our earnings. In addition, we will be exposed to credit risk in the event of non-performance by counterparties.

Our risk management policies may not eliminate all price risk since open trading positions will expose us to price volatility. Further, there is a risk that our risk management policies will not be complied with. Although we have designed procedures to anticipate and detect non-compliance, we cannot assure you that these steps will detect and prevent all violations of our trading policies and procedures, particularly if deception and other intentional misconduct are involved.

As a result of the risks described above, the activities associated with our marketing and trading business may expose us to volatility in earnings and financial losses, which may adversely affect our financial condition and our ability to distribute cash to our unitholders.

Hedging transactions may limit our potential gains or result in significant financial losses.

While intended to reduce the effects of volatile crude oil and refined product prices, hedging transactions, depending on the hedging instrument used, may limit our potential gains if crude oil and refined product prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

- production is substantially less than expected;
- the counterparties to our futures contracts fail to perform under the contracts; or
- there is a change in the expected differential between the underlying price in the hedging agreement and the actual prices received.

The accounting standards regarding hedge accounting are complex, and even when we engage in hedging transactions that are effective economically, these transactions may not be considered effective for accounting purposes. Accordingly, our financial statements will reflect increased volatility due to these hedges, even when there is no underlying economic impact at that point. In addition, it is not possible for us to engage in a hedging transaction that completely mitigates our exposure to commodity prices. Our financial statements may reflect a gain or loss arising from an exposure to commodity prices for which we are unable to enter into an effective hedge.

We are exposed to counterparty credit risk. Nonpayment and nonperformance by our customers, vendors or derivative counterparties could reduce our revenues, increase our expenses or otherwise have a negative impact on our operating results, cash flows and ability to make distributions to our unitholders.

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers to whom we extend credit. In addition, nonperformance by vendors who have committed to provide us with products or services could result in higher costs or interfere with our ability to successfully conduct our business. Furthermore, nonpayment by the counterparties to our interest rate and commodity derivatives could expose us to additional interest rate or commodity price risk. Weak economic conditions and widespread financial stress could reduce the liquidity of our customers, vendors or counterparties, making it more difficult for them to meet their obligations to us. Any substantial increase in the nonpayment and nonperformance by our customers, vendors or counterparties could have a material adverse effect on our results of operations, cash flows and ability to make distributions to unitholders.

Our future financial and operating flexibility may be adversely affected by our significant leverage, downgrades of our credit ratings, restrictions in our debt agreements, disruptions in the financial markets and our significant working capital needs.

As of December 31, 2012, our consolidated debt was \$2.4 billion. Among other things, our significant leverage may be viewed negatively by credit rating agencies, which could result in increased costs for us to access the capital markets. The ratings of NuStar Logistics' and NuPOP's senior unsecured notes were recently downgraded to Ba1 by Moody's Investor Service Inc. (Moody's), BB+ by Standard & Poor's Ratings Services (S&P) and BB by Fitch, Inc., all with a stable outlook. As a result of the S&P's and Moody's downgrades, interest rates on borrowings under our credit facilities and our 7.65% senior notes due 2018 have increased. We may also be required to post cash collateral under certain of our hedging arrangements, which we expect to fund with borrowings under our 2012 Revolving Credit Agreement. Any future downgrades could result in additional increases to the interest rates on borrowings under our credit facilities and the 7.65% senior notes due 2018, significantly increase our capital costs and adversely affect our ability to raise capital in the future.

Our five-year revolving credit agreement (the 2012 Revolving Credit Agreement) contains restrictive covenants, including a requirement that, as of the end of each rolling period, which consists of any period of four consecutive fiscal quarters, we maintain 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. Failure to comply with any of the restrictive covenants in the 2012 Revolving Credit Agreement will result in a default under the terms of our credit agreement and could result in acceleration of this and possibly other indebtedness.

Debt service obligations, restrictive covenants in our credit facilities and the indentures governing our outstanding senior notes and maturities resulting from this leverage may adversely affect our ability to finance future operations, pursue acquisitions and fund other capital needs and our ability to pay cash distributions to our unitholders. In addition, this leverage may make our results of operations more susceptible to adverse economic or operating conditions. For example, during an event of default under any of our debt agreements, we would be prohibited from making cash distributions to our unitholders.

If our lenders file for bankruptcy or experience severe financial hardship, they may not honor their pro rata share of our borrowing requests under the 2012 Revolving Credit Agreement, which may significantly reduce our available borrowing capacity and, as a result, materially adversely affect our financial condition and ability to pay distributions to our unitholders.

Additionally, we may not be able to access the capital markets in the future at economically attractive terms, which may adversely affect our future financial and operating flexibility and our ability to pay cash distributions at current levels.

Asphalt JV requires significant amounts of working capital to conduct its business. NuStar Logistics agreed to provide an unsecured credit facility to Asphalt JV to fund working capital loans to Asphalt JV in an aggregate principal amount not to exceed \$250 million. We have agreed to provide guarantees or credit support, as applicable, of up to \$150 million under operating contracts related to the Asphalt Operations. We believe that Asphalt JV's current sources of capital are adequate to meet Asphalt JV's working capital needs. However, if Asphalt JV's working capital needs increase more than anticipated, we may be forced to seek additional sources of capital, which may not be available or available on commercially reasonable terms.

The Asphalt JV, as well as the agreements related to or contemplated thereby, present a number of challenges that could have a negative impact on our financial condition, results of operations and ability to pay distributions to its unitholders.

The Asphalt JV may present any or all of the financial, managerial and operational challenges typically associated with joint venture arrangements, including the possibility of disputes with or actions by joint venture partners that cause delays, liabilities or contingencies. Differences in views among the venture partners may result in delayed decisions or in failures to agree on major matters, such as large expenditures or contractual commitments, the construction or acquisition of assets or borrowing money, among others. Delay or failure to agree may prevent action with respect to such matters, even though such action may serve our best interest or that of the joint venture. Accordingly, delayed decisions and failures to agree can potentially adversely affect the business and operations of the joint venture and in turn our business and operations.

From time to time, Asphalt JV may be involved in disputes or legal proceedings which, although not involving a loss contingency to us, may nonetheless have the potential to negatively affect our investment.

The joint venture agreement for Asphalt JV provides our joint venture partner with a distribution preference that may prevent us from receiving distributions related to our 50% ownership interest in Asphalt JV.

Asphalt JV's asphalt refineries depend on crude oil from Petróleos de Venezuela S.A. (PDVSA), the national oil company of Venezuela, and decisions of the Organization of Petroleum Exporting Countries (OPEC) to decrease production of crude oil, as well as the Venezuelan economic and political environment, may disrupt Asphalt JV's supply of crude oil and increase its capital expenditures.

OPEC cuts, coupled with Venezuela's ongoing political, economic and social turmoil could have a severe impact on PDVSA's production or delivery of crude oil. In the event PDVSA discontinues or substantially reduces its production or delivery of Boscán or Bachaquero BCF-13, the crude oil for which Asphalt JV's refineries are currently optimized, Asphalt JV will be forced to replace all or a portion of the crude oil that would normally have been delivered under the PDVSA crude oil supply contract with purchases of crude oil on the spot market, potentially at a price less favorable than it would have obtained under the PDVSA crude oil supply contract. It is possible that processing a more significant proportion of alternate crudes could result in additional capital expenditures, which could be material, reduced refinery run rates and significantly reduced production. Accordingly, any major disruption of Asphalt JV's supply of crude oil from Venezuela could result in substantially greater working capital needs and inability to meet its obligations.

We may become liable as a result of our financing arrangements and guarantees of Asphalt JV.

Asphalt JV entered into a third-party asset-based revolving credit facility (ABL Facility) and an unsecured revolving credit facility provided by NuStar Logistics (the NuStar Financing). The NuStar Financing is available to fund working capital loans to Asphalt JV in an aggregate principal amount not to exceed \$250 million, with a term of seven years, subject to certain early termination events. In addition, during the term of the NuStar Financing, we have agreed to provide guarantees or credit support, as applicable, of up to \$150 million under operating contracts related to the Asphalt Operations (the Credit Support). In the event that Asphalt JV defaults on any of its obligations under the NuStar Financing, we would have available only those measures available to a creditor with the rights and limitations provided in the NuStar Financing. In the event of a default on any of the obligations underlying the Credit Support, we would be responsible for Asphalt JV's liabilities for the default and have only the rights of repayment associated with that instrument. In either scenario, the liability imposed on us may have an adverse impact on our financial condition, results of operations or ability to pay distributions to its unitholders.

Increases in interest rates could adversely affect our business and the trading price of our units.

We have significant exposure to increases in interest rates. At December 31, 2012, we had approximately \$2.4 billion of consolidated debt, of which \$1.6 billion was at fixed interest rates and \$0.8 billion was at variable interest rates after giving effect to interest rate swap agreements. Our results of operations, cash flows and financial position could be materially adversely affected by significant increases in interest rates above current levels. Further, the trading price of our units is sensitive to changes in interest rates and any rise in interest rates could adversely impact such trading price.

We could be subject to damages based on claims brought against us by our customers or lose customers as a result of the failure of our products to meet certain quality specifications.

Certain of our products are produced to precise customer specifications. If a product fails to perform in a manner consistent with the detailed quality specifications required by the customer, the customer could seek replacement of the product or damages for costs incurred as a result of the product failing to perform as guaranteed. A successful claim or series of claims against us could result in a loss of one or more customers.

Potential future acquisitions and expansions, if any, may increase substantially the level of our indebtedness and contingent liabilities, and we may be unable to integrate them effectively into our existing operations.

From time to time, we evaluate and acquire assets and businesses that we believe complement or diversify our existing assets and businesses. Acquisitions may require substantial capital or the incurrence of substantial indebtedness. If we consummate any future material acquisitions, our capitalization and results of operations may change significantly, and you will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in connection with any future acquisitions.

Acquisitions and business expansions involve numerous risks, including difficulties in the assimilation of the assets and operations of the acquired businesses, inefficiencies and difficulties that arise because of unfamiliarity with new assets and the businesses associated with them and new geographic areas. Further, unexpected costs and challenges may arise whenever businesses with different operations or management are combined. Successful business combinations will require our management and other personnel to devote significant amounts of time to integrating the acquired businesses with our existing operations. These efforts may temporarily distract their attention from day-to-day business, the development or acquisition of new properties and other business opportunities. If we do not successfully integrate any past or future acquisitions, or if there is any significant delay in achieving such integration, our business and financial condition could be adversely affected.

Moreover, part of our business strategy includes acquiring additional assets that complement our existing asset base and distribution capabilities or provide entry into new markets. We may not be able to identify suitable acquisitions, or we may not be able to purchase or finance any acquisitions on terms that we find acceptable. Additionally, we compete against other

companies for acquisitions, and we may not be successful in the acquisition of any assets or businesses appropriate for our growth strategy.

We may have liabilities from our assets that pre-exist our acquisition of those assets, but that may not be covered by indemnification rights we will have against the sellers of the assets.

In some cases, we have indemnified the previous owners and operators of acquired assets. Some of our assets have been used for many years to transport and store crude oil and refined products. Releases may have occurred in the past that could require costly future remediation. If a significant release or event occurred in the past, the liability for which was not retained by the seller, or for which indemnification by the seller is not available, it could adversely affect our financial position and results of operations.

Climate change legislation and regulatory initiatives may decrease demand for the products we store, transport and sell and increase our operating costs.

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases” and including carbon dioxide and methane, may be contributing to warming of the Earth’s atmosphere. In response to such studies, the United States Congress is actively considering legislation to reduce emissions of greenhouse gases. In addition, at least one-third of the states, either individually or through multi-state regional initiatives, have already taken legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or greenhouse gas cap and trade programs. As an alternative to reducing emission of greenhouse gases under cap and trade programs, Congress may consider the implementation of a program to tax the emission of carbon dioxide and other greenhouse gases. In December 2009, the EPA issued an endangerment finding that greenhouse gases may reasonably be anticipated to endanger public health and welfare and are a pollutant to be regulated under the Clean Air Act. Passage of climate change legislation or other regulatory initiatives by Congress or various states of the United States or the adoption of regulations by the EPA or analogous state agencies that regulate or restrict emissions of greenhouse gases in areas in which we conduct business, could result in changes to the demand for the products we store, transport and sell, and could increase the costs of our operations, including costs to operate and maintain our facilities, install new emission controls on our facilities, acquire allowances to authorize our greenhouse gas emissions, pay any taxes related to our greenhouse gas emissions and administer and manage a greenhouse gas emissions program. We may be unable to recover any such lost revenues or increased costs in the rates we charge our customers, and any such recovery may depend on events beyond our control, including the outcome of future rate proceedings before the FERC and the provisions of any final legislation or regulations. Reductions in our revenues or increases in our expenses as a result of climate control initiatives could have adverse effects on our business, financial position, results of operations and prospects.

We operate a global business that exposes us to additional risk.

We operate in seven foreign countries and a significant portion of our revenues come from our business in these countries. Our operations outside the United States may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment, including the Foreign Corrupt Practices Act, the United Kingdom Bribery Act and other foreign laws prohibiting corrupt payments. We have assets in certain emerging markets, and the developing nature of these markets presents a number of risks. Deterioration of social, political, labor or economic conditions in a specific country or region and difficulties in staffing and managing foreign operations may also adversely affect our operations or financial results.

Our operations are subject to federal, state and local laws and regulations relating to environmental protection and operational safety that could require us to make substantial expenditures.

Our operations are subject to increasingly stringent environmental and safety laws and regulations. Transporting and storing petroleum products produces a risk that these products may be released into the environment, potentially causing substantial expenditures for a response action, significant government penalties, liability to government agencies for damages to natural resources, personal injury or property damages to private parties and significant business interruption. We own or lease a number of properties that have been used to store or distribute refined products for many years. Many of these properties were operated by third parties whose handling, disposal or release of hydrocarbons and other wastes was not under our control.

If we were to incur a significant liability pursuant to environmental or safety laws or regulations, such a liability could have a material adverse effect on our financial position, our ability to make distributions to our unitholders and our ability to meet our debt service requirements. Please read Item 3. “Legal Proceedings” and Note 15 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data.”

Our interstate common carrier pipelines are subject to regulation by the FERC.

The FERC regulates the tariff rates for interstate oil movements on our common carrier pipelines. Shippers may protest our pipeline tariff filings, and the FERC may investigate new or changed tariff rates. Further, other than for rates set under market-based rate authority, the FERC may order refunds of amounts collected under newly filed rates that are determined by the

FERC to exceed what the FERC determines to be a just and reasonable level. In addition, shippers may challenge tariff rates even after the rates have been deemed final and effective. The FERC may also investigate such rates absent shipper complaint. If existing rates are challenged and are determined by the FERC to be in excess of a just and reasonable level, a shipper may obtain reparations for damages sustained during the two years prior to the date the shipper filed a complaint.

We use various FERC-authorized rate change methodologies for our interstate pipelines, including indexing, cost-of-service rates, market-based rates and settlement rates. Typically, we adjust our rates annually in accordance with FERC indexing methodology, which currently allows a pipeline to change their rates within prescribed ceiling levels that are tied to an inflation index. The current index (which runs through June 30, 2013) is measured by the year-over-year change in the Bureau of Labor's producer price index for finished goods, plus 2.65%. Shippers may protest rate increases made within the ceiling levels, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs from the previous year. However, if the index results in a negative adjustment, we are required to reduce any rates that exceed the new maximum allowable rate. In addition, changes in the index might not be large enough to fully reflect actual increases in our costs. If the FERC's rate-making methodologies change, any such change or new methodologies could result in rates that generate lower revenues and cash flow and could adversely affect our ability to make distributions to our unitholders and to meet our debt service requirements. Additionally, competition constrains our rates in various markets. As a result, we may from time to time be forced to reduce some of our rates to remain competitive.

Changes to FERC rate-making principles could have an adverse impact on our ability to recover the full cost of operating our pipeline facilities and our ability to make distributions to our unitholders.

In May 2005, the FERC issued a statement of general policy stating it will permit pipelines to include in cost of service a tax allowance to reflect actual or potential tax liability on their public utility income attributable to all partnership or limited liability company interests, if the ultimate owner of the interest has an actual or potential income tax liability on such income. Whether a pipeline's owners have such actual or potential income tax liability will be reviewed by the FERC on a case-by-case basis. Although this policy is generally favorable for pipelines that are organized as pass-through entities, it still entails rate risk due to the case-by-case review requirement. This tax allowance policy and the FERC's application of that policy were appealed to the United States Court of Appeals for the District of Columbia Circuit (D.C. Court), and, on May 29, 2007, the D.C. Court issued an opinion upholding the FERC's tax allowance policy.

In December 2006, the FERC issued an order addressing income tax allowance in rates, in which it reaffirmed prior statements regarding its income tax allowance policy, but raised a new issue regarding the implications of the FERC's policy statement for publicly traded partnerships. The FERC noted that the tax deferral features of a publicly traded partnership may cause some investors to receive, for some indeterminate duration, cash distributions in excess of their taxable income, creating an opportunity for those investors to earn additional return, funded by ratepayers. Responding to this concern, FERC adjusted the equity rate of return of the pipeline at issue downward based on the percentage by which the publicly traded partnership's cash flow exceeded taxable income. Requests for rehearing of the order are currently pending before the FERC.

Because the extent to which an interstate oil pipeline is entitled to an income tax allowance is subject to a case-by-case review at the FERC, the level of income tax allowance to which we will ultimately be entitled is not certain. Although the FERC's current income tax allowance policy is generally favorable for pipelines that are organized as pass-through entities, it still entails rate risks due to the case-by-case review requirement. How the FERC's policy statement is applied in practice to pipelines owned by publicly traded partnerships could impose limits on our ability to include a full income tax allowance in cost of service.

The FERC instituted a rulemaking proceeding in July 2007 to determine whether any changes should be made to the FERC's methodology for determining pipeline equity returns to be included in cost-of-service based rates. The FERC determined that it would retain its current methodology for determining return on equity but that, when stock prices and cash distributions of tax pass-through entities are used in the return on equity calculations, the growth forecasts for those entities should be reduced by 50%. Despite the FERC's determination, some complainants in rate proceedings have advocated that the FERC disallow the full use of cash distributions in the return on equity calculation. If the FERC were to disallow the use of full cash distributions in the return on equity calculation, such a result might adversely affect our ability to achieve a reasonable return.

The rates that we may charge on our interstate ammonia pipeline are subject to regulation by the STB.

The STB, a part of the DOT, has jurisdiction over interstate pipeline transportation and rate regulations of anhydrous ammonia. Transportation rates must be reasonable, and a pipeline carrier may not unreasonably discriminate among its shippers. If the STB finds that a carrier's rates violate these statutory commands, it may prescribe a reasonable rate. In determining a reasonable rate, the STB will consider, among other factors, the effect of the rate on the volumes transported by that carrier, the carrier's revenue needs and the availability of other economic transportation alternatives. The STB does not provide rate relief unless shippers lack effective competitive alternatives. If the STB determines that effective competitive alternatives are not available and we hold market power, then we may be required to show that our rates are reasonable.

Increases in natural gas and power prices could adversely affect our ability to make distributions to our unitholders.

Power costs constitute a significant portion of our operating expenses. For the year ended December 31, 2012, our power costs equaled approximately \$55.9 million, or 10% of our operating expenses for the year (\$6.1 million of power costs were capitalized into inventory prior to the sale of our 50% interest in the Asphalt Operations). We use mainly electric power at our pipeline pump stations and terminals, and such electric power is furnished by various utility companies that use primarily natural gas to generate electricity. Accordingly, our power costs typically fluctuate with natural gas prices. Increases in natural gas prices may cause our power costs to increase further. If natural gas prices increase, our cash flows may be adversely affected, which could adversely affect our ability to make distributions to our unitholders.

Terrorist attacks and the threat of terrorist attacks have resulted in increased costs to our business. Continued hostilities in the Middle East or other sustained military campaigns may adversely impact our results of operations.

Increased security measures we have taken as a precaution against possible terrorist attacks have resulted in increased costs to our business. Uncertainty surrounding continued hostilities in the Middle East or other sustained military campaigns may affect our operations in unpredictable ways, including disruptions of crude oil supplies and markets for refined products, the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror and instability in the financial markets that could restrict our ability to raise capital.

Our cash distribution policy may limit our growth.

Consistent with the terms of our partnership agreement, we distribute our available cash to our unitholders each quarter. In determining the amount of cash available for distribution, our management sets aside cash reserves, which we use to fund our growth capital expenditures. Additionally, we have relied upon external financing sources, including commercial borrowings and other debt and equity issuances, to fund our acquisition capital expenditures. Accordingly, to the extent we do not have sufficient cash reserves or are unable to finance growth externally, our cash distribution policy will significantly impair our ability to grow. In addition, to the extent we issue additional units in connection with any acquisitions or growth capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our current per unit distribution level.

NuStar GP Holdings may have conflicts of interest and limited fiduciary responsibilities, which may permit it to favor its own interests to the detriment of our unitholders.

NuStar GP Holdings currently indirectly owns our general partner and as of December 31, 2012, an aggregate 13.0% limited partner interest in us. Conflicts of interest may arise between NuStar GP Holdings and its affiliates, including our general partner, on the one hand, and us and our limited partners, on the other hand. As a result of these conflicts, the general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

- Our general partner is allowed to take into account the interests of parties other than us, such as NuStar GP Holdings, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to the unitholders;
- Our general partner may limit its liability and reduce its fiduciary duties, while also restricting the remedies available to unitholders. As a result of purchasing our common units, unitholders have consented to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable state law;
- Our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuance of additional limited partner interests and reserves, each of which can affect the amount of cash that is paid to our unitholders;
- Our general partner determines in its sole discretion which costs incurred by NuStar GP Holdings and its affiliates are reimbursable by us;
- Our general partner may cause us to pay the general partner or its affiliates for any services rendered on terms that are fair and reasonable to us or enter into additional contractual arrangements with any of these entities on our behalf;
- Our general partner decides whether to retain separate counsel, accountants or others to perform services for us; and
- In some instances, our general partner may cause us to borrow funds in order to permit the payment of distributions.

Our partnership agreement gives the general partner broad discretion in establishing financial reserves for the proper conduct of our business, including interest payments. These reserves also will affect the amount of cash available for distribution.

TAX RISKS TO OUR UNITHOLDERS

If we were treated as a corporation for federal or state income tax purposes, then our cash available for distribution to unitholders would be substantially reduced.

The anticipated after-tax benefit of an investment in our units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this matter.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%. Distributions to unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to unitholders. Thus, treatment of us as a corporation would result in a material reduction in our anticipated cash flow and after-tax return to unitholders, likely causing a substantial reduction in the value of our units.

Current law may change, causing us to be treated as a corporation for federal income tax purposes or otherwise subjecting us to entity-level taxation. In addition, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. Partnerships and limited liability companies, unless specifically exempted, are also subject to a state-level tax imposed on revenues. Imposition of any entity-level tax on us by states in which we operate will reduce the cash available for distribution to our unitholders.

A successful IRS contest of the federal income tax positions we take may adversely impact the market for our units, and the costs of any contest will reduce cash available for distribution to our unitholders.

The IRS may adopt positions that differ from the positions we take, even positions taken with the advice of counsel. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our units and the prices at which they trade. In addition, the costs of any contest between us and the IRS will result in a reduction in cash available for distribution to our unitholders. Moreover, the costs of any contest between us and the IRS will result in a reduction in cash available for distribution to our unitholders and thus will be borne indirectly by our unitholders and our general partner.

Even if unitholders do not receive any cash distributions from us, they will be required to pay taxes on their respective share of our taxable income.

Unitholders will be required to pay federal income taxes and, in some cases, state and local income taxes on the unitholder's respective share of our taxable income, whether or not such unitholder receives cash distributions from us. Unitholders may not receive cash distributions from us equal to the unitholder's respective share of our taxable income or even equal to the actual tax liability that results from the unitholder's respective share of our taxable income.

The sale or exchange of 50% or more of our capital and profits interests, within a twelve-month period, will result in the termination of our partnership for federal income tax purposes.

A termination would, among other things, result in the closing of our taxable year for all unitholders and would result in a deferral of depreciation and cost recovery deductions allowable in computing our taxable income. If our partnership were terminated for federal income tax purposes, a NuStar Energy unitholder would be allocated an increased amount of federal taxable income for the year in which the partnership is considered terminated and the subsequent years as a percentage of the cash distributed to the unitholder with respect to that period.

Tax gain or loss on the disposition of our units could be different than expected.

If a unitholder sells units, the unitholder will recognize a gain or loss equal to the difference between the amount realized and that unitholder's tax basis in those units. Prior distributions to the unitholder in excess of the total net taxable income the unitholder was allocated for a unit, which decreased the tax basis in that unit, will, in effect, become taxable income to the unitholder if the unit is sold at a price greater than the tax basis in that unit, even if the price the unitholder receives is less than the original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to the selling unitholder.

Tax-exempt entities and foreign persons face unique tax issues from owning units that may result in adverse tax consequences to them.

Investment in units by tax-exempt entities, such as individual retirement accounts (known as IRAs) and non-United States persons raises issues unique to them. For example, virtually all of our income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-United States persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-United States persons will be required to file United States federal income tax returns and pay tax on their share of our taxable income.

We will treat each purchaser of our units as having the same tax benefits without regard to the units purchased. The IRS may challenge this treatment, which could adversely affect the value of our units.

Because we cannot match transferors and transferees of units, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to unitholders. It also could affect the timing of these tax benefits or the amount of gain from any sale of units and could have a negative impact on the value of our units or result in audit adjustments to a unitholder's tax returns.

Unitholders will likely be subject to state and local taxes and return filing requirements as a result of investing in our units.

In addition to federal income taxes, unitholders will likely be subject to other taxes, such as state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by various jurisdictions in which we do business or own property. Unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, unitholders may be subject to penalties for failure to comply with those requirements. We may own property or conduct business in other states or foreign countries in the future. It is each unitholder's responsibility to file all federal, state or local tax returns.

We have adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of our common units.

When we issue additional units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our current valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

PROPERTIES

Our principal properties are described above under the caption "Segments," and that information is incorporated herein by reference. We believe that we have satisfactory title to all of our assets. Although title to these properties is subject to encumbrances in some cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by us or our predecessors, we believe that none of these burdens will materially detract from the value of these properties or from our interest in these properties or will materially interfere with their use in the operation of our business. In addition, we believe that we have obtained sufficient right-of-way grants and permits from public authorities and private parties for us to operate our business in all material respects as described in this report. We perform scheduled maintenance on all of our refineries, pipelines, terminals, crude oil tanks and related equipment and make repairs and replacements when necessary or appropriate. We believe that our refineries, pipelines, terminals, crude oil tanks and related equipment have been constructed and are maintained in all material respects in accordance with applicable federal, state and local laws and the regulations and standards prescribed by the American Petroleum Institute, the DOT and accepted industry practice.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 3. LEGAL PROCEEDINGS

We are named as a defendant in litigation relating to our normal business operations, including regulatory and environmental matters. We are insured against various business risks to the extent we believe is prudent; however, we cannot assure you that the nature and amount of such insurance will be adequate, in every case, to protect us against liabilities arising from future legal proceedings as a result of our ordinary business activity.

ENVIRONMENTAL AND SAFETY COMPLIANCE MATTERS

With respect to the environmental proceeding listed below, if it was decided against us, we believe that it would not have a material effect on our consolidated financial position. However, it is not possible to predict the ultimate outcome of the proceeding or whether such ultimate outcome may have a material effect on our consolidated financial position. We are reporting this proceeding to comply with Securities and Exchange Commission regulations, which require us to disclose proceedings arising under federal, state or local provisions regulating the discharge of materials into the environment or protecting the environment if we reasonably believe that such proceedings will result in monetary sanctions of \$100,000 or more.

In particular, our wholly owned subsidiary, Shore Terminals LLC (Shore) owns a refined product terminal in Portland, Oregon located adjacent to the Portland Harbor. The EPA has classified portions of the Portland Harbor, including the portion adjacent to our terminal, as a federal “Superfund” site due to sediment contamination (the Portland Harbor Site). Portland Harbor is contaminated with metals (such as mercury), pesticides, herbicides, polynuclear aromatic hydrocarbons, polychlorinated biphenyls, semi-volatile organics and dioxin/furans. Shore and more than 90 other parties have received a “General Notice” of potential liability from the EPA relating to the Portland Harbor Site. The letter advised Shore that it may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties), as well as for natural resource damages resulting from releases of hazardous substances to the Portland Harbor Site. We have agreed to work with more than 65 other potentially responsible parties to attempt to negotiate an agreed method of allocating costs associated with the cleanup. The precise nature and extent of any clean-up of the Portland Harbor Site, the parties to be involved, the process to be followed for any clean-up and the allocation of any costs for the clean-up among responsible parties have not yet been determined. It is unclear to what extent, if any, we will be liable for environmental costs or damages associated with the Portland Harbor Site. It is also unclear to what extent natural resource damage claims or third party contribution or damage claims will be asserted against Shore.

We are also a party to additional claims and legal proceedings arising in the ordinary course of business. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON UNITS, RELATED UNITHOLDER MATTERS AND ISSUER PURCHASES OF COMMON UNITS

Market Information, Holders and Distributions

Our common units are listed and traded on the New York Stock Exchange under the symbol "NS." At the close of business on February 11, 2013, we had 657 holders of record of our common units. The high and low sales prices (composite transactions) by quarter for the years ended December 31, 2012 and 2011 were as follows:

	Price Range of Common Unit	
	High	Low
<u>Year 2012</u>		
4th Quarter	\$ 51.97	\$ 39.07
3rd Quarter	54.88	48.44
2nd Quarter	59.51	49.38
1st Quarter	62.64	55.12
<u>Year 2011</u>		
4th Quarter	\$ 58.96	\$ 49.02
3rd Quarter	66.39	51.34
2nd Quarter	68.80	59.47
1st Quarter	70.87	64.26

The cash distributions applicable to each of the quarters in the years ended December 31, 2012 and 2011 were as follows:

	Record Date	Payment Date	Amount Per Unit
<u>Year 2012</u>			
4th Quarter	February 11, 2013	February 14, 2013	\$ 1.095
3rd Quarter	November 9, 2012	November 14, 2012	1.095
2nd Quarter	August 7, 2012	August 10, 2012	1.095
1st Quarter	May 8, 2012	May 11, 2012	1.095
<u>Year 2011</u>			
4th Quarter	February 7, 2012	February 10, 2012	\$ 1.095
3rd Quarter	November 8, 2011	November 14, 2011	1.095
2nd Quarter	August 9, 2011	August 12, 2011	1.095
1st Quarter	May 9, 2011	May 13, 2011	1.075

Our general partner is entitled to incentive distributions if the amount that we distribute with respect to any quarter exceeds specified target levels shown below:

Quarterly Distribution Amount per Unit	Percentage of Distribution	
	Unitholders	General Partner
Up to \$0.60	98%	2%
Above \$0.60 up to \$0.66	90%	10%
Above \$0.66	75%	25%

Our general partner's incentive distributions for the years ended December 31, 2012 and 2011 totaled \$41.2 million and \$36.3 million, respectively. The general partner's share of our distributions for the years ended December 31, 2012 and 2011 was 13.0% in each year due to the impact of the incentive distributions.

ITEM 6. SELECTED FINANCIAL DATA

The following table contains selected financial data derived from our audited financial statements.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
(Thousands of Dollars, Except Per Unit Data)					
Statement of Income Data:					
Revenues	\$ 5,955,676	\$ 6,271,815	\$ 4,403,061	\$ 3,855,871	\$ 4,828,770
Operating (loss) income	(30,079)	301,812	302,557	273,316	310,073
(Loss) income from continuing operations	(178,132)	211,487	238,970	224,875	254,018
(Loss) income from continuing operations per unit applicable to limited partners	(2.95)	2.63	3.19	3.47	4.22
Cash distributions per unit applicable to limited partners	4.380	4.360	4.280	4.245	4.085
	December 31,				
	2012	2011	2010	2009	2008
(Thousands of Dollars)					
Balance Sheet Data:					
Property, plant and equipment, net	\$ 3,238,460	\$ 3,430,468	\$ 3,187,457	\$ 3,028,196	\$ 2,941,824
Total assets	5,613,089	5,881,190	5,386,393	4,774,673	4,459,597
Long-term debt, less current portion	2,124,582	1,928,071	2,136,248	1,828,993	1,872,015
Total partners' equity	2,584,995	2,864,335	2,702,700	2,484,968	2,206,997

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following review of our results of operations and financial condition should be read in conjunction with Items 1., 1A. and 2. "Business, Risk Factors and Properties" and Item 8. "Financial Statements and Supplementary Data" included in this report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Form 10-K 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 Item 1A. "Risk Factors" for a discussion of certain of those risks.

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 the Form 10-K. 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) (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, 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 15.0% total interest in us as of December 31, 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

Acquisitions and Dispositions

TexStar Asset Acquisition. On December 13, 2012, NuStar Logistics completed its acquisition of the TexStar Crude Oil Assets (as defined below), including 100% of the partnership interest in TexStar Crude Oil Pipeline, LP, from TexStar Midstream Services, LP and certain of its affiliates (collectively, TexStar) for \$325.4 million (the TexStar Asset Acquisition). The TexStar Crude Oil Assets consist of approximately 140 miles of crude oil pipelines and gathering lines, as well as five terminals and storage facilities providing 0.6 million barrels of storage capacity. The consolidated statements of income include the results of operations for the TexStar Asset Acquisition in the transportation segment commencing on December 13, 2012.

San Antonio Refinery Acquisition and Disposition. On April 19, 2011, we purchased certain refining and storage assets, inventory and other working capital items from AGE Refining, Inc. The assets consist of a 14,500 barrel per day refinery in San Antonio, Texas that refines crude oil to produce various refined petroleum products (the San Antonio Refinery) and 0.4 million barrels of aggregate storage capacity. On January 1, 2013, we sold the San Antonio Refinery and related assets, which included inventory, a terminal in Elmendorf, Texas and a pipeline connecting the terminal and refinery for approximately \$115.0 million (the San Antonio Refinery Sale). As of December 31, 2012, we reclassified the assets related to the sale of the San Antonio Refinery as "Assets held for sale" on the consolidated balance sheet. We have presented the results of operations for the San Antonio Refinery and related assets, previously reported in the transportation and asphalt and fuels marketing segments, as discontinued operations for the years ended December 31, 2012 and 2011. Please refer to Note 5. Dispositions of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a discussion of the San

Antonio Refinery Sale.

Asphalt Sale. On September 28, 2012, we sold a 50% ownership 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 the 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 \$263.8 million from Asphalt JV for inventory related to the Asphalt Operations. 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 \$23.8 million in “Other (expense) income, net” in the consolidated statements of income for the year ended December 31, 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 December 31, 2012, we have presented our 50% ownership interest in Asphalt JV as “Investment in joint ventures” on the consolidated balance sheet. The consolidated statements of income include the results of operations for Asphalt JV in “Equity in (loss) 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 5. Dispositions of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for a discussion of the Asphalt Sale. Please refer to Note 6. Asset Impairments of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for a discussion of the related asset impairments and associated fair value measurements.

Turkey Acquisition. On February 9, 2011, we acquired 75% of the outstanding capital of a Turkish company, which owns two terminals in Mersin, Turkey, with an aggregate 1.4 million barrels of storage capacity, for approximately \$57.0 million (the Turkey Acquisition). Both terminals are connected via pipelines to an offshore platform located in the Mediterranean Sea approximately three miles off the coast. The consolidated statements of income include the results of operations for the Turkey Acquisition commencing on February 9, 2011 in the storage segment.

Asphalt Holdings Acquisition. On May 21, 2010, we acquired the capital stock of Asphalt Holdings, Inc. for \$53.3 million, including liabilities assumed (the Asphalt Holdings Acquisition). The Asphalt Holdings Acquisition includes three storage terminals with an aggregate storage capacity of approximately 1.8 million barrels located in Alabama along the Mobile River. The consolidated statements of income include the results of operations for the Asphalt Holdings Acquisition commencing on May 21, 2010 in the storage segment.

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. For a more detailed description of our segments, please refer to Segments under Item 1. “Business.”

Storage. We own terminal and storage facilities in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom and Turkey providing approximately 83.2 million barrels of storage capacity.

Transportation. We own common carrier refined product pipelines covering approximately 5,484 miles, consisting of the Central West System, the East Pipeline and the North Pipeline. In addition, we own a 2,000 mile anhydrous ammonia pipeline and 1,150 miles of crude oil pipelines.

Asphalt and Fuels Marketing. Our asphalt and fuels marketing segment includes our fuels marketing operations and, prior to the Asphalt Sale, our asphalt operations. Within our fuels marketing operations, we purchase crude oil and refined petroleum products for resale. Our asphalt operations included 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. In 2012, Asphalt JV

temporarily ceased refining operations at the Savannah facility and began to operate it as an asphalt terminal. 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. The derivative instruments we use consist primarily of commodity futures and swap contracts. Not all of our derivative instruments qualify for hedge accounting treatment under United States generally accepted accounting principles. In such cases, we record the changes in the fair values of these derivative instruments in cost of product sales. The changes in the fair values of these derivative instruments generally are offset, at least partially, by changes in the values of the hedged physical inventory. However, we do not recognize those changes in the value of the hedged inventory until the physical sale of such inventory takes place. Therefore, our earnings for a period may include the gain or loss related to derivative instruments without including the offsetting effect of the hedged item, which could result in greater earnings volatility. In addition, we value our inventory at the lower of cost or market. If changes in commodity prices result in market prices below the cost of our inventory, we may be required to reduce the value of our inventory to market.

Factors That Affect Results of Operations

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;
- 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 the operations of refineries served by our storage and transportation assets.

RESULTS OF OPERATIONS

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Financial Highlights

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

	Year Ended December 31,		
	2012	2011	Change
Statement of Income Data:			
Revenues:			
Service revenues	\$ 880,097	\$ 834,809	\$ 45,288
Product sales	5,075,579	5,437,006	(361,427)
Total revenues	5,955,676	6,271,815	(316,139)
Costs and expenses:			
Cost of product sales	4,930,174	5,175,710	(245,536)
Operating expenses	542,764	524,654	18,110
General and administrative expenses	104,756	103,050	1,706
Depreciation and amortization expense	165,021	166,589	(1,568)
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	5,985,755	5,970,003	15,752
Operating (loss) income			
	(30,079)	301,812	(331,891)
Equity in (loss) earnings of joint ventures	(9,378)	11,458	(20,836)
Interest expense, net	(90,889)	(81,727)	(9,162)
Interest income from related party	1,219	—	1,219
Other expense, net	(26,511)	(3,343)	(23,168)
(Loss) income from continuing operations before income tax expense	(155,638)	228,200	(383,838)
Income tax expense	22,494	16,713	5,781
(Loss) income from continuing operations	(178,132)	211,487	(389,619)
(Loss) income from discontinued operations, net of tax	(49,105)	10,114	(59,219)
Net (loss) income	\$ (227,237)	\$ 221,601	\$ (448,838)
Net (loss) income per unit applicable to limited partners:			
Continuing operations	\$ (2.95)	\$ 2.63	\$ (5.58)
Discontinued operations	(0.66)	0.15	(0.81)
Total	\$ (3.61)	\$ 2.78	\$ (6.39)
Weighted-average limited partner units outstanding	72,957,417	65,018,301	7,939,116

Annual Highlights

For the year ended December 31, 2012, we reported a net loss of \$227.2 million, compared to net income of \$221.6 million for the year ended December 31, 2011, primarily due to an operating loss of \$296.8 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 goodwill and long-lived assets of our asphalt operations. In addition, the equity in loss of joint ventures of \$9.4 million and other expense of \$26.5 million for the year ended December 31, 2012 were primarily related to Asphalt JV and associated loss upon deconsolidation. The loss from discontinued operations of \$49.1 million also contributed to the decrease in net income, all of which is attributable to the San Antonio Refinery.

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

	Year Ended December 31,		
	2012	2011	Change
Storage:			
Throughput (barrels/day)	765,556	693,269	72,287
Throughput revenues	\$ 95,612	\$ 80,246	\$ 15,366
Storage lease revenues	500,030	486,525	13,505
Total revenues	595,642	566,771	28,871
Operating expenses	305,500	285,639	19,861
Depreciation and amortization expense	93,449	87,737	5,712
Asset impairment loss	2,126	—	2,126
Segment operating income	<u>\$ 194,567</u>	<u>\$ 193,395</u>	<u>\$ 1,172</u>
Transportation:			
Refined products pipelines throughput (barrels/day)	498,321	514,261	(15,940)
Crude oil pipelines throughput (barrels/day)	345,648	317,427	28,221
Total throughput (barrels/day)	843,969	831,688	12,281
Throughput revenues	\$ 340,455	\$ 311,514	\$ 28,941
Operating expenses	128,987	113,946	15,041
Depreciation and amortization expense	52,878	51,165	1,713
Segment operating income	<u>\$ 158,590</u>	<u>\$ 146,403</u>	<u>\$ 12,187</u>
Asphalt and Fuels Marketing:			
Product sales and other revenue	\$ 5,086,383	\$ 5,455,659	\$ (369,276)
Cost of product sales	4,957,100	5,205,574	(248,474)
Gross margin	129,283	250,085	(120,802)
Operating expenses	148,458	157,282	(8,824)
Depreciation and amortization expense	11,253	20,949	(9,696)
Asset and goodwill impairment loss	266,357	—	266,357
Segment operating income	<u>\$ (296,785)</u>	<u>\$ 71,854</u>	<u>\$ (368,639)</u>
Consolidation and Intersegment Eliminations:			
Revenues	\$ (66,804)	\$ (62,129)	\$ (4,675)
Cost of product sales	(26,926)	(29,864)	2,938
Operating expenses	(40,181)	(32,213)	(7,968)
Total	<u>\$ 303</u>	<u>\$ (52)</u>	<u>\$ 355</u>
Consolidated Information:			
Revenues	\$ 5,955,676	\$ 6,271,815	\$ (316,139)
Cost of product sales	4,930,174	5,175,710	(245,536)
Operating expenses	542,764	524,654	18,110
Depreciation and amortization expense	157,580	159,851	(2,271)
Asset and goodwill impairment loss	268,483	—	268,483
Segment operating income	56,675	411,600	(354,925)
General and administrative expenses	(104,756)	(103,050)	(1,706)
Other depreciation and amortization expense	(7,441)	(6,738)	(703)
Other asset impairment loss	(3,295)	—	(3,295)
Gain on legal settlement	28,738	—	28,738
Consolidated operating income	<u>\$ (30,079)</u>	<u>\$ 301,812</u>	<u>\$ (331,891)</u>

Storage

Throughput revenues increased \$15.4 million and throughputs increased 72,287 barrels per day for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due to:

- an increase in revenues of \$6.6 million and an increase in throughputs of 23,547 barrels per day at our Corpus Christi crude storage tank facility due to higher volumes from the Eagle Ford Shale region. In 2012, we changed this facility from a lease-based to a throughput-based facility in connection with the Eagle Ford Shale projects in our transportation segment;
- an increase in revenues of \$3.2 million and an increase in throughputs of 23,711 barrels per day at our Benicia crude oil storage tanks due to a turnaround in the first quarter of 2011 at the refinery served by the crude oil storage tanks;
- an increase in revenues of \$2.7 million and an increase in throughputs of 11,566 barrels per day at our Paulsboro terminal and certain terminals serving the McKee refinery as customers shifted volumes to our terminals in 2012; and
- an increase in revenues of \$1.4 million and an increase in throughputs of 718 barrels per day at our Edinburg, Texas and Harlingen, Texas terminals due to a full year of ethanol blending services in 2012 that started in the third quarter of 2011.

Storage lease revenues increased \$13.5 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due to:

- an increase of \$36.7 million at our St. James terminal resulting from completed tank expansion projects and the unit train offloading facility project; and
- an increase of \$2.4 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 \$9.8 million at our Point Tupper terminal facility, mainly due to decreased dockage and throughputs, which were partially offset by rate escalations;
- a decrease in revenues of \$7.0 million due to the sale of five refined product terminals in April 2012;
- a decrease in revenues of \$6.6 million at our Corpus Christi crude storage tank facility due to the change to throughput-based fees in 2012; and
- a decrease in revenues of \$3.9 million at our UK, Amsterdam and Turkey terminals, mainly due to the effect of foreign exchange rates and a decrease in customer product movements.

Operating expenses increased \$19.9 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due:

- an increase of \$6.6 million associated with cancelled capital projects, mainly at our St. James and St. Eustatius terminals;
- an increase of \$3.9 million in reimbursable expenses, mainly for tank cleanings at our Piney Point terminal and expenses associated with our atmospheric distillation unit at our St. Eustatius terminal. Reimbursable expenses are charged back to our customers and are offset by an increase in reimbursable revenues;
- an increase of \$2.6 million in internal overhead expense primarily as a result of fewer capital projects; and
- an increase of \$2.0 million in other operating expenses mainly due to rectifying a contaminated tank at our St. Eustatius terminal.

Depreciation and amortization expense increased \$5.7 million for the year ended December 31, 2012, compared to the year ended December 31, 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 year ended December 31, 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 \$28.9 million and throughputs increased 12,281 barrels per day, for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due to:

- an increase in revenues of \$13.5 million and an increase in throughputs of 37,948 barrels per day on crude oil pipelines that serve Eagle Ford Shale production in South Texas, which consist of pipelines that were placed in service in the second and third quarters of 2011, as well as pipelines that were placed in service in the fourth quarter of 2012, including pipelines acquired from TexStar;
- an increase in revenues of \$7.2 million on the Ammonia Pipeline, while throughputs remained flat, due to increased long-haul deliveries resulting in a higher average tariff;

- an increase in revenues of \$4.3 million and an increase in throughputs of 1,940 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;
- an increase in revenues of \$3.4 million and an increase in throughputs of 8,937 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 and additional volumes delivered to a third-party terminal beginning in the third quarter of 2012;
- an increase in revenues of \$2.7 million on the East Pipeline, despite a decrease in throughputs of 6,586 barrels per day, due to higher average tariffs resulting from increased long-haul deliveries and an increase in the annual index adjustment. Fewer long-haul deliveries occurred in 2011 due to supply issues caused by flooding in the Midwest; and
- an increase in revenues of \$1.3 million and an increase in throughputs of 8,590 barrels per day on crude oil pipelines serving the Ardmore refinery due to a turnaround and operational issues in 2011.

These increases in revenues and throughputs were partially offset by:

- a decrease in revenues of \$2.8 million and a decrease in throughputs of 8,684 barrels per day on the Houston pipeline as it is being converted to new service; and
- a decrease in revenues of \$1.1 million and a decrease in throughputs of 25,901 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 throughput deficiency payments received in 2012 related to one of the pipelines serving the McKee refinery.

Operating expenses increased \$15.0 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, mainly due to temporary barge rental costs to move a customer's product associated with Eagle Ford Shale projects and losses on product imbalances on the East Pipeline.

Asphalt and Fuels Marketing

Sales and cost of product sales decreased \$369.3 million and \$248.5 million, respectively, resulting in a decrease in total gross margin of \$120.8 million for the year ended December 31, 2012, compared to the year ended December 31, 2011. The gross margin from our asphalt operations decreased \$86.1 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, partly due to the deconsolidation of Asphalt JV on September 28, 2012. The gross margin decrease was also attributable to weak demand for asphalt, resulting in a decrease in volumes sold and a decrease in gross margin per barrel. The gross margin per barrel had decreased to \$4.79 for the nine months ended September 30, 2012, compared to \$7.49 for the twelve months ended December 31, 2011.

The gross margin from our fuels marketing operations decreased \$34.7 million for the year ended December 31, 2012, compared to the year ended December 31, 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 year 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 decreased \$8.8 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due to the Asphalt Sale. Decreases in operating expenses for the Asphalt Operations were partially offset by increased fuel and vessel costs associated with bunker fuel sales and increased railcar costs associated with fuel oil sales. In addition, we incurred employee benefit costs in the fourth quarter of 2012 resulting from the Asphalt Sale.

Depreciation and amortization expense decreased \$9.7 million for the year ended December 31, 2012, compared to the year ended December 31, 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.

The asset impairment loss of \$266.4 million for year ended December 31, 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

The other asset impairment loss of \$3.3 million for the year ended December 31, 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 year ended December 31, 2012 represents the settlement of the Grace Energy Corporation matter in the second quarter of 2012. Please refer to Note 15. Commitments and Contingencies of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a detailed discussion of the Grace Energy Corporation matter.

For the year ended December 31, 2012, we recorded equity in loss of joint ventures of \$9.4 million, compared to equity in earnings of joint ventures of \$11.5 million for the year ended December 31, 2011, primarily due to a \$16.1 million loss resulting from our investment in Asphalt JV for the year ended December 31, 2012.

Interest expense, net increased \$9.2 million for the year ended December 31, 2012, compared to the year ended December 31, 2011. We had reduced benefits from interest rate swaps for the year ended December 31, 2012, compared to the year ended December 31, 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. In addition, we incurred higher interest rates and letter of credit fees on the new \$1.5 billion five-year revolving credit agreement.

Interest income from related party of \$1.2 million for the year ended December 31, 2012 represents the interest earned on a \$250.0 million seven-year unsecured revolving credit facility with the Asphalt JV. Please refer to Note 18. Related Party Transactions of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for additional information on our agreements with Asphalt JV.

Other expense, net increased \$23.2 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, mainly due to a \$23.8 million loss associated with the deconsolidation of Asphalt JV in September 2012. For the year ended December 31, 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 and a contingent loss adjustment of \$3.3 million related to a legal settlement.

Income tax expense increased \$5.8 million for the year ended December 31, 2012, compared to the year ended December 31, 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 24. Income Taxes of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a discussion on income taxes.

For the year ended December 31, 2012, we recorded a loss from discontinued operations of \$49.1 million, compared to income from discontinued operations of \$10.1 million for the year ended December 31, 2011, all of which are attributable to the San Antonio Refinery. The gross margin from the San Antonio Refinery decreased \$58.8 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, mainly due to hedge losses and falling sales prices coupled with higher weighted-average costs, which resulted in an overall negative gross margin.

We entered into commodity swap contracts associated with the San Antonio Refinery to 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 volatility of future cash flows associated with hedged volumes. These contracts qualified, and we designated them, as cash flow hedges. In anticipation of the San Antonio Refinery Sale, we concluded these forecasted sales were probable not to occur. Therefore, we discontinued cash flow hedging treatment for the related commodity contracts in December 2012 and incurred a loss of \$21.7 million, which we reclassified from accumulated other comprehensive loss. During the fourth quarter of 2011, we decided to adjust the refinery's operations, which caused a shift in the future production yields of the San Antonio Refinery. This change caused certain forecasted sales of gasoline products to be replaced with distillate sales; therefore, we concluded these forecasted gasoline sales were probable not to occur, and we discontinued cash flow hedging treatment for the related commodity contracts. We recorded gains of \$16.4 million related to these contracts for the year ended December 31, 2011, including \$15.1 million which we reclassified from accumulated other comprehensive loss.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

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

	Year Ended December 31,		
	2011	2010	Change
Statement of Income Data:			
Revenues:			
Service revenues	\$ 834,809	\$ 794,134	\$ 40,675
Product sales	5,437,006	3,608,927	1,828,079
Total revenues	6,271,815	4,403,061	1,868,754
Costs and expenses:			
Cost of product sales	5,175,710	3,350,429	1,825,281
Operating expenses	524,654	486,032	38,622
General and administrative expenses	103,050	110,241	(7,191)
Depreciation and amortization expense	166,589	153,802	12,787
Total costs and expenses	5,970,003	4,100,504	1,869,499
Operating income	301,812	302,557	(745)
Equity in earnings of joint venture	11,458	10,500	958
Interest expense, net	(81,727)	(78,280)	(3,447)
Other (expense) income, net	(3,343)	15,934	(19,277)
Income from continuing operations before income tax expense	228,200	250,711	(22,511)
Income tax expense	16,713	11,741	4,972
Income from continuing operations	211,487	238,970	(27,483)
Income from discontinued operations, net of tax	10,114	—	10,114
Net income	\$ 221,601	\$ 238,970	\$ (17,369)
Net income per unit applicable to limited partners:			
Continuing operations	\$ 2.63	\$ 3.19	\$ (0.56)
Discontinued operations	0.15	—	0.15
Total	\$ 2.78	\$ 3.19	\$ (0.41)
Weighted-average limited partner units outstanding	65,018,301	62,946,987	2,071,314

Annual Highlights

Net income decreased \$17.4 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due to a decrease in other income, partially offset by income from discontinued operations. In addition, segment operating income decreased \$7.1 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, due to decreased operating income from the asphalt and fuels marketing and transportation segments, partially offset by increased operating income from the storage segment. However, consolidated operating income remained flat as the decrease in segment operating income was offset by lower general and administrative expenses.

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

	Year Ended December 31,		
	2011	2010	Change
Storage:			
Throughput (barrels/day)	693,269	669,435	23,834
Throughput revenues	\$ 80,246	\$ 75,605	\$ 4,641
Storage lease revenues	486,525	444,233	42,292
Total revenues	566,771	519,838	46,933
Operating expenses	285,639	263,820	21,819
Depreciation and amortization expense	87,737	77,071	10,666
Segment operating income	<u>\$ 193,395</u>	<u>\$ 178,947</u>	<u>\$ 14,448</u>
Transportation:			
Refined products pipelines throughput (barrels/day)	514,261	529,946	(15,685)
Crude oil pipelines throughput (barrels/day)	317,427	371,726	(54,299)
Total throughput (barrels/day)	831,688	901,672	(69,984)
Throughput revenues	\$ 311,514	\$ 316,072	\$ (4,558)
Operating expenses	113,946	116,884	(2,938)
Depreciation and amortization expense	51,165	50,617	548
Segment operating income	<u>\$ 146,403</u>	<u>\$ 148,571</u>	<u>\$ (2,168)</u>
Asphalt and Fuels Marketing:			
Product sales and other revenue	\$ 5,455,659	\$ 3,615,890	\$ 1,839,769
Cost of product sales	5,205,574	3,371,854	1,833,720
Gross margin	250,085	244,036	6,049
Operating expenses	157,282	132,918	24,364
Depreciation and amortization expense	20,949	20,257	692
Segment operating income	<u>\$ 71,854</u>	<u>\$ 90,861</u>	<u>\$ (19,007)</u>
Consolidation and Intersegment Eliminations:			
Revenues	\$ (62,129)	\$ (48,739)	\$ (13,390)
Cost of product sales	(29,864)	(21,425)	(8,439)
Operating expenses	(32,213)	(27,590)	(4,623)
Total	<u>\$ (52)</u>	<u>\$ 276</u>	<u>\$ (328)</u>
Consolidated Information:			
Revenues	\$ 6,271,815	\$ 4,403,061	\$ 1,868,754
Cost of product sales	5,175,710	3,350,429	1,825,281
Operating expenses	524,654	486,032	38,622
Depreciation and amortization expense	159,851	147,945	11,906
Segment operating income	411,600	418,655	(7,055)
General and administrative expenses	(103,050)	(110,241)	7,191
Other depreciation and amortization expense	(6,738)	(5,857)	(881)
Consolidated operating income	<u>\$ 301,812</u>	<u>\$ 302,557</u>	<u>\$ (745)</u>

Storage

Storage revenues increased \$46.9 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due to:

- an increase of \$18.8 million from completed tank expansion projects at our St. Eustatius and St. James terminals;
- an increase of \$8.7 million at our St. Eustatius facility mainly due to increased throughput and related handling fees, as well as new customer contracts, rate escalations and increased reimbursable revenues;
- an increase of \$7.0 million across various domestic terminals due to rate escalations, new customer contracts, and increased reimbursable revenues;
- an increase of \$6.4 million related to the Turkey Acquisition and the Asphalt Holdings Acquisition; and
- an increase of \$5.1 million at our UK and Amsterdam terminals, primarily due to the effect of foreign exchange rates and new customer contracts.

Operating expenses increased \$21.8 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due to increased expenses at our St. Eustatius and UK terminals resulting from the increased activity discussed above, cancelled capital projects, the Turkey Acquisition and the Asphalt Holdings Acquisition.

Depreciation and amortization expense increased \$10.7 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due to the completion of various terminal upgrade and expansion projects, the Turkey Acquisition and the Asphalt Holdings Acquisition.

Transportation

Revenues decreased \$4.6 million and throughputs decreased 69,984 barrels per day for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due to:

- a decrease in revenues of \$8.5 million and a decrease in throughputs of 32,395 barrels per day on our crude oil and refined product pipelines serving the Three Rivers refinery mainly due to a turnaround in 2011 and the customer receiving crude oil from alternate sources, thus reducing the volume transported on our crude oil pipeline;
- a decrease in revenues of \$6.2 million and a decrease of 48,564 barrels per day on our pipelines serving the Ardmore refinery, mainly due to a turnaround in March and April 2011, followed by operational issues and a shift in supply volumes; and
- a decrease in revenues of \$5.3 million and a decrease in throughputs of 18,453 barrels per day on the Houston pipeline mainly due to market conditions that favored exporting instead of shipping on our pipeline.

These decreases in revenues were partially offset by:

- an increase in revenues of \$7.0 million and an increase in throughputs of 14,891 barrels per day on pipelines serving the McKee refinery, mainly due to increased crude run rates in 2011 resulting from more favorable economic conditions compared to 2010, as well as operational issues and turnaround activity at the refinery in 2010;
- an increase in revenues of \$4.6 million and an increase in throughputs of 19,660 barrels per day on two reactivated pipelines in South Texas due to increased activity in the Eagle Ford Shale region; and
- an increase in revenues of \$4.5 million and an increase in throughputs of 4,349 barrels per day on the North Pipeline, mainly due to turnaround activity during the second quarter of 2010 at the refinery served by the pipeline.

Asphalt and Fuels Marketing

Sales and cost of product sales increased \$1,839.8 million and \$1,833.7 million, respectively, resulting in an increase in total gross margin of \$6.0 million for the year ended December 31, 2011, compared to the year ended December 31, 2010. The increase in total gross margin was primarily due to an increase of \$35.0 million in the gross margin from our fuels marketing operations resulting from increased volumes and higher sales prices in 2011 for our crude trading, fuel oil trading and bunker fuel sales.

These increases in gross margin were partially offset by a decrease of \$28.9 million in the gross margin from our asphalt operations, mainly due to a decrease in sales volumes, as well as a lower gross margin per barrel. Volumes decreased in 2011 due to weak demand for asphalt in our market. Midwest refiners, which had access to lower cost crude oil, sold lower-priced asphalt in our market, which contributed to the decrease in volumes and gross margin per barrel. The gross margin per barrel for our asphalt operations decreased to \$7.49 for the year ended December 31, 2011, compared to \$7.73 for the year ended December 31, 2010.

Operating expenses increased \$24.4 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due to higher idle capacity costs at our asphalt refineries and increased rental expenses resulting mainly from additional tank rentals.

Depreciation and amortization expense increased \$0.7 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due the amortization of deferred costs related to completed turnarounds at our asphalt refineries.

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. The increases in consolidation and intersegment eliminations for the year ended December 31, 2011, compared to the year ended December 31, 2010, were mainly due to higher additional tank rentals by the asphalt and fuels marketing segment from the storage segment.

General

General and administrative expenses decreased \$7.2 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due to lower compensation expense associated with our long-term incentive plans, which fluctuates with our unit price.

Interest expense, net increased \$3.4 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, mainly due to the issuance of \$450.0 million of 4.80% senior notes in August 2010, which was partially offset by a lower weighted-average pay rate on our fixed-to-floating interest rate swaps.

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

	Year Ended December 31,	
	2011	2010
	(Thousands of Dollars)	
Storage agreement early termination costs	\$ (5,000)	\$ —
Contingent loss adjustment	(3,250)	—
Gain from insurance recoveries	—	13,500
Gain (loss) from sale or disposition of assets	209	(510)
Foreign exchange gains (losses)	2,078	(1,507)
Other, net	2,620	4,451
Other (expense) income, net	<u>\$ (3,343)</u>	<u>\$ 15,934</u>

For the year ended December 31, 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. The gain from insurance recoveries for the year ended December 31, 2010 resulted from insurance claims related to damage primarily at our Texas City, Texas terminal caused by Hurricane Ike in 2008.

Income tax expense increased \$5.0 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, mainly due to the reversal of a deferred tax asset valuation allowance in 2010. The receipt of \$13.5 million in insurance proceeds in 2010 related to Hurricane Ike and the Asphalt Holdings Acquisition caused us to reevaluate the recorded valuation allowance related to certain net operating loss carryforwards previously expected to expire unused. In addition, income tax expense in 2011 increased as a result of higher taxable income subject to the Texas Margins Tax.

Income from discontinued operations is associated with the San Antonio Refinery, which we acquired in April 2011 and sold on January 1, 2013. The San Antonio Refinery contributed \$18.6 million in gross margin, which included \$16.4 million in hedge gains. During the fourth quarter of 2011, we decided to adjust the refinery’s operations, which caused a shift in the future production yields of the San Antonio Refinery. This change caused certain forecasted sales of gasoline products to be replaced with distillate sales; therefore, we concluded these forecasted gasoline sales were probable not to occur, and we discontinued cash flow hedging treatment for the related commodity contracts. We recorded gains of \$16.4 million related to these contracts for the year ended December 31, 2011.

TRENDS AND OUTLOOK

We expect our operating income for 2013 to be higher than 2012 in each of our three reporting segments.

Storage Segment

We expect storage segment earnings for the first half of 2013 to be less than the comparable period of 2012. Higher earnings from completed projects at our St. James and St. Eustatius terminals should be more than offset by lower revenues at various other terminals, higher maintenance expenses and the effect of turnarounds at refineries served by our storage segment. However, we expect the full year benefit of these St. James and St. Eustatius projects plus the projected fourth quarter completion of several construction projects will produce full-year 2013 results that are higher than 2012 results. We expect to see benefit from tank expansion projects already completed at our St. Eustatius terminal in the Caribbean, as well as our St. James, Louisiana terminal. In addition, we expect to benefit from a full year's results from an internal growth project completed at our St. James, Louisiana terminal in 2012.

Pipeline Segment

In 2013, we expect earnings for the pipeline segment (formerly known as the transportation segment) to be higher than 2012. Increased crude oil pipeline throughputs as a result of the Eagle Ford Shale projects completed in 2012 and benefits from our acquisition of crude assets from TexStar Midstream Services, LP and certain of its affiliates, should contribute to higher earnings.

On February 18, 2013, we received a letter from TexStar that purports to terminate the rights of the parties to proceed to a closing on our acquisition of the natural gas liquids pipeline and fractionation assets. We do not believe TexStar has the legal right to terminate the asset purchase agreement, and we notified them of our position on February 21, 2013. We are evaluating all of our legal options. While the natural gas liquids pipeline and fractionation assets present opportunities for NuStar, if we do not complete the acquisition, we do not expect that to have a material adverse impact on our results of operations.

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. Due to our remaining ownership interest in the Asphalt Operations, we will not report those historic results of operations as discontinued operations. Therefore, our 2013 results of operations for this segment will not be comparable to the corresponding prior periods.

The first half of 2013 will present challenges, but we expect 2013 results for the fuels marketing operations to be higher than the results for 2012, primarily due to higher projected earnings from heavy fuel oil and bunker fuel marketing. However, due to the many factors affecting margins of these businesses, actual results may be higher or lower than what we currently forecast.

In 2013, in order to better reflect the current business in this segment, we plan to rename it as the "Fuels Marketing Segment." We believe this name is a more accurate description of the operations that remain after our deconsolidation of the Asphalt Operations and the January 2013 sale of the San Antonio refinery.

Our outlook for the partnership may 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 Years Ended December 31, 2012, 2011 and 2010

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

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Net cash provided by (used in):			
Operating activities	\$ 299,203	\$ 94,468	\$ 362,500
Investing activities	(345,800)	(443,254)	(300,215)
Financing activities	110,669	186,721	56,266
Effect of foreign exchange rate changes on cash	2,033	(1,559)	564
Net increase (decrease) in cash and cash equivalents	\$ 66,105	\$ (163,624)	\$ 119,115

Net cash provided by operating activities for the year ended December 31, 2012 was \$299.2 million, compared to \$94.5 million for the year ended December 31, 2011. For the year ended December 31, 2012, we reported a net loss of \$227.2 million, compared to net income of \$221.6 million for the year ended December 31, 2011. The net loss for the year ended December 31, 2012 included \$271.8 million of non-cash asset impairment charges. In addition, working capital decreased by \$90.2 million for the year ended December 31, 2012, compared to an increase of \$265.5 million for the year ended December 31, 2011. Please refer to the Working Capital Requirements section below for a discussion of the changes in working capital. Cash flows from operating activities for the year ended December 31, 2012 also include an adjustment to net loss for a pre-tax, non-cash gain on a legal settlement of \$28.7 million.

For the year ended December 31, 2012, net cash provided by operating activities, proceeds from long-term debt borrowings, net of repayments, proceeds from our issuance of common units and proceeds from the Asphalt Sale were used to fund our distributions to unitholders and our general partner, the TexStar Asset Acquisition and strategic and reliability capital expenditures.

Net cash provided by operating activities for the year ended December 31, 2011 was \$94.5 million, compared to \$362.5 million for the year ended December 31, 2010, primarily due to higher investments in working capital in 2011 compared to 2010. Our working capital increased by \$265.5 million in 2011, compared to \$6.9 million in 2010. The Working Capital Requirements section below discusses the reasons for the changes in working capital. Our significant investment in working capital in 2011 caused our cash generated from operations to fall short of our cash requirements for reliability capital expenditures and distributions. As a result, we utilized borrowings under our revolving credit agreement and Gulf Opportunity Zone revenue bonds, combined with cash on hand, to fund that shortfall, our strategic capital expenditures and acquisitions. We used the net proceeds of \$324.0 million from our issuance of common units, including the general partner contribution to maintain its 2% general partner interest, to reduce outstanding borrowings under our revolving credit agreement.

For the year ended December 31, 2010, net cash provided by operating activities was used to fund distributions to unitholders and the general partner in the aggregate amount of \$305.2 million and reliability capital expenditures. We used net proceeds of \$245.2 million from our issuance of common units, including the general partner contribution to maintain its 2% general partner interest, and the net proceeds of \$445.4 million from the issuance of senior notes to reduce outstanding borrowings under our revolving credit agreement, fund the Asphalt Holdings Acquisition and fund our strategic capital expenditures. Cash flows from investing activities also included insurance proceeds of \$13.5 million related to damages caused by Hurricane Ike in the third quarter of 2008 primarily at our Texas City terminal.

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, as amended (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. 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. As of December 31, 2012, our consolidated debt coverage ratio could not exceed 5.50-to-1.00, as a result of the TexStar Asset Acquisition. 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 December 31, 2012, our consolidated debt coverage ratio was 5.0x, and we had \$780.6 million available for borrowing.

The 2012 Revolving Credit Agreement permits unlimited investments in joint ventures and unconsolidated subsidiaries, provided that no default exists, but limits 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. In addition, the 2012 Revolving Credit Agreement provided that we would be in compliance with the consolidated debt coverage ratio as long as it did 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 2012 Revolving Credit Agreement 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, unless we consummated an acquisition, as discussed above. Please refer to Note 13 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a more detailed discussion on certain of our long-term debt agreements.

Gulf Opportunity Zone Revenue Bonds

In 2008, 2010 and 2011, the Parish of St. James, where our St. James, Louisiana, terminal is located, issued Revenue Bonds (NuStar Logistics, L.P. Project) Series 2008, Series 2010, Series 2010A, Series 2010B and Series 2011 associated with our St. James terminal expansion pursuant to the Gulf Opportunity Zone Act of 2005 (Gulf Opportunity Zone Revenue Bonds). The interest rate on these bonds is based on a weekly tax-exempt bond market interest rate, and interest is paid monthly. Following the issuance, the proceeds were deposited with a trustee and will be disbursed to us upon our request for reimbursement of expenditures related to our St. James terminal expansion. The amount remaining in trust is included in "Other long-term assets, net," and the amount of bonds issued is included in "Long-term debt, less current portion" in our consolidated balance sheets.

NuStar Logistics is solely obligated to service the principal and interest payments associated with the bonds. Certain lenders under our 2012 Revolving Credit Agreement issued letters of credit on our behalf to guarantee the payment of interest and principal on the bonds. These letters of credit rank equally with existing senior unsecured indebtedness of NuStar Logistics.

The following table summarizes Gulf Opportunity Zone Revenue Bonds outstanding as of December 31, 2012:

Date Issued	Maturity Date	Amount Outstanding	Amount of Letter of Credit	Amount Received from Trustee	Amount Remaining in Trust	Average Annual Interest Rate
(Thousands of Dollars)						
June 26, 2008	June 1, 2038	\$ 55,440	\$ 56,169	\$ 55,440	\$ —	0.17%
July 15, 2010	July 1, 2040	100,000	101,315 (a)	100,000	—	0.17%
October 7, 2010	October 1, 2040	50,000	50,658	24,580	25,420	0.17%
December 29, 2010	December 1, 2040	85,000	86,118	24,481	60,519	0.17%
August 29, 2011	August 1, 2041	75,000	76,085	34,381	40,619	0.17%
Total		<u>\$ 365,440</u>	<u>\$ 370,345</u>	<u>\$ 238,882</u>	<u>\$ 126,558</u>	

- (a) On June 6, 2012, NuStar Logistics entered into a Letter of Credit Agreement with Mizuho Corporate Bank, Ltd., pursuant to which Mizuho issued a letter of credit in the amount of \$101.3 million to the trustee associated with this bond issuance. This letter of credit ranks equally with existing senior unsecured indebtedness of NuStar Logistics but does not restrict the

amount we can borrow under the 2012 Revolving Credit Agreement.

Shelf Registration Statements and Issuance of Common Units

Our shelf registration statement on Form S-3 became effective on May 13, 2010, which permits us to offer and sell various types of securities, including NuStar Energy common units and debt securities of NuStar Logistics and NuPOP (the 2010 Shelf Registration Statement). We also have a shelf registration statement on Form S-3 that was effective on April 29, 2011 (the 2011 Shelf Registration Statement). The 2011 Shelf Registration Statement permits us to offer and sell various types of securities, including NuStar Energy common units and debt securities of NuStar Logistics and NuPOP, having an aggregate value of up to \$200.0 million.

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 \$343.9 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.

On December 9, 2011, we issued 6,037,500 common units representing limited partner interests at a price of \$53.45 per unit. We used the net proceeds from this offering of \$318.0 million, including a contribution of \$6.6 million from our general partner to maintain its 2% general partner interest, mainly to reduce outstanding borrowings under our 2007 Revolving Credit Agreement.

On May 23, 2011, in connection with the 2011 Shelf Registration Statement, we entered into an Equity Distribution Agreement (the Equity Distribution Agreement) with Citigroup Global Markets Inc. (Citigroup). Under the Equity Distribution Agreement, we may from time to time sell an aggregate of up to \$200.0 million NuStar Energy common units representing limited partner interests, using Citigroup as our sales agent. Sales of common units will be made by means of ordinary brokers' transactions on the New York Stock Exchange at market prices, in block transactions or as otherwise agreed by us and Citigroup. Under the terms of the Equity Distribution Agreement, we may also sell common units to Citigroup as principal for its own account at a price to be agreed upon at the time of sale. In September and October 2011, we sold 108,029 NuStar Energy common units under the Equity Distribution Agreement for net proceeds of \$6.0 million, including a contribution of \$0.1 million from our general partner to maintain its 2% general partner interest.

On May 19, 2010, we issued 4,400,000 common units representing limited partner interests at a price of \$56.55 per unit. We used the net proceeds from this offering of \$245.2 million, including a contribution of \$5.1 million from our general partner to maintain its 2% general partner interest, mainly to reduce outstanding borrowings under our 2007 Revolving Credit Agreement and for the Asphalt Holdings Acquisition.

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.

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 or terminal facilities 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 year ended December 31, 2012, our reliability capital expenditures totaled \$39.5 million, consisting of \$36.9 million primarily related to maintenance upgrade projects at our terminals, which are classified as "Reliability capital expenditures" in the consolidated statements of cash flows, and \$2.6 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 year ended December 31, 2012 totaled \$373.7 million and were primarily related to projects in the Eagle Ford Shale region in South Texas, at our St. James, Louisiana and St. Eustatius terminals and at our corporate office.

For 2013, we expect to incur approximately \$475.0 million to \$645.0 million of capital expenditures, including approximately \$35.0 million to \$45.0 million for reliability capital projects and \$440.0 million to \$600.0 million for strategic capital expenditures, not including acquisitions. We continue to evaluate our capital budget and make changes as economic conditions warrant. Depending upon current economic conditions, our actual capital expenditures for 2013 may exceed or be lower than

the budgeted amounts. We believe cash generated from operations, combined with other sources of liquidity previously described, will be sufficient to fund our capital expenditures in 2013, and our internal growth projects can be accelerated or scaled back depending on 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 varied 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, our inventory balances decreased by \$112.6 million during the year ended December 31, 2012, compared to an increase of \$160.1 million during the year ended December 31, 2011, due to a decrease in crude oil purchases related to the Asphalt Operations and decreases in bunker fuel sales as we reduced the scope of our bunker fuel operations in certain markets in 2012. In addition, accounts receivable decreased by \$160.4 million during the year ended December 31, 2012, compared to an increase of \$231.0 million during the year ended December 31, 2011, mainly due to decreases in bunker fuel sales in 2012. Higher inventory balances would typically also result in higher amounts of accounts payable, offsetting the impact to working capital. During the year ended December 31, 2012, accounts payable decreased \$43.5 million, consistent with the decrease in inventory during the period.

The receivable from related parties increased by \$113.0 million during the year ended December 31, 2012, primarily due to a receivable from Asphalt JV of \$109.4 million as of December 31, 2012, mainly associated with a crude oil supply agreement. Please refer to the Related Party Transactions section below for a discussion of agreements with the Asphalt JV.

During the year ended December 31, 2011, our inventory balances increased by \$160.1 million, compared to \$26.6 million during the year ended December 31, 2010, mainly due to rising crude oil prices in 2011. In addition, inventory volumes increased in 2011 primarily due to increased heavy fuel trading activity. In addition, accounts receivable increased by \$231.0 million during the year ended December 31, 2011, compared to \$90.4 million during the year ended December 31, 2010, mainly due to higher overall sales, resulting mainly from increased crude and heavy fuel trading activity and the San Antonio Refinery Acquisition.

Higher inventory balances would typically also result in higher amounts of accounts payable, offsetting the impact to working capital. In 2011, accounts payable increased \$140.9 million, compared to \$81.0 million in 2010, partially offsetting the increase in inventory. With respect to our contango and asphalt winterfill strategies, we typically paid for the inventory prior to selling it. Due to the potential for this discrepancy in timing between paying for and selling our inventory, increases in our accounts payable will not always offset increases in our inventory balances within our working capital. As a result, the volume of inventory we maintained and the average cost of those inventories associated with our contango and asphalt winterfill strategies would significantly affect our working capital requirements.

The Asphalt JV requires significant amounts of working capital to conduct its business. NuStar Logistics agreed to provide an unsecured credit facility to the Asphalt JV to fund working capital loans to the Asphalt JV in an aggregate principal amount not to exceed \$250.0 million. We have agreed to provide guarantees or credit support, as applicable, of up to \$150.0 million under operating contracts related to the Asphalt Operations. We believe that the Asphalt JV's current sources of capital are adequate to meet the Asphalt JV's working capital needs. However, if the Asphalt JV's working capital needs increase more than anticipated, we may be forced to seek additional sources of capital, which may not be available or available on commercially reasonable terms.

Distributions

NuStar Energy's partnership agreement, as amended, determines the amount and priority of cash distributions that our common unitholders and general partner may receive. The general partner receives a 2% distribution with respect to its general partner interest. The general partner is also entitled to incentive distributions if the amount we distribute with respect to any quarter exceeds \$0.60 per unit. For a detailed discussion of the incentive distribution targets, please read Item 5. "Market for Registrant's Common Units, Related Unitholder Matters and Issuer Purchases of Common Units."

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

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars, Except Per Unit Data)		
General partner interest	\$ 7,486	\$ 6,630	\$ 6,227
General partner incentive distribution	41,242	36,326	33,304
Total general partner distribution	48,728	42,956	39,531
Limited partners' distribution	325,526	288,550	271,847
Total cash distributions	\$ 374,254	\$ 331,506	\$ 311,378
Cash distributions per unit applicable to limited partners	\$ 4.380	\$ 4.360	\$ 4.280

Actual distribution payments are made within 45 days after the end of each quarter as of a record date that is set after the end of each quarter.

In February 2013, we declared a quarterly cash distribution of \$1.095 that was paid on February 14, 2013 to unitholders of record on February 11, 2013. This distribution related to the fourth quarter of 2012 and totaled \$98.1 million, of which \$12.8 million represented our general partner's interest and incentive distribution.

Debt Obligations

As of December 31, 2012, we were a party to the following debt agreements:

- the 2012 Revolving Credit Agreement due May 2, 2017, with a balance of \$440.3 million as of December 31, 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 10, 2013 (the 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 \$0.6 million as of December 31, 2012, associated with the construction of a crude oil storage facility in Corpus Christi, Texas (Port Authority of Corpus Christi Note Payable).

Management believes that, as of December 31, 2012, we are in compliance with all ratios and covenants of both the 2012 Revolving Credit Agreement and the UK Term Loan, which has substantially the same covenants as the 2012 Revolving Credit Agreement. Our other long-term debt obligations do not contain any financial covenants that differ from 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 13 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a more detailed discussion of our debt agreements.

Credit Ratings

The following table reflects the current outlook and ratings that have been assigned to the debt of our wholly owned subsidiaries:

	Standard & Poor's	Moody's Investor Service	Fitch
Ratings	BB+	Ba1	BB
Outlook	Stable	Stable	Stable

In July 2012, Standard & Poor's (S&P) lowered our credit rating to BB+ from BBB- and revised the outlook to Stable. In January 2013, Moody's Investor Service (Moody's) lowered our credit rating to Ba1 from Baa3 and held the outlook stable. In

2012, Fitch Ratings 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 S&P and Moody's change their ratings; therefore, the interest rate on the 2012 Revolving Credit Agreement increased by 0.375% effective January 2013. The interest rate on NuStar Logistics' \$350.0 million of 7.65% senior notes increased by 0.25% in July 2012 as a result of the S&P downgrade and by another 0.25% in January 2013 as a result of the Moody's downgrade. The downgrade by Moody's also caused the interest rate on the UK Term Loan to increase by 0.375% effective January 2013. These downgrades may also require us to provide additional credit support for certain contracts.

Interest Rate Swaps

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

	Notional Amount		Fair Value	
	December 31,		December 31,	
	2012	2011	2012	2011
(Thousands of Dollars)				
Type of interest rate swap agreements:				
Fixed-to-floating	\$ —	\$ 270,000	\$ —	\$ 2,335
Forward-starting	\$ 275,000	\$ 500,000	\$ (40,911)	\$ (49,199)

Please refer to Note 2 and Note 17 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a more detailed discussion on our interest rate swaps.

Long-Term Contractual Obligations

The following table presents our long-term contractual obligations and commitments and the related payments due, in total and by period, as of December 31, 2012:

	Payments Due by Period						
	2013	2014	2015	2016	2017	Thereafter	Total
	(Thousands of Dollars)						
Long-term debt maturities	\$ 514,651	\$ —	\$ —	\$ —	\$ 440,330	\$ 1,415,440	\$ 2,370,421
Interest payments	73,020	57,927	57,927	57,927	52,869	90,154	389,824
Operating leases	39,448	31,718	26,194	22,344	18,717	97,135	235,556
Purchase obligations:							
Crude oil	2,375,412	2,375,412	593,854	—	—	—	5,344,678
Other purchase obligations	7,191	6,242	3,264	2,736	432	216	20,081

Long-term debt maturities in the table represent our scheduled future maturities of long-term debt principal for the periods indicated. We have \$514.7 million of debt maturing in 2013, which we intend to refinance with borrowings under our 2012 Revolving Credit Agreement or other sources of capital, pending market conditions.

The interest payments calculated for our variable-rate debt are based on the outstanding borrowings and the interest rate as of December 31, 2012. The interest payments on our fixed-rate debt are based on the stated interest rates, the outstanding balances as of December 31, 2012 and interest payment dates.

Our operating leases consist primarily of leases for tugs and barges utilized at our St. Eustatius and Point Tupper facilities and land leases at various terminal facilities.

A purchase obligation is an enforceable and legally binding agreement to purchase goods or services that specifies significant terms, including (i) fixed or minimum quantities to be purchased, (ii) fixed, minimum or variable price provisions, and (iii) the approximate timing of the transaction.

Our crude oil purchase obligations consist of a crude supply agreement to purchase an annual average of 75,000 barrels per day of crude oil over a minimum seven-year period from an affiliate of Petróleos de Venezuela S. A. (PDVSA), the national oil company of Venezuela. The value of this crude oil purchase obligation fluctuates according to a market-based pricing formula

using published market indices, subject to adjustment per the agreement. We estimated the value of the crude oil purchase obligation based on market prices as of December 31, 2012.

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.

We entered into a crude purchase agreement with Statoil Brasil Oleo E Gas Limitada on November 17, 2010, which committed us to purchase an average of 10,000 barrels per day of crude oil over a three-year period, beginning in December 2011. We terminated this agreement in the fourth quarter of 2012.

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.

The balance of and changes in our accruals for environmental matters as of and for the years ended December 31, 2012 and 2011 are included in Note 14 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplemental Data." We believe that we have adequately accrued for our environmental exposures.

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 15 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplemental Data."

RELATED PARTY TRANSACTIONS

The following table summarizes information pertaining to related party transactions:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Revenues	\$ 5,380	\$ 1,039	\$ —
Operating expenses	\$ 139,178	\$ 144,274	\$ 137,634
General and administrative expenses	\$ 62,490	\$ 66,220	\$ 71,554
Interest income	\$ 1,219	\$ —	\$ —
Expenses included in discontinued operations, net of tax	\$ 8,804	\$ 6,288	\$ —

NuStar GP, LLC

Our operations are managed by NuStar GP, LLC, the general partner of our general partner. Under the services agreement described below 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.

NuStar Energy and NuStar GP, LLC entered into a services agreement effective January 1, 2008 (the GP Services Agreement). On July 19, 2006, we entered into a non-compete agreement with NuStar GP Holdings, Riverwalk Logistics, L.P., and NuStar GP, LLC effective on December 22, 2006 (the Non-Compete Agreement). Please refer to Note 18 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a more detailed discussion of agreements with NuStar GP Holdings.

We had a payable to NuStar GP, LLC of \$1.4 million and \$6.7 million as of December 31, 2012 and 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 December 31, 2012 and 2011 of \$18.1 million and \$14.5 million, respectively, related to amounts payable for retiree medical benefits and other post-employment benefits.

Asphalt JV

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 December 31, 2012, the interest rate was 2.8%. 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 December 31, 2012, our note receivable from Asphalt JV totaled \$95.7 million 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 December 31, 2012, NuStar Energy has provided guarantees for commodity purchases, lease obligations and certain utilities for Asphalt JV with a maximum potential exposure of \$137.1 million. In addition, NuStar has provided two guarantees to suppliers that do not specify a maximum amount, but for which we believe any amounts due would be minimal. A majority of the guarantees were in existence prior to the Asphalt Sale and 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, but it will not reduce the availability under the NuStar Facility.

Also, as of December 31, 2012, we had a receivable from Asphalt JV of \$109.4 million mainly associated with crude oil sales under our crude oil supply agreement with Asphalt JV. Please refer to Note 18 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for a detailed discussion of our other related party transactions with Asphalt JV

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to select accounting policies and to make estimates and assumptions related thereto that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The accounting policies below are considered critical due to judgments made by management and the sensitivity of these estimates to deviations of actual results from management’s assumptions. The critical accounting policies should be read in conjunction with Note 2 of Notes to the Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data,” which summarizes our significant accounting policies.

Depreciation

We calculate depreciation expense using the straight-line method over the estimated useful lives of our property, plant and equipment. Due to the expected long useful lives of our property, plant and equipment, we depreciate our property, plant and equipment over periods ranging from 10 years to 40 years. Changes in the estimated useful lives of our property, plant and equipment could have a material adverse effect on our results of operations.

Impairment of Long-Lived Assets and Goodwill

We test long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

We perform an assessment of goodwill annually or more frequently if events or changes in circumstances indicate that the related asset might be impaired. Our qualitative annual assessment includes, among other things, industry and market considerations, overall financial performance, other entity-specific events and events affecting individual reporting units. If after assessing the totality of events or circumstances for each reporting unit, we determine that it is more likely than not that the carrying value exceeds its fair value amount, then an impairment test is performed on that reporting unit.

The goodwill assessment and, if necessary, the impairment test is performed for each reporting unit to which goodwill has been allocated, consisting of the following:

- crude oil pipelines;
- refined product pipelines;
- refined product terminals, excluding our St. Eustatius and Point Tupper facilities;
- St. Eustatius and Point Tupper terminal operations; and
- bunkering activity at our St. Eustatius and Point Tupper facilities.

An impairment loss should be recognized only if the carrying amount of the asset/goodwill is not recoverable and exceeds its fair value. In order to test for recoverability, management must make estimates of projected cash flows related to the asset

which include, but are not limited to, assumptions about the use or disposition of the asset, estimated remaining life of the asset, and future expenditures necessary to maintain the asset's existing service potential. In order to determine fair value, management must make certain estimates and assumptions including, among other things, an assessment of market conditions, projected cash flows, investment rates, interest/equity rates and growth rates, that could significantly impact the fair value of the long-lived asset or goodwill. Due to the subjectivity of the assumptions used for the qualitative analysis and, if necessary, to test for recoverability and to determine fair value, significant impairment charges could result in the future, thus affecting our future reported net income.

Derivative Financial Instruments

We utilize various derivative instruments to manage our exposure to commodity price risk and manage our exposure to interest rate risk. We record derivative instruments in the consolidated balance sheets at fair value, and apply hedge accounting when appropriate. We record changes to the fair values of derivative instruments in earnings for fair value hedges or as part of "Accumulated other comprehensive income" (AOCI) for the effective portion of cash flow hedges. We reclassify the effective portion of cash flow hedges from AOCI to earnings when the underlying forecasted transaction occurs or becomes probable not to occur. We recognize ineffectiveness resulting from our derivatives immediately in earnings. With respect to cash flow hedges, we must exercise judgment to assess the probability of the forecasted transaction, which, among other things, depends upon market factors and our ability to reliably operate our assets.

Environmental Liabilities

Environmental remediation costs are expensed and an associated accrual established when site restoration and environmental remediation and cleanup obligations are either known or considered probable and can be reasonably estimated. These environmental obligations are based on estimates of probable undiscounted future costs over a 20-year time period using currently available technology and applying current regulations, as well as our own internal environmental policies. The environmental liabilities have not been reduced by possible recoveries from third parties. Environmental costs include initial site surveys, costs for remediation and restoration and ongoing monitoring costs, as well as fines, damages and other costs, when estimable. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods. Environmental liabilities are difficult to assess and estimate due to unknown factors, such as the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental laws and regulations may change in the future. We believe that we have adequately accrued for our environmental exposures.

Contingencies

We accrue for costs relating to litigation, claims and other contingent matters, including tax contingencies, when such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management's judgment, as appropriate. Due to the inherent uncertainty of litigation, actual amounts paid may differ from amounts estimated, and such differences will be charged to income in the period when final determination is made.

ITEM 7A. 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 the Gulf Opportunity Zone Revenue Bonds expose us to increases in applicable interest rates.

The following tables provide information about our long-term debt and interest rate derivative instruments, all of which are sensitive to changes in interest rates. For long-term debt, principal cash flows and related weighted-average interest rates by expected maturity dates are presented. For our fixed-to-floating interest rate swaps, the table presents notional amounts and weighted-average interest rates by expected (contractual) maturity dates. We had no fixed-to-floating interest rate swaps as of December 31, 2012. Weighted-average variable rates are based on implied forward interest rates in the yield curve at the reporting date.

	December 31, 2012							
	Expected Maturity Dates						Total	Fair Value
	2013	2014	2015	2016	2017	There-after		
(Thousands of Dollars, Except Interest Rates)								
Long-term Debt:								
Fixed rate	\$ 514,651	\$ —	\$ —	\$ —	\$ —	\$ 1,050,000	\$ 1,564,651	\$ 1,601,985
Weighted-average interest rate	5.7%	—	—	—	—	5.8%	5.8%	
Variable rate	\$ —	\$ —	\$ —	\$ —	\$ 440,330	\$ 365,440	\$ 805,770	\$ 775,135
Weighted-average interest rate	—	—	—	—	1.9%	0.1%	1.1%	

	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 swaps:

Notional Amount		Period of Hedge	Weighted-Average Fixed Rate	Fair Value	
December 31, 2012	December 31, 2011			December 31, 2012	December 31, 2011
(Thousands of Dollars)				(Thousands of Dollars)	
\$ 125,000	\$ 125,000	03/13 – 03/23	3.5%	\$ (18,921)	\$ (12,720)
150,000	150,000	06/13 – 06/23	3.5%	(21,990)	(14,470)
—	225,000		—	—	(22,009)
<u>\$ 275,000</u>	<u>\$ 500,000</u>		<u>3.5%</u>	<u>\$ (40,911)</u>	<u>\$ (49,199)</u>

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. Please refer to our derivative financial instruments accounting policy in Note 2 of Notes to Consolidated Financial Statements in Item 8, “Financial Statements and Supplemental Data” for further information.

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.

The commodity contracts disclosed below represent only those contracts exposed to commodity price risk at the end of the period. Please refer to Note 17 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data” for the volume and related fair value of all commodity contracts.

		December 31, 2012			
	Contract Volumes (Thousands of Barrels)	Weighted Average		Fair Value of Current Asset (Liability) (Thousands of Dollars)	
		Pay Price	Receive Price		
Fair Value Hedges:					
Futures – long:					
(refined products)	10	\$ 127.47	N/A	\$ (1)	
Futures – short:					
(refined products)	55	N/A	\$ 127.99	\$ 36	
Swaps – long:					
(refined products)	11	\$ 97.76	N/A	\$ 2	
Swaps – short:					
(refined products)	36	N/A	\$ 96.58	\$ (51)	
Economic Hedges and Other Derivatives:					
Futures – long:					
(crude oil and refined products)	88	\$ 97.60	N/A	\$ 202	
Futures – short:					
(crude oil and refined products)	94	N/A	\$ 100.13	\$ (142)	
Swaps – long:					
(crude oil and refined products)	5,196	\$ 93.75	N/A	\$ (2,329)	
Swaps – short:					
(crude oil and refined products)	6,952	N/A	\$ 94.43	\$ (2,033)	
Forward purchase contracts:					
(crude oil)	2,998	\$ 100.03	N/A	\$ 12,574	
Forward sales contracts:					
(crude oil)	2,998	N/A	\$ 99.68	\$ (9,365)	
Total fair value of open positions exposed to commodity price risk				\$ (1,107)	

	December 31, 2011			
	Contract Volumes (Thousands of Barrels)	Weighted Average		Fair Value of Current Asset (Liability) (Thousands of Dollars)
		Pay Price	Receive Price	
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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our management assessed the effectiveness of NuStar Energy L.P.'s internal control over financial reporting as of December 31, 2012. In its evaluation, management used the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of December 31, 2012, our internal control over financial reporting was effective based on those criteria.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The effectiveness of internal control over financial reporting as of December 31, 2012 has been audited by KPMG LLP, the independent registered public accounting firm who audited our consolidated financial statements included in this Form 10-K. KPMG LLP's attestation on the effectiveness of our internal control over financial reporting appears on page 62.

Report of Independent Registered Public Accounting Firm

The Board of Directors of NuStar GP, LLC
and Unitholders of NuStar Energy L.P.:

We have audited the accompanying consolidated balance sheets of NuStar Energy L.P. (a Delaware limited partnership) and subsidiaries (the Partnership) as of December 31, 2012 and 2011, and the related consolidated statements of income (loss), comprehensive income (loss), partners' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NuStar Energy L.P. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NuStar Energy L.P. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2013 expressed an unqualified opinion on the effectiveness of the Partnership's internal control over financial reporting.

/s/ KPMG LLP

San Antonio, Texas
March 1, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors of NuStar GP, LLC
and Unitholders of NuStar Energy L.P.:

We have audited NuStar Energy L.P. (a Delaware limited partnership) and subsidiaries' (the Partnership's) internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, NuStar Energy L.P. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NuStar Energy L.P. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income (loss), comprehensive income (loss), partners' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated March 1, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Antonio, Texas
March 1, 2013

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

	December 31,	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 83,602	\$ 17,497
Accounts receivable, net of allowance for doubtful accounts of \$808 and \$2,147 as of December 31, 2012 and 2011, respectively	387,943	547,808
Receivable from related parties	109,833	—
Inventories	173,228	587,785
Income tax receivable	1,265	4,148
Other current assets	65,238	43,685
Assets held for sale	118,334	—
Total current assets	939,443	1,200,923
Property, plant and equipment, at cost	4,287,859	4,413,305
Accumulated depreciation and amortization	(1,049,399)	(982,837)
Property, plant and equipment, net	3,238,460	3,430,468
Intangible assets, net	92,435	38,923
Goodwill	951,024	846,717
Investment in joint ventures	102,945	66,687
Deferred income tax asset	3,108	9,141
Note receivable from related party	95,711	—
Other long-term assets, net	189,963	288,331
Total assets	\$ 5,613,089	\$ 5,881,190
Liabilities and Partners' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 286,422	\$ 364,959
Accounts payable	397,633	454,326
Payable to related party	1,408	6,735
Accrued interest payable	23,741	29,833
Accrued liabilities	124,203	71,270
Taxes other than income tax	9,893	13,455
Income tax payable	2,671	3,222
Total current liabilities	845,971	943,800
Long-term debt, less current portion	2,124,582	1,928,071
Long-term payable to related party	18,071	14,502
Deferred income tax liability	32,114	35,437
Other long-term liabilities	7,356	95,045
Commitments and contingencies (Note 15)		
Partners' equity:		
Limited partners (77,886,078 and 70,756,078 common units outstanding as of December 31, 2012 and 2011, respectively)	2,573,263	2,817,069
General partner	57,986	62,539
Accumulated other comprehensive loss	(58,865)	(27,407)
Total NuStar Energy L.P. partners' equity	2,572,384	2,852,201
Noncontrolling interest	12,611	12,134
Total partners' equity	2,584,995	2,864,335
Total liabilities and partners' equity	\$ 5,613,089	\$ 5,881,190

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2012	2011	2010
Revenues:			
Services revenues:			
Third parties	\$ 875,508	\$ 833,770	\$ 794,134
Related party	4,589	1,039	—
Total service revenues	880,097	834,809	794,134
Product sales:			
Third parties	5,074,788	5,437,006	3,608,927
Related party	791	—	—
Total product sales	5,075,579	5,437,006	3,608,927
Total revenues	5,955,676	6,271,815	4,403,061
Costs and expenses:			
Cost of product sales	4,930,174	5,175,710	3,350,429
Operating expenses:			
Third parties	403,586	380,380	348,398
Related party	139,178	144,274	137,634
Total operating expenses	542,764	524,654	486,032
General and administrative expenses:			
Third parties	42,266	36,830	38,687
Related party	62,490	66,220	71,554
Total general and administrative expenses	104,756	103,050	110,241
Depreciation and amortization expense	165,021	166,589	153,802
Asset impairment loss	249,646	—	—
Goodwill impairment loss	22,132	—	—
Gain on legal settlement	(28,738)	—	—
Total costs and expenses	5,985,755	5,970,003	4,100,504
Operating (loss) income	(30,079)	301,812	302,557
Equity in (loss) earnings of joint ventures	(9,378)	11,458	10,500
Interest expense, net	(90,889)	(81,727)	(78,280)
Interest income from related party	1,219	—	—
Other (expense) income, net	(26,511)	(3,343)	15,934
(Loss) income from continuing operations before income tax expense	(155,638)	228,200	250,711
Income tax expense	22,494	16,713	11,741
(Loss) income from continuing operations	(178,132)	211,487	238,970
(Loss) income from discontinued operations, net of tax	(49,105)	10,114	—
Net (loss) income	(227,237)	221,601	238,970
Less net (loss) income attributable to noncontrolling interest	(621)	140	—
Net (loss) income attributable to NuStar Energy L.P.	\$ (226,616)	\$ 221,461	\$ 238,970
Net (loss) income per unit applicable to limited partners:			
Continuing operations	\$ (2.95)	\$ 2.63	\$ 3.19
Discontinued operations	(0.66)	0.15	—
Total (Note 22)	\$ (3.61)	\$ 2.78	\$ 3.19
Weighted-average limited partner units outstanding	72,957,417	65,018,301	62,946,987

See Notes to Consolidated Financial Statements.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Thousands of Dollars)

	Year Ended December 31,		
	2012	2011	2010
Net (loss) income	\$ (227,237)	\$ 221,601	\$ 238,970
Other comprehensive (loss) income:			
Foreign currency translation adjustment, net of income tax expense of \$414, \$458 and \$516	10,677	(18,431)	3,450
Net unrealized (loss) gain on cash flow hedges	(94,269)	(53,452)	33,560
Net loss (gain) reclassified into income on cash flow hedges	53,232	(5,030)	1,680
Total other comprehensive (loss) income	(30,360)	(76,913)	38,690
Comprehensive (loss) income	(257,597)	144,688	277,660
Less comprehensive income (loss) attributable to noncontrolling interest	477	(2,866)	—
Comprehensive (loss) income attributable to NuStar Energy L.P.	\$ (258,074)	\$ 147,554	\$ 277,660

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2012	2011	2010
Cash Flows from Operating Activities:			
Net (loss) income	\$ (227,237)	\$ 221,601	\$ 238,970
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization expense	170,651	168,286	153,802
Amortization of debt related items	(7,016)	(12,392)	(7,767)
Loss (gain) on sale or disposition of assets, including insurance recoveries	26,902	(262)	(12,990)
Asset and goodwill impairment loss	271,778	—	—
Gain on legal settlement	(28,738)	—	—
Deferred income tax expense (benefit)	1,542	4,351	(1,733)
Equity in loss (earnings) of joint ventures	9,378	(11,458)	(10,500)
Distributions of equity in earnings of joint ventures	6,364	14,374	9,625
Changes in current assets and current liabilities (Note 23)	90,247	(265,453)	(6,867)
Other, net	(14,668)	(24,579)	(40)
Net cash provided by operating activities	299,203	94,468	362,500
Cash Flows from Investing Activities:			
Reliability capital expenditures	(36,903)	(41,349)	(50,562)
Strategic capital expenditures	(373,692)	(294,311)	(219,268)
Acquisitions	(315,810)	(100,690)	(43,026)
Investment in other long-term assets	(2,610)	(8,990)	(3,469)
Proceeds from sale or disposition of assets	42,650	2,086	2,610
Proceeds from sale of Asphalt Operations	436,276	—	—
Increase in note receivable from related party	(95,711)	—	—
Proceeds from insurance recoveries	—	—	13,500
Net cash used in investing activities	(345,800)	(443,254)	(300,215)
Cash Flows from Financing Activities:			
Proceeds from long-term debt borrowings	2,549,145	915,749	899,365
Proceeds from short-term debt borrowings	71,880	33,800	177,041
Proceeds from senior note offering, net of issuance costs	247,398	—	445,431
Long-term debt repayments	(2,648,475)	(768,150)	(1,204,313)
Short-term debt repayments	(71,880)	(33,800)	(197,041)
Proceeds from issuance of common units, net of issuance costs	336,415	317,285	240,148
Contributions from general partner	7,121	6,708	5,078
Distributions to unitholders and general partner	(365,279)	(322,046)	(305,154)
(Payments for) proceeds from termination of interest rate swaps	(5,678)	33,433	—
Other, net	(9,978)	3,742	(4,289)
Net cash provided by financing activities	110,669	186,721	56,266
Effect of foreign exchange rate changes on cash	2,033	(1,559)	564
Net increase (decrease) in cash and cash equivalents	66,105	(163,624)	119,115
Cash and cash equivalents as of the beginning of the period	17,497	181,121	62,006
Cash and cash equivalents as of the end of the period	<u>\$ 83,602</u>	<u>\$ 17,497</u>	<u>\$ 181,121</u>

See Notes to Consolidated Financial Statements.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
Years Ended December 31, 2012, 2011 and 2010
(Thousands of Dollars, Except Unit Data)

	Limited Partners		General Partner	Accumulated Other Comprehensive Income (Loss)	Total NuStar Energy L.P. Partners' Equity	Noncontrolling Interest	Total Partners' Equity
	Units	Amount					
Balance as of January 1, 2010	60,210,549	\$ 2,423,689	\$ 53,469	\$ 7,810	\$ 2,484,968	\$ —	\$ 2,484,968
Net income	—	201,553	37,417	—	238,970	—	238,970
Other comprehensive income	—	—	—	38,690	38,690	—	38,690
Cash distributions to partners	—	(266,517)	(38,637)	—	(305,154)	—	(305,154)
Issuance of common units, including contribution from general partner	4,400,000	240,148	5,078	—	245,226	—	245,226
Balance as of December 31, 2010	64,610,549	2,598,873	57,327	46,500	2,702,700	—	2,702,700
Acquisition	—	—	—	—	—	15,000	15,000
Net income	—	181,439	40,022	—	221,461	140	221,601
Other comprehensive loss	—	—	—	(73,907)	(73,907)	(3,006)	(76,913)
Cash distributions to partners	—	(280,528)	(41,518)	—	(322,046)	—	(322,046)
Issuance of common units, including contribution from general partner	6,145,529	317,285	6,708	—	323,993	—	323,993
Balance as of December 31, 2011	70,756,078	2,817,069	62,539	(27,407)	2,852,201	12,134	2,864,335
Net (loss) income	—	(262,502)	35,886	—	(226,616)	(621)	(227,237)
Other comprehensive (loss) income	—	—	—	(31,458)	(31,458)	1,098	(30,360)
Cash distributions to partners	—	(317,719)	(47,560)	—	(365,279)	—	(365,279)
Issuance of common units, including contribution from general partner	7,130,000	336,739	7,121	—	343,860	—	343,860
Other	—	(324)	—	—	(324)	—	(324)
Balance as of December 31, 2012	<u>77,886,078</u>	<u>\$ 2,573,263</u>	<u>\$ 57,986</u>	<u>\$ (58,865)</u>	<u>\$ 2,572,384</u>	<u>\$ 12,611</u>	<u>\$ 2,584,995</u>

See Notes to Consolidated Financial Statements.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2012, 2011 and 2010

1. ORGANIZATION AND OPERATIONS

Organization

NuStar Energy L.P. (NuStar Energy) (NYSE: NS) is engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and petroleum refining and marketing. Unless otherwise indicated, the terms “NuStar Energy L.P.,” “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 15.0% total interest in us as of December 31, 2012.

Operations

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.

Storage. We own terminal and storage facilities in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom and Turkey providing approximately 83.2 million barrels of storage capacity. Our terminals provide storage and handling services on a fee basis for petroleum products, specialty chemicals and other liquids, including crude oil and other feedstocks.

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 5,484 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 4.9 million barrels, and the East Pipeline includes 2 tank farms providing storage capacity of 1.4 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 1,150 miles of crude oil pipelines in Texas, Oklahoma, Kansas, Colorado and Illinois, as well as associated crude oil storage facilities providing storage capacity of 2.5 million barrels in Texas and Oklahoma that are located along the crude oil pipelines. We charge tariffs on a per barrel basis for transporting refined products, crude oil and other feedstocks in our refined product and crude oil pipelines and on a per ton basis for transporting anhydrous ammonia in our ammonia pipeline.

Asphalt and Fuels Marketing. Our asphalt and fuels marketing segment includes our fuels marketing operations and, through September 28, 2012, our asphalt operations. Within our fuels marketing operations, we purchase crude oil and refined petroleum products for resale. Our asphalt operations included 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, as well as terminal facilities with an aggregate storage capacity of 5.3 million barrels. On September 28, 2012, we sold a 50% ownership interest in NuStar Asphalt LLC, previously a wholly owned subsidiary, and started reporting our remaining investment using the equity method of accounting. Therefore, the results of our asphalt operations are reported in “Equity in (loss) earnings of joint ventures” in the consolidated statements of income and not within our segments beginning on September 28, 2012. See Note 5. Dispositions for additional discussion. In addition, in 2012, NuStar Asphalt LLC temporarily ceased refining operations at the Savannah facility and began to operate it as an asphalt terminal.

The activities of the asphalt and fuels marketing segment expose us to the risk of fluctuations in commodity prices, which has a direct impact on the results of operations for the asphalt and fuels marketing segment. We enter into derivative contracts to attempt to mitigate the effect of commodity price fluctuations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements represent the consolidated operations of the Partnership and our subsidiaries. Noncontrolling interests are separately disclosed on the financial statements. Inter-partnership balances and transactions have been eliminated in consolidation. The operations of certain pipelines and terminals in which we own an undivided interest are proportionately consolidated in the accompanying consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles

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

(GAAP) 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. On an ongoing basis, management reviews their estimates based on currently available information. Management may revise estimates due to changes in facts and circumstances.

Cash and Cash Equivalents

Cash equivalents are all highly liquid investments with an original maturity of three months or less when acquired.

Restricted Cash

Restricted cash is cash held in escrow, pledged as collateral or restricted to use for vendor payables. As of December 31, 2012, restricted cash totaled \$15.2 million and is included in “Other current assets” in the consolidated balance sheets.

Accounts Receivable

Accounts receivable represent valid claims against non-affiliated customers for products sold or services rendered. We extend credit terms to certain customers after review of various credit indicators, including the customer’s credit rating. Outstanding customer receivable balances are regularly reviewed for possible non-payment indicators and allowances for doubtful accounts are recorded based upon management’s estimate of collectability at the time of their review.

Inventories

Inventories consist of crude oil, refined petroleum products, and material and supplies. Inventories, except those associated with a qualifying fair value hedge, are valued at the lower of cost or market. Cost is determined using the weighted-average cost method. Our inventory, other than materials and supplies, consists of one end-product category, petroleum products, which we include in the asphalt and fuels marketing segment. Accordingly, we determine lower of cost or market adjustments on an aggregate basis. Inventories associated with qualifying fair value hedges are valued at current market prices. Materials and supplies are valued at the lower of average cost or market.

Property, Plant and Equipment

We record additions to property, plant and equipment, including reliability and strategic capital expenditures, at cost.

Reliability capital expenditures are capital expenditures to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets and extend their useful lives. Strategic capital expenditures are capital expenditures to expand or upgrade the operating capacity, increase efficiency or increase the earnings potential of existing assets, whether through construction or acquisition, along with certain capital expenditures related to support functions. Repair and maintenance costs associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred.

Depreciation of property, plant and equipment is recorded on a straight-line basis over the estimated useful lives of the related assets. Gains or losses on sales or other dispositions of property are recorded in income and are reported in “Other (expense) income, net” in the consolidated statements of income. When property or equipment is retired or otherwise disposed of, the difference between the carrying value and the net proceeds is recognized in the year retired.

Goodwill and Intangible Assets

Goodwill acquired in a business combination is not amortized and is assessed for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired. We use October 1 as our annual valuation date for our impairment assessment. In 2011, we adopted amended guidance that provides an option to first assess qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment test. We assessed the totality of events and circumstances as of October 1, 2012 and determined that a quantitative goodwill impairment test was not necessary, and no goodwill impairment had occurred. We performed a quantitative goodwill impairment test as of October 1, 2010 and determined that no impairment had occurred.

Intangible assets are recorded at cost and are assets that lack physical substance (excluding financial assets). Our intangible assets are amortized on a straight-line basis over 10 to 47 years.

Investment in Joint Ventures

We account for our investment in the joint ventures using the equity method of accounting.

NuStar Asphalt LLC. On September 28, 2012, we sold a 50% ownership interest (the Asphalt Sale) in NuStar Asphalt LLC (Asphalt JV), previously a wholly owned subsidiary, to an affiliate of Lindsay Goldberg LLC, a private investment firm.

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

Asphalt JV owns and operates the asphalt refining assets that were previously wholly owned by NuStar Energy, including the asphalt refineries located in Paulsboro, New Jersey and Savannah, Georgia. Upon closing, we deconsolidated Asphalt JV and started reporting our remaining investment in Asphalt JV using the equity method of accounting. See Note 5. Dispositions for additional discussion of the Asphalt Sale.

ST Linden Terminals, LLC. The 44-acre facility provides deep-water terminalling capabilities at New York Harbor and primarily stores petroleum products, including gasoline, jet fuel and fuel oils. As part of our acquisition of Kaneb Pipeline Partners, L.P. and Kaneb Services LLC in July 2005 (the Kaneb Acquisition), we acquired an investment in ST Linden Terminals, LLC (Linden). Linden is owned 50% by the Partnership and 50% by NIC Holding Corp. In connection with the Kaneb Acquisition, we recorded our investment in Linden at fair value, which exceeded our 50% share of its members' equity. This excess totaled \$43.0 million and \$43.3 million as of December 31, 2012 and 2011, respectively, a portion of which is being amortized into expense over the average life of the assets held by Linden, or 25 years. The remaining balance not amortized represents goodwill of Linden.

Note Receivable from Related Party

The note receivable from related party consists of the amounts due to us from Asphalt JV under a \$250.0 million unsecured revolving credit facility. The note receivable is recorded at the outstanding principal amount, and we recognize interest income ratably over the term of the facility in "Interest income from related party" on the consolidated statements of income. See Note. 18 Related Party Transactions for additional information on our agreements with Asphalt JV.

Other Long-Term Assets

"Other long-term assets, net" primarily include the following:

- funds deposited with a trustee related to revenue bonds issued by the Parish of St. James associated with our St. James terminal expansion (see Note 13. Debt for additional information on the Gulf Opportunity Zone Revenue Bonds);
- asphalt tank heel inventory and ammonia pipeline linefill;
- deferred financing costs amortized over the life of the related debt obligation using the effective interest method; and
- long-term derivative assets.

Impairment of Long-Lived Assets

We review long-lived assets, including property, plant and equipment and investment in joint ventures, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We perform the evaluation of recoverability using undiscounted estimated net cash flows generated by the related asset. If we deem an asset to be impaired, we determine the amount of impairment as the amount by which the net carrying value exceeds its fair value. We believe that the carrying amounts of our long-lived assets as of December 31, 2012 are recoverable.

Taxes Other than Income Taxes

Taxes other than income taxes include liabilities for ad valorem taxes, franchise taxes, sales and use taxes, excise fees and taxes and value added taxes.

Income Taxes

We are a limited partnership and generally are not subject to federal or state income taxes. Accordingly, our taxable income or loss, which may vary substantially from income or loss reported for financial reporting purposes, is generally included in the federal and state income tax returns of our partners. For transfers of publicly held units subsequent to our initial public offering, we have made an election permitted by Section 754 of the Internal Revenue Code to adjust the common unit purchaser's tax basis in our underlying assets to reflect the purchase price of the units. This results in an allocation of taxable income and expenses to the purchaser of the common units, including depreciation deductions and gains and losses on sales of assets, based upon the new unitholder's purchase price for the common units.

We conduct certain of our operations through taxable wholly owned corporate subsidiaries. We account for income taxes related to our taxable subsidiaries using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We measure deferred taxes using enacted tax rates expected to apply to taxable income in the year those temporary differences are expected to be recovered or settled.

We recognize a tax position if it is more-likely-than-not that the tax position will be sustained, based on the technical merits of

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

the position, upon examination. We record uncertain tax positions in the financial statements at the largest amount of benefit that is more-likely-than-not to be realized. We had no unrecognized tax benefits as of December 31, 2012 and 2011.

NuStar Energy and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. For U.S. federal and state purposes, tax years subject to examination are 2008 through 2012 and for our major non-U.S. jurisdictions, tax years subject to examination are 2008 through 2012, both according to standard statute of limitations. NuStar has waived the statute of limitations for limited items for the tax years 2006 and 2007 as a result of an ongoing income tax audit in Canada.

Asset Retirement Obligations

We record a liability for asset retirement obligations at the fair value of the estimated costs to retire a tangible long-lived asset at the time we incur that liability, which is generally when the asset is purchased, constructed or leased, when we have a legal obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the obligation can be made. If a reasonable estimate cannot be made at the time the liability is incurred, we record the liability when sufficient information is available to estimate the fair value.

We have asset retirement obligations with respect to certain of our assets due to various legal obligations to clean and/or dispose of those assets at the time they are retired. However, these assets can be used for an extended and indeterminate period of time as long as they are properly maintained and/or upgraded. It is our practice and current intent to maintain our assets and continue making improvements to those assets based on technological advances. As a result, we believe that our assets have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire these assets cannot reasonably be estimated at this time. When a date or range of dates can reasonably be estimated for the retirement of any asset, we estimate the costs of performing the retirement activities and record a liability for the fair value of these costs.

We also have legal obligations in the form of leases and right-of-way agreements, which require us to remove certain of our assets upon termination of the agreement. However, these lease or right-of-way agreements generally contain automatic renewal provisions that extend our rights indefinitely or we have other legal means available to extend our rights. We have recorded a liability of approximately \$0.6 million as of December 31, 2012 and 2011, which is included in “Other long-term liabilities” in the consolidated balance sheets, for conditional asset retirement obligations related to the retirement of terminal assets with lease and right-of-way agreements.

Environmental Remediation Costs

Environmental remediation costs are expensed and an associated accrual established when site restoration and environmental remediation and cleanup obligations are either known or considered probable and can be reasonably estimated. These environmental obligations are based on estimates of probable undiscounted future costs over a 20-year time period using currently available technology and applying current regulations, as well as our own internal environmental policies. The environmental liabilities have not been reduced by possible recoveries from third parties. Environmental costs include initial site surveys, costs for remediation and restoration and ongoing monitoring costs, as well as fines, damages and other costs, when estimable. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods.

Product Imbalances

We incur product imbalances as a result of variances in pipeline meter readings and volume fluctuations within the East Pipeline system due to pressure and temperature changes. We use quoted market prices as of the reporting date to value our assets and liabilities related to product imbalances. Product imbalance liabilities are included in “Accrued liabilities” and product imbalance assets are included in “Other current assets” in the consolidated balance sheets.

Revenue Recognition

Revenues for the storage segment include fees for tank storage agreements, whereby a customer agrees to pay for a certain amount of storage in a tank over a period of time (storage lease revenues), and throughput agreements, whereby a customer pays a fee per barrel for volumes moving through our terminals and tanks (throughput revenues). Our terminals also provide blending, handling and filtering services. Our facilities at Point Tupper and St. Eustatius also charge fees to provide ancillary services such as pilotage, tug assistance, line handling, launch service, emergency response services and other ship services. Storage lease revenues are recognized when services are provided to the customer. Throughput revenues are recognized as refined products are received in or delivered out of our terminal and as crude oil and certain other refinery feedstocks are received by the related refinery. Revenues for ancillary services are recognized as those services are provided.

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

Revenues for the transportation segment are derived from interstate and intrastate pipeline transportation of refined product, crude oil and anhydrous ammonia. Transportation revenues (based on pipeline tariffs) are recognized as the refined product, crude oil or anhydrous ammonia is delivered out of the pipelines.

Revenues from the sale of asphalt and other petroleum products, which are included in our asphalt and fuels marketing segment, are recognized when product is delivered to the customer and title and risk pass to the customer. Additionally, the revenues of our asphalt and fuels marketing segment include the mark-to-market impact of certain derivative instruments that are part of our limited trading program.

We collect taxes on certain revenue transactions to be remitted to governmental authorities, which may include sales, use, value added and some excise taxes. These taxes are not included in revenue.

Income Allocation

Our net income for each quarterly reporting period is first allocated to the general partner in an amount equal to the general partner's incentive distribution calculated based upon the declared distribution for the respective reporting period. We allocate the remaining net income among the limited and general partners in accordance with their respective 98% and 2% interests.

Net Income per Unit Applicable to Limited Partners

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 as we have no potentially dilutive securities outstanding.

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting partners' equity that are excluded from net income, such as foreign currency translation adjustments and mark-to-market adjustments on derivative instruments designated and qualifying as cash flow hedges.

Derivative Financial Instruments

We formally document all relationships between hedging instruments and hedged items. This process includes identification of the hedging instrument and the hedged transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness will be assessed. To qualify for hedge accounting, at inception of the hedge we assess whether the derivative instruments that are used in our hedging transactions are expected to be highly effective in offsetting changes in cash flows or the fair value of the hedged items. Throughout the designated hedge period and at least quarterly, we assess whether the derivative instruments are highly effective and continue to qualify for hedge accounting. To assess the effectiveness of the hedging relationship both prospectively and retrospectively, we use regression analysis to calculate the correlation of the changes in the fair values of the derivative instrument and related hedged item.

We record commodity derivative instruments in the consolidated balance sheets 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" (AOCI) until the underlying hedged forecasted transactions occur and are recognized in income. Any hedge ineffectiveness is recognized immediately in "Cost of product sales." Once a hedged transaction occurs, we reclassify the effective portion from AOCI to "Cost of product sales." If it becomes probable that a hedged transaction will not occur, then the associated gains or losses are reclassified from AOCI to "Cost of product sales" immediately. For derivative instruments that have associated underlying physical inventory but do not qualify for hedge accounting (Economic Hedges and Other Derivatives), we record the mark-to-market adjustments in "Cost of product sales" or "Operating expenses."

We are a party to certain interest rate swap agreements for the purpose of hedging the interest rate risk associated with a portion of our fixed-rate senior notes, which include forward-starting interest rate swap agreements related to forecasted probable debt issuances. Under the terms of these swap agreements, we pay a fixed rate and receive a rate based on three month USD LIBOR. We entered into the 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. We account for the forward-starting interest rate swaps as Cash Flow Hedges, and we recognize the fair value of each interest rate swap in the consolidated balance sheets. We record the effective portion of mark-to-market adjustments as a component of AOCI, and any hedge ineffectiveness is recognized immediately in "Interest expense, net." The amount accumulated in AOCI will be

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

amortized into “Interest expense, net” over the term of the forecasted debt.

We classify cash flows associated with our derivative instruments as operating cash flows in the consolidated statements of cash flows, except for receipts or payments associated with terminated forward-starting interest rate swap agreements, which are included in cash flows from financing activities.

In addition, we entered into fixed-to-floating interest rate swap agreements associated with a portion of our fixed-rate senior notes. Under the terms of these swap agreements, we received a fixed rate and paid a variable rate that varied with each agreement. We accounted for the fixed-to-floating interest rate swaps as Fair Value Hedges and recognized the fair value of each interest rate swap in the consolidated balance sheets. Except for one interest rate swap agreement we entered into and terminated in 2011, the interest rate swap agreements qualified for the shortcut method of accounting. As a result, changes in the fair value of the swaps completely offset the changes in the fair value of the underlying hedged debt. We terminated all remaining interest rate swaps during the year ended December 31, 2012.

From time to time, we also entered into derivative commodity instruments based on our analysis of market conditions in order to attempt to profit from market fluctuations. These derivative instruments were financial positions entered into without underlying physical inventory and are not considered hedges. We recorded these derivatives in the consolidated balance sheets as assets or liabilities at fair value with mark-to-market adjustments recorded in “Product sales.” We no longer enter into commodity derivatives without underlying physical inventory.

See Note 17. Derivatives and Risk Management Activities for additional information regarding our derivative financial instruments.

Operating Leases

We recognize rent expense on a straight-line basis over the lease term, including the impact of both scheduled rent increases and free or reduced rents (commonly referred to as “rent holidays”).

Unit-based Compensation

NuStar GP, LLC, a wholly owned subsidiary of NuStar GP Holdings, has adopted various long-term incentive plans that provide the Compensation Committee of the Board of Directors of NuStar GP, LLC with the right to grant employees and directors of NuStar GP, LLC providing services to NuStar Energy the right to receive NS common units. NuStar GP, LLC accounts for awards of NS common unit options, restricted units and performance awards at fair value as a derivative, whereby a liability for the award is recorded at inception. Subsequent changes in the fair value of the award are included in the determination of net income. NuStar GP, LLC determines the fair value of NS unit options using the Black-Scholes model at each reporting date. NuStar GP, LLC determines the fair value of NS restricted units and performance awards using the market price of NS common units at each reporting date. However, performance awards are earned only upon NuStar Energy’s achievement of an objective performance measure. NuStar GP, LLC records compensation expense each reporting period such that the cumulative compensation expense recognized equals the current fair value of the percentage of the award that has vested. NuStar GP, LLC records compensation expense related to NS unit options until such options are exercised, and compensation expense related to NS restricted units until the date of vesting.

NuStar GP Holdings has adopted a long-term incentive plan that provides the Compensation Committee of the Board of Directors of NuStar GP Holdings with the right to grant employees, consultants and directors of NuStar GP Holdings and its affiliates, including NuStar GP, LLC, rights to receive NSH common units. NuStar GP Holdings accounts for awards of NSH restricted units and unit options granted to its directors or employees of NuStar GP, LLC at fair value. The fair value of NSH unit options is determined using the Black-Scholes model at the grant date, and the fair value of the NSH restricted unit equals the market price of NSH common units at the grant date. NuStar GP Holdings recognizes compensation expense for NSH restricted units and unit options ratably over the vesting period based on the fair value of the units at the grant date.

Under these long-term incentive plans, certain awards provide that employees vest in the award when they retire or will continue to vest in the award after retirement over the nominal vesting period established in the award. Compensation expense is recognized immediately for awards granted to retirement-eligible employees or over the period from the grant date to the date retirement eligibility is achieved if that date is expected to occur during the nominal vesting period.

We reimburse NuStar GP, LLC for the expenses resulting from NS and NSH awards to employees and directors of NuStar GP, LLC. We include such compensation expense in “General and administrative expenses” on the consolidated statements of income. We do not reimburse NuStar GP, LLC for the expense resulting from NSH awards to non-employee directors of NuStar GP Holdings.

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

Margin Deposits

Margin deposits relate to our exchange-traded derivative contracts and generally vary based on changes in the value of the contracts. Margin deposits are included in “Other current assets” in the consolidated balance sheets.

Foreign Currency Translation

The functional currencies of our foreign subsidiaries are the local currency of the country in which the subsidiary is located, except for our subsidiaries located in St. Eustatius in the Caribbean (formerly the Netherlands Antilles), whose functional currency is the U.S. dollar. The assets and liabilities of our foreign subsidiaries with local functional currencies are translated to U.S. dollars at period-end exchange rates, and income and expense items are translated to U.S. dollars at weighted-average exchange rates in effect during the period. These translation adjustments are included in “Accumulated other comprehensive income” in the equity section of the consolidated balance sheets. Gains and losses on foreign currency transactions are included in “Other (expense) income, net” in the consolidated statements of income.

Reclassifications

Certain previously reported amounts in the 2011 and 2010 consolidated financial statements and notes have been reclassified to conform to the 2012 presentation. As further discussed in Note 5. Dispositions, we sold the San Antonio Refinery and related assets on January 1, 2013. As a result, we have presented the results of operations for the San Antonio Refinery and related assets, previously reported in the asphalt and fuels marketing segment, as discontinued operations for the years ended December 31, 2012 and 2011. In addition, we reclassified \$8.9 million and \$2.8 million of storage lease revenues for the years ended December 31, 2011 and 2010, respectively, that were previously recognized in “Product sales” to “Service revenues” on the consolidated statements of income.

3. NEW ACCOUNTING PRONOUNCEMENTS***Balance Sheet Offsetting***

In December 2011, the Financial Accounting Standards Board (FASB) amended the disclosure requirements about offsetting assets and liabilities. The amended guidance requires new disclosures to enable users of financial statements to reconcile differences in the offsetting requirements under U.S. GAAP and International Financial Reporting Standards. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet as well as instruments and transactions subject to an agreement similar to a master netting arrangement. The amended guidance is effective for annual and interim reporting periods beginning on or after January 1, 2013, and retrospective application is required. Accordingly, we will adopt the amended guidance January 1, 2013, and we do not expect it to have a material impact on our disclosures.

In January 2013, the FASB further amended and clarified the scope of balance sheet offsetting disclosure requirements. The amended guidance limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement. The disclosures are required irrespective of whether the transactions are offset in the consolidated balance sheets. The effective date remains unchanged. Accordingly, we will adopt this amended guidance January 1, 2013, and we do not expect it to have a material impact on our disclosures.

Other Comprehensive Income

In February 2013, the FASB further amended the disclosure requirements for the presentation of comprehensive income. The amended guidance requires that entities present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The amended guidance is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. Accordingly, we will adopt the amended guidance January 1, 2013. Substantially all of the information required under the amended guidance is already required to be disclosed elsewhere in the financial statements; therefore, we do not expect it to have a material impact on our financial statement presentation or disclosures.

4. ACQUISITIONS***TexStar Asset Acquisition***

On December 13, 2012, NuStar Logistics acquired the TexStar Crude Oil Assets (as defined below), including 100% of the partnership interest in TexStar Crude Oil Pipeline, LP, from TexStar Midstream Services, LP and certain of its affiliates (collectively, TexStar) for \$325.4 million (the TexStar Asset Acquisition), pursuant to an Asset Purchase Agreement (the Purchase Agreement). The TexStar Crude Oil Assets consist of approximately 140 miles of crude oil pipelines and gathering

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

lines, as well as five terminals and storage facilities providing 0.6 million barrels of storage capacity. The consolidated statements of income include the results of operations for the TexStar Asset Acquisition in the transportation segment commencing on December 13, 2012.

We accounted for the TexStar Asset Acquisition using the acquisition method. The fair value of the consideration transferred was allocated based on the estimated fair values of the individual assets acquired and liabilities assumed at the date of acquisition, pending completion of an independent appraisal and other evaluations. The purchase price and preliminary purchase price allocation was as follows (in thousands):

Cash paid for the TexStar Asset Acquisition	\$ 315,810
Fair value of liabilities assumed	9,600
Purchase price	<u>\$ 325,410</u>
Property, plant and equipment, net	\$ 129,614
Goodwill	127,896
Intangible assets	67,900
Purchase price allocation	<u>\$ 325,410</u>

Pursuant to the Purchase Agreement, NuStar Logistics also agreed to purchase 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) for approximately \$100.0 million (Second Closing). If the Second Closing does not occur, it will have no impact on the Crude Oil Assets. We expect to fund the purchase price of the NGL Assets with borrowings under our 2012 Revolving Credit Agreement. On February 18, 2013, we received a letter from TexStar that purports to terminate the rights of the parties to proceed to a closing on our acquisition of the NGL Assets. We do not believe TexStar has the legal right to terminate the Second Closing, and we notified them of our position on February 21, 2013. We are evaluating all of our legal options.

San Antonio Refinery

On April 19, 2011, we purchased certain refining and storage assets, inventory and other working capital items from AGE Refining, Inc. for \$62.0 million, including the assumption of certain environmental liabilities. The assets consist of a 14,500 barrel per day refinery in San Antonio, Texas and 0.4 million barrels of aggregate storage capacity (the San Antonio Refinery Acquisition). The final purchase price was allocated based on the estimated fair values of the individual assets acquired and liabilities assumed at the date of acquisition. On January 1, 2013, we sold the refinery and related assets; see Note 5. Dispositions for additional discussion.

Turkey Acquisition

On February 9, 2011, we acquired 75% of the outstanding capital of a Turkish company, which owns two terminals in Mersin, Turkey, with an aggregate 1.4 million barrels of storage capacity, for approximately \$57.0 million (the Turkey Acquisition). Both terminals are connected via pipelines to an offshore platform located approximately three miles off the Mediterranean Sea coast. The Turkey Acquisition was accounted for using the acquisition method. The purchase price was allocated based on the estimated fair values of the individual assets acquired, liabilities assumed and noncontrolling interest at the date of acquisition. The consolidated statements of income include the results of operations for the Turkey Acquisition commencing on February 9, 2011.

Asphalt Holdings, Inc.

On May 21, 2010, we acquired the capital stock of Asphalt Holdings, Inc. for \$53.3 million, including liabilities assumed (Asphalt Holdings Acquisition). The acquisition includes three storage terminals with an aggregate storage capacity of approximately 1.8 million barrels located in Alabama along the Mobile River. The consolidated statements of income include the results of operations for the Asphalt Holdings Acquisition commencing on May 21, 2010.

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

5. DISPOSITIONS

San Antonio Refinery

On January 1, 2013, we sold the San Antonio Refinery and related assets, which included inventory, a terminal in Elmendorf, Texas and a pipeline connecting the terminal and refinery for approximately \$115.0 million (the San Antonio Refinery Sale). We have presented the results of operations for the San Antonio Refinery and related assets, previously reported in the transportation and asphalt and fuels marketing segment, as discontinued operations for the years ended December 31, 2012 and 2011, none of which were attributable to the noncontrolling interest. We allocated interest expense of \$3.9 million and \$2.0 million for the years ended December 31, 2012 and 2011, respectively, to discontinued operations based on the ratio of net assets discontinued to consolidated net assets.

The following table summarizes the results from discontinued operations:

	Year Ended December 31,	
	2012	2011
	(Thousands of Dollars)	
Revenues	\$ 561,131	\$ 303,440
(Loss) income before income tax expense	\$ (49,078)	\$ 10,280

As of December 31, 2012, we reclassified the assets related to the San Antonio Refinery as “Assets held for sale” on the consolidated balance sheet. The liabilities held for sale related to the San Antonio Refinery are included within “Accrued liabilities” on the consolidated balance sheet. The total assets and liabilities held for sale consisted of the following:

	December 31, 2012
	(Thousands of Dollars)
Inventories	\$ 15,939
Property, plant and equipment, net	93,899
Other long-term assets, net	5,650
Assets held for sale	<u>\$ 115,488</u>
Accrued liabilities (environmental reserve)	\$ 289
Other long-term liabilities (environmental reserve)	7,621
Liabilities held for sale	<u>\$ 7,910</u>

Asphalt Operations

On September 28, 2012, we sold a 50% ownership 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 the asphalt refining assets that were previously wholly owned by NuStar Energy, including 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.

We received \$263.8 million from Asphalt JV for inventory related to the Asphalt Operations. Asphalt JV funded the purchase of that inventory 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 18. Related Party Transactions for additional discussion of our agreements with Asphalt JV.

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

In the fourth quarter of 2012, we incurred employee benefit costs of \$5.7 million resulting from the Asphalt Sale, which is included in the operating expenses of the asphalt and fuels marketing segment.

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 18. 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 we do not have the power to direct the activities most significant to the economic performance of Asphalt JV. As a result, we are 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 net assets of the Asphalt Operations upon deconsolidation, we recognized a loss of \$23.8 million in “Other (expense) income, net” in the consolidated statements of income for the year ended December 31, 2012.

As of December 31, 2012, we included our 50% ownership interest in Asphalt JV within “Investment in joint ventures” on the consolidated balance sheet. The consolidated statements of income include our portion of the results of operations for Asphalt JV in “Equity in (loss) 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 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 \$545.3 million, which consists of (i) our investment in Asphalt JV of \$35.9 million as of December 31, 2012, (ii) up to \$250.0 million under the NuStar JV Facility, (iii) up to \$150.0 million for credit support, including guarantees, and (iv) a receivable from Asphalt JV of \$109.4 million as of December 31, 2012.

Terminal Sales

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.

6. 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 are included in “Assets held for sale” on the consolidated balance sheet as of December 31, 2012.

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

The total asset impairment loss consisted of the following:

	Year Ended December 31, 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	<u>244,225</u>
Other:	
Property, plant and equipment, net	5,421
Total asset impairment loss	<u>\$ 249,646</u>

7. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The changes in the allowance for doubtful accounts consisted of the following:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Balance as of beginning of year	\$ 2,147	\$ 1,457	\$ 1,351
Increase in allowance	27	934	506
Accounts charged against the allowance, net of recoveries	(1,367)	(243)	(396)
Foreign currency translation	1	(1)	(4)
Balance as of end of year	<u>\$ 808</u>	<u>\$ 2,147</u>	<u>\$ 1,457</u>

8. INVENTORIES

Inventories consisted of the following:

	December 31,	
	2012	2011
	(Thousands of Dollars)	
Crude oil	\$ 447	\$ 157,297
Finished products	164,894	421,288
Materials and supplies	7,887	9,200
Total	<u>\$ 173,228</u>	<u>\$ 587,785</u>

Our finished products consist of intermediates, gasoline, distillates and other petroleum products, as well as asphalt as of December 31, 2011. Materials and supplies mainly consist of blending and additive chemicals and maintenance materials used in our transportation and storage segments.

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

9. OTHER CURRENT ASSETS

Other current assets consisted of the following:

	December 31,	
	2012	2011
	(Thousands of Dollars)	
Prepaid expenses	\$ 18,008	\$ 16,555
Restricted cash	15,227	—
Product advances	14,764	11,137
Derivative assets	9,358	12,112
Margin deposits	6,192	1,083
Product imbalances	1,232	2,117
Other	457	681
Other current assets	<u>\$ 65,238</u>	<u>\$ 43,685</u>

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consisted of the following:

	Estimated Useful Lives (Years)	December 31,	
		2012	2011
		(Thousands of Dollars)	
Land	—	\$ 133,341	\$ 134,900
Land and leasehold improvements	10 - 35	110,575	108,508
Buildings	15 - 40	120,499	66,792
Pipelines, storage and terminals	20 - 35	3,529,925	3,298,188
Refining equipment	20 - 35	2,000	512,466
Rights-of-way	20 - 40	148,021	107,104
Construction in progress	—	243,498	185,347
Total		4,287,859	4,413,305
Less accumulated depreciation and amortization		(1,049,399)	(982,837)
Property, plant and equipment, net		<u>\$ 3,238,460</u>	<u>\$ 3,430,468</u>

Capitalized interest costs added to property, plant and equipment totaled \$7.7 million, \$5.4 million and \$3.7 million for the years ended December 31, 2012, 2011 and 2010, respectively. Depreciation and amortization expense for property, plant and equipment totaled \$157.8 million, \$157.2 million and \$144.2 million for the years ended December 31, 2012, 2011 and 2010, respectively, including depreciation expense associated with the San Antonio Refinery, which is included in “(Loss) income from discontinued operations, net of tax” on the consolidated statements of income.

11. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	December 31, 2012		December 31, 2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(Thousands of Dollars)			
Customer relationships	\$ 137,470	\$ (46,951)	\$ 81,025	\$ (44,068)
Other	2,359	(443)	2,809	(843)
Total	<u>\$ 139,829</u>	<u>\$ (47,394)</u>	<u>\$ 83,834</u>	<u>\$ (44,911)</u>

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

All of our intangible assets are subject to amortization. Amortization expense for intangible assets was \$7.8 million, \$8.3 million and \$7.6 million for the years ended December 31, 2012, 2011 and 2010, respectively. The estimated aggregate amortization expense for the next five years is as follows:

	Amortization Expense
	(Thousands of Dollars)
2013	\$ 13,845
2014	13,845
2015	10,898
2016	9,109
2017	7,950

12. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	December 31,	
	2012	2011
	(Thousands of Dollars)	
Derivative liabilities	\$ 60,121	\$ 27,433
Employee wages and benefit costs	15,381	24,325
Unearned income	10,476	8,866
TexStar Asset Acquisition contingent consideration	9,600	—
Liabilities held for sale	7,910	—
Other	20,715	10,646
Accrued liabilities	<u>\$ 124,203</u>	<u>\$ 71,270</u>

13. DEBT

Long-term debt consisted of the following:

	Maturity	December 31,	
		2012	2011
		(Thousands of Dollars)	
\$1.5 billion revolving credit agreement	2017	\$ 440,330	\$ —
\$1.2 billion revolving credit agreement	2012	—	229,295
4.75% senior notes	2022	250,000	—
4.80% senior notes	2020	450,000	450,000
7.65% senior notes	2018	350,000	350,000
6.05% senior notes	2013	229,932	229,932
6.875% senior notes	2012	—	100,000
7.75% senior notes	2012	—	250,000
5.875% senior notes	2013	250,000	250,000
Gulf Opportunity Zone revenue bonds	2038 thru 2041	365,440	365,440
UK term loan	2013	34,142	32,582
Port Authority of Corpus Christi note payable	2015	577	874
Net fair value adjustments and unamortized discounts	N/A	40,583	34,907
Total debt		<u>2,411,004</u>	<u>2,293,030</u>
Less current portion		<u>286,422</u>	<u>364,959</u>
Long-term debt, less current portion		<u>\$ 2,124,582</u>	<u>\$ 1,928,071</u>

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

The long-term debt repayments are due as follows (in thousands):

2013 (a)	\$ 514,651
2014	—
2015	—
2016	—
2017	440,330
Thereafter	1,415,440
Total repayments	2,370,421
Net fair value adjustments and unamortized discounts	40,583
Total debt	\$ 2,411,004

- (a) NuStar Logistics intends to repay the \$229.9 million 6.05% senior notes due March 15, 2013 with borrowings under our \$1.5 billion five-year revolving credit agreement. As such, the 6.05% senior notes are included in “Long-term debt, less current portion” on the consolidated balance sheet as of December 31, 2012.

Interest payments totaled \$118.4 million, \$115.1 million and \$91.4 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Revolving Credit Agreements

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, as amended (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 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. In July 2012, Standard & Poor’s (S&P) lowered our credit rating to BB+ from BBB-, and in January 2013, Moody’s Investor Service (Moody’s) lowered our credit rating to Ba1 from Baa3. The interest rates applicable to the 2012 Revolving Credit Agreement do not adjust unless both S&P and Moody’s change their ratings; therefore, the interest rate on the 2012 Revolving Credit Agreement increased by 0.375% effective January 2013. As of December 31, 2012, our weighted-average interest rate was 1.9%. During the year ended December 31, 2012, the weighted-average interest rate related to borrowings under the 2012 Revolving Credit Agreement was 1.6%.

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. 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. As of December 31, 2012, our consolidated debt coverage ratio could not exceed 5.50-to-1.00, as a result of the TexStar Asset Acquisition. 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 December 31, 2012, our consolidated debt coverage ratio was 5.0x, and we had \$780.6 million available for borrowing.

The 2012 Revolving Credit Agreement permits unlimited investments in joint ventures and unconsolidated subsidiaries, provided that no default exists, but limits 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. In addition, the 2012 Revolving Credit Agreement provided that we would be in compliance with the consolidated debt coverage ratio as long as it did 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 2012 Revolving Credit 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, unless we consummated an acquisition, as discussed above.

Letters of credit issued under our 2012 Revolving Credit Agreement totaled \$279.1 million as of December 31, 2012. Letters of credit are limited to \$750.0 million and also may restrict the amount we can borrow under the 2012 Revolving Credit

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

Agreement.

Senior Notes

NuStar Logistics' 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, which permits us to offer and sell various types of securities, including NuStar Energy common units and debt securities of NuStar Logistics and NuPOP (the 2010 Shelf Registration Statement). The net proceeds of \$247.4 million were used to repay the outstanding principal amount of NuPOP's \$250.0 million 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.

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.

Interest is payable semi-annually in arrears for the \$250.0 million of 4.75% senior notes, \$450.0 million of 4.80% senior notes, \$350.0 million of 7.65% senior notes and \$229.9 million of 6.05% senior notes (collectively, the NuStar Logistics Senior Notes). The interest rate payable on the 7.65% senior notes is subject to adjustment if our debt rating is downgraded (or subsequently upgraded) by certain credit rating agencies. The interest rate on NuStar Logistics' \$350.0 million of 7.65% senior notes increased by 0.25% in July 2012 as a result of the S&P downgrade and by another 0.25% in January 2013 as a result of the Moody's downgrade. The NuStar Logistics 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 NuStar Logistics Senior Notes. In addition, the NuStar Logistics 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 NuStar Logistics 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 6.05% senior notes also include a change-in-control provision, which requires that (1) an investment-grade entity own, directly or indirectly, 51% of our general partner interests; and (2) we (or an investment-grade entity) own, directly or indirectly, all of the general partner and limited partner interests in NuStar Logistics.

NuPOP's Senior Notes. As a result of the Kaneb Acquisition, we assumed the outstanding senior notes issued by NuPOP, having an aggregate face value of \$500.0 million, and an aggregate fair value of \$555.0 million at the acquisition date (the NuPOP Senior Notes). We use the effective interest method to amortize the difference between the fair value and the face value of the senior notes as a reduction of interest expense over the remaining lives of the senior notes. The senior notes were issued in two series, the first of which bore interest at 7.75% annually and matured in 2012, and the second series bears interest at 5.875% annually and matures in 2013.

The NuPOP Senior Notes do not contain sinking fund requirements. These notes contain restrictions on our ability to incur indebtedness secured by liens, to engage in certain sale-leaseback transactions, to engage in certain transactions with affiliates, as defined, and to utilize proceeds from the disposition of certain assets. At the option of NuPOP, the NuPOP 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 NuStar Logistics Senior Notes are fully and unconditionally guaranteed by NuStar Energy. In connection with the Kaneb Acquisition, NuStar Energy fully and unconditionally guaranteed the outstanding senior notes issued by NuPOP. Additionally, effective July 1, 2005, both NuStar Logistics and NuPOP fully and unconditionally guaranteed the outstanding senior notes of the other. NuPOP will be released from its guarantee of senior notes issued by NuStar Logistics when it no longer guarantees any obligations of NuStar Energy, or any of its subsidiaries, including NuStar Logistics, under any bank facility or public debt instrument.

Gulf Opportunity Zone Revenue Bonds

In 2008, 2010 and 2011, the Parish of St. James, where our St. James, Louisiana, terminal is located, issued Revenue Bonds (NuStar Logistics, L.P. Project) Series 2008, Series 2010, Series 2010A, Series 2010B and Series 2011 associated with our St. James terminal expansion pursuant to the Gulf Opportunity Zone Act of 2005. The interest rate on these bonds is based on a weekly tax-exempt bond market interest rate, and interest is paid monthly. Following the issuance, the proceeds were deposited with a trustee and will be disbursed to us upon our request for reimbursement of expenditures related to our St. James terminal expansion. We include the amount remaining in trust in "Other long-term assets, net," and we include the amount of bonds issued in "Long-term debt, less current portion" in our consolidated balance sheets.

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

NuStar Logistics is solely obligated to service the principal and interest payments associated with the bonds. Certain lenders under our 2012 Revolving Credit Agreement issued letters of credit on our behalf to guarantee the payment of interest and principal on the bonds. These letters of credit rank equally with existing senior unsecured indebtedness of NuStar Logistics.

The following table summarizes Gulf Opportunity Zone Revenue Bonds outstanding as of December 31, 2012:

Date Issued	Maturity Date	Amount Outstanding	Amount of Letter of Credit	Amount Received from Trustee	Amount Remaining in Trust	Average Annual Interest Rate
(Thousands of Dollars)						
June 26, 2008	June 1, 2038	\$ 55,440	\$ 56,169	\$ 55,440	\$ —	0.17%
July 15, 2010	July 1, 2040	100,000	101,315 (a)	100,000	—	0.17%
October 7, 2010	October 1, 2040	50,000	50,658	24,580	25,420	0.17%
December 29, 2010	December 1, 2040	85,000	86,118	24,481	60,519	0.17%
August 29, 2011	August 1, 2041	75,000	76,085	34,381	40,619	0.17%
Total		<u>\$ 365,440</u>	<u>\$ 370,345</u>	<u>\$ 238,882</u>	<u>\$ 126,558</u>	

(a) On June 6, 2012, NuStar Logistics entered into a Letter of Credit Agreement with Mizuho Corporate Bank, Ltd., pursuant to which Mizuho issued a letter of credit in the amount of \$101.3 million to the trustee associated with this bond issuance. This letter of credit ranks equally with existing senior unsecured indebtedness of NuStar Logistics but does not restrict the amount we can borrow under the 2012 Revolving Credit Agreement.

UK Term Loan

NuPOP's UK subsidiary, NuStar Terminals Limited, is the party to the £21 million amended and restated term loan agreement (the UK Term Loan), which bore interest at 6.65% annually and had an original maturity date of December 10, 2012. On December 11, 2012, NuStar Terminals Limited amended the UK Term Loan to extend the maturity date to December 10, 2013. In addition, the UK Term Loan will bear interest at 2.25% annually, subject to a one-time increase if our debt rating is downgraded by Moody's. As such, the interest rate increased by 0.375% effective January 2013, following Moody's downgrade. The amendment also ensures the covenants and ratios of the UK Term Loan are substantially the same as the 2012 Revolving Credit Agreement, as amended. Management believes that we comply with all ratios and covenants of the UK Term Loan as of December 31, 2012.

Our other long-term debt obligations do not contain any financial covenants. However, a default under any of our debt instruments would be considered an event of default under all of our debt instruments.

Port Authority of Corpus Christi Note Payable

The proceeds from the original \$12.0 million note payable due to the Port of Corpus Christi Authority of Nueces County, Texas (Port Authority of Corpus Christi) were used for the construction of a crude oil storage facility in Corpus Christi, Texas. The note payable is due in annual installments of \$1.2 million through December 31, 2015 and is collateralized by the crude oil storage facility. Interest on the unpaid principal balance accrues at a rate of 8.0% per annum. The land on which the crude oil storage facility was constructed is leased from the Port Authority of Corpus Christi. The wharfage and dockage fees paid to the Port Authority of Corpus Christi in connection with the use of the crude oil storage facility have exceeded certain limits per the terms of the note, which have accelerated the repayment of the unpaid principal balance. On February 6, 2013, we repaid the remaining principle balance of \$0.6 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. We borrowed and repaid \$71.9 million during the year ended December 31, 2012 under this line of credit based on liquidity needs. The weighted-average interest rate related to outstanding borrowings under this short-term line of credit during the year ended December 31, 2012 was 2.0%.

14. HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our operations are subject to extensive federal, state and local environmental 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. Our operations are also subject to extensive federal and state health and safety laws and regulations, including those relating to pipeline safety. The principal environmental and safety risks associated with our operations relate to unauthorized emissions into the air, unauthorized releases into soil, surface water or groundwater, and

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

personal injury and property damage. Compliance with these environmental and safety laws, regulations and permits increases our capital expenditures and our overall cost of business, and violations of these laws, regulations and/or permits can result in significant civil and criminal liabilities, injunctions or other penalties.

The pipelines in the Central West System, the East Pipeline, the North Pipeline and the Ammonia Pipeline are subject to federal regulation by one or more of the following governmental agencies or laws: the Federal Energy Regulatory Commission (the FERC), the Surface Transportation Board (the STB), the Department of Transportation (DOT), the Environmental Protection Agency (EPA) and the Homeland Security Act. Additionally, the operations and integrity of the pipelines are subject to the respective state jurisdictions along the route of the systems.

We have adopted policies, practices and procedures in the areas of pollution control, pipeline integrity, operator qualifications, public relations and education, product safety, process safety management, occupational health and the handling, storage, use and disposal of hazardous materials that are designed to prevent material environmental or other damage, to ensure the safety of our pipelines, our employees, the public and the environment and to limit the financial liability that could result from such events. Future governmental action and regulatory initiatives could result in changes to expected operating permits and procedures, additional remedial actions or increased capital expenditures and operating costs that cannot be assessed with certainty at this time. In addition, contamination resulting from spills of petroleum products occurs within the industry. Risks of additional costs and liabilities are inherent within the industry, and there can be no assurances that significant costs and liabilities will not be incurred in the future.

Environmental and safety exposures and liabilities are difficult to assess and estimate due to unknown factors such as the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental and safety laws and regulations may change in the future. Although environmental and safety costs may have a significant impact on the results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position.

The balance of and changes in the accruals for environmental matters were as follows:

	Year Ended December 31,	
	2012	2011
	(Thousands of Dollars)	
Balance as of the beginning of year	\$ 23,113	\$ 8,569
Additions to accrual	4,766	4,054
San Antonio Refinery Acquisition	(5,957)	14,000
Payments	(5,242)	(3,498)
San Antonio Refinery Sale	(7,910)	—
Asphalt Sale	(3,300)	—
Foreign currency translation	71	(12)
Balance as of the end of year	<u>\$ 5,541</u>	<u>\$ 23,113</u>

Accruals for environmental matters are included in the consolidated balance sheets as follows:

	December 31,	
	2012	2011
	(Thousands of Dollars)	
Accrued liabilities	\$ 2,717	\$ 3,312
Other long-term liabilities	2,824	19,801
Accruals for environmental matters	<u>\$ 5,541</u>	<u>\$ 23,113</u>

15. COMMITMENTS AND CONTINGENCIES

Contingencies

We have contingent liabilities resulting from various litigation, claims and commitments, the most significant of which are discussed below. We record accruals for loss contingencies when losses are considered probable and can be reasonably estimated. Legal fees associated with defending the Partnership in legal matters are expensed as incurred. As of December 31, 2012, we have accrued \$0.5 million for contingent losses. The amount that will ultimately be paid related to these matters may

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

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 U.S. government in July 2012 and received releases of claims from various private parties and a covenant not to sue from the U.S. government. In connection with the settlement, we recognized a gain of \$28.7 million during the second quarter of 2012.

Other. We are also a party to additional claims and legal proceedings arising in the ordinary course of business. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.

Commitments

Future minimum rental payments applicable to all noncancellable operating leases and purchase obligations as of December 31, 2012 are as follows:

	Payments Due by Period						Total
	2013	2014	2015	2016	2017	There-after	
	(Thousands of Dollars)						
Operating leases	\$ 39,448	\$ 31,718	\$ 26,194	\$ 22,344	\$ 18,717	\$ 97,135	\$ 235,556
Purchase obligations:							
Crude oil	2,375,412	2,375,412	593,854	—	—	—	5,344,678
Other purchase obligations	7,191	6,242	3,264	2,736	432	216	20,081

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

Rental expense for all operating leases totaled \$73.9 million, \$70.0 million and \$63.7 million for the years ended December 31, 2012, 2011 and 2010, respectively, including rental expense associated with the San Antonio Refinery, which is included in “(Loss) income from discontinued operations, net of tax” on the consolidated statements of income. Our operating leases consist primarily of the following:

- a ten-year lease for tugs and barges utilized at our St. Eustatius facility for bunker fuel sales, with two five-year renewal options;
- leases for tugs and barges utilized at our Point Tupper facility for bunker fuel sales, with lease terms ranging from five to ten years; and
- land leases at various terminal facilities.

Our crude oil purchase obligations consist of a crude supply agreement to purchase an annual average of 75,000 barrels per day of crude oil over a minimum seven-year period from an affiliate of Petróleos de Venezuela S. A. (PDVSA), the national oil company of Venezuela. The value of this crude oil purchase obligations fluctuates according to a market-based pricing formula using published market indices, subject to adjustment per the agreement. We estimated the value of the crude oil purchase obligation based on market prices as of December 31, 2012. Simultaneously with the Asphalt Sale, we entered into a crude oil supply agreement with Asphalt JV that commits Asphalt JV to purchase from us a minimum amount of crude oil annually. See Note 18. Related Party Transactions for additional discussion of our agreements with Asphalt JV.

We entered into a crude purchase agreement with Statoil Brasil Oleo E Gas Limitada on November 17, 2010, which committed us to purchase an average of 10,000 barrels per day of crude oil over a three-year period, beginning in December 2011. We terminated this agreement in the fourth quarter of 2012.

16. 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 for identical assets or liabilities in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in markets that are not active; 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.

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. See Note 17. Derivatives and Risk Management Activities for a discussion of our derivative instruments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following assets and liabilities are measured at fair value:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	\$ 1,232	\$ —	\$ —	\$ 1,232
Commodity derivatives	1,001	8,357	—	9,358
Other long-term assets, net:				
Commodity derivatives	—	9,206	—	9,206
Accrued liabilities:				
Product imbalances	(1,686)	—	—	(1,686)
Commodity derivatives	—	(19,210)	—	(19,210)
Interest rate swaps	—	(40,911)	—	(40,911)
Total	\$ 547	\$ (42,558)	\$ —	\$ (42,011)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	\$ 2,117	\$ —	\$ —	\$ 2,117
Commodity derivatives	2,978	9,134	—	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	\$ 3,626	\$ (16,070)	\$ —	\$ (12,444)

Fair Value of Financial Instruments

We recognize cash equivalents, receivables, the note receivable from related party, payables and debt in our consolidated balance sheets at their carrying amount. The fair values of these financial instruments, except for the note receivable from related party and debt, approximate their carrying amounts. The estimated fair value and carrying amount of our debt was as follows:

	December 31,	
	2012	2011
	(Thousands of Dollars)	
Fair value	\$ 2,377,120	\$ 2,377,565
Carrying amount	\$ 2,411,004	\$ 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.

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

As of December 31, 2012, we also had a note receivable from related party of \$95.7 million under the NuStar JV Facility. The note receivable related to the NuStar JV Facility is recorded at the outstanding principal amount, and the fair value of the note receivable was \$91.7 million as of December 31, 2012. We estimated the fair value of the note receivable using discounted cash flows, which use observable inputs such as time to maturity and market interest rates, and determined the fair value falls in Level 2 of the fair value hierarchy. See Note 18. Related Party Transactions for additional information on the NuStar JV Facility.

17. DERIVATIVES AND RISK MANAGEMENT ACTIVITIES

We utilize various derivative instruments to manage our exposure to commodity price risk and manage our exposure to interest rate risk. 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 commodity and trading risk management. Our risk management committee also reviews all new commodity and trading risk management strategies in accordance with our risk management policy, as approved by our board of directors.

Interest Rate Risk

We are a party to certain interest rate swap agreements 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. We account for our fixed-to-floating interest rate swaps as fair value hedges. In the fourth quarter of 2011, we entered into fixed-to-floating interest rate swap agreements with an aggregate notional amount of \$270.0 million related to the 4.80% senior notes. Under the terms of these interest rate swap agreements, we receive a fixed 4.8% and will pay a variable rate based on one month USD LIBOR plus a percentage that varies with each agreement. During the year ended December 31, 2011, we entered into and terminated a fixed-to-floating interest rate swap agreement with a notional amount of \$40.0 million related to the 7.65% senior notes issued in April 2008. We also terminated interest rate swap agreements with an aggregate notional amount of \$617.5 million associated with our 4.80%, 6.05% and 6.875% senior notes during the year ended December 31, 2011. We received \$33.4 million in connection with the terminations, which we are amortizing into “Interest expense, net” over the remaining lives of the associated senior notes. We included the proceeds from the termination of interest rate swap agreements in cash flows from financing activities on the consolidated statements of cash flows. As of December 31, 2011, the weighted-average interest rate that we paid under our fixed-to-floating interest rate swaps was 3.1%.

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 December 31, 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 in 2013. Under the terms of the swaps, we will pay a fixed rate and receive a rate based on three month USD LIBOR. 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 qualified and we designated them 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 December 31, 2012 and 2011, the total aggregate notional amount of the forward-starting interest rate swaps was \$275.0 million and \$500.0 million, respectively.

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

The following table summarizes information about our forward-starting swaps as of December 31, 2012:

Notional Amount	Period of Hedge	Weighted-Average Fixed Rate
(Thousands of Dollars)		
\$125,000	03/13 – 03/23	3.5%
150,000	06/13 – 06/23	3.5%
<u>\$275,000</u>		<u>3.5%</u>

Commodity Price Risk

We are exposed to market risks related to the volatility of crude oil and refined product prices. In order 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 as fair value hedges.

We entered into commodity swap contracts to hedge the price risk associated with the San Antonio Refinery. These contracts fixed 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 qualified, and we designated them, as cash flow hedges. During the fourth quarter of 2011, we decided to adjust the refinery's operations, which caused a shift in the future production yields of the San Antonio refinery. This change caused certain forecasted sales of gasoline products to be replaced with distillate sales; therefore, we concluded that these forecasted gasoline sales were probable not to occur, and we discontinued cash flow hedging treatment for the related commodity contracts. We recorded gains of \$16.4 million related to these contracts for the year ended December 31, 2011, including \$15.1 million which we reclassified from accumulated other comprehensive loss. In anticipation of the San Antonio Refinery Sale, we concluded that these forecasted sales were probable not to occur. Therefore, we discontinued cash flow hedging treatment for the related commodity contracts in December 2012 and incurred a loss of \$21.7 million, which we reclassified from accumulated other comprehensive loss to "(Loss) income from discontinued operations, net of tax."

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 in net income. Changes in the fair values are recorded in net income. We no longer enter into commodity derivatives without underlying physical inventory.

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 18.4 million barrels and 27.8 million barrels as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, we had \$6.2 million and \$1.1 million, respectively, of margin deposits related to our derivative instruments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

Balance Sheet Location		Asset Derivatives		Liability Derivatives	
		December 31,			
		2012	2011	2012	2011
(Thousands of Dollars)					
Derivatives Designated as Hedging Instruments:					
Commodity contracts	Other current assets	\$ 1,471	\$ 36,116	\$ (811)	\$ (33,616)
Commodity contracts	Other long-term assets, net	—	86,052	—	(66,175)
Interest rate swaps	Other long-term assets, net	—	2,335	—	—
Interest rate swaps	Accrued liabilities	—	—	(40,911)	(22,009)
Interest rate swaps	Other long-term liabilities	—	—	—	(27,190)
Total		1,471	124,503	(41,722)	(148,990)
Derivatives Not Designated as Hedging Instruments:					
Commodity contracts	Other current assets	22,269	15,568	(13,571)	(5,956)
Commodity contracts	Other long-term assets, net	39,322	7,207	(30,116)	—
Commodity contracts	Accrued liabilities	17,406	519	(36,616)	(5,943)
Total		78,997	23,294	(80,303)	(11,899)
Total Derivatives		\$ 80,468	\$ 147,797	\$ (122,025)	\$ (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)				
Year ended December 31, 2012:				
Interest rate swaps	Interest expense, net	\$ 17,345	\$ (17,345)	\$ —
Commodity contracts	Cost of product sales	(10,505)	12,139	1,634
Total		\$ 6,840	\$ (5,206)	\$ 1,634
Year ended December 31, 2011:				
Interest rate swaps	Interest expense, net	\$ (55,183)	\$ 54,588	\$ (595)
Commodity contracts	Cost of product sales	(10,228)	9,004	(1,224)
Total		\$ (65,411)	\$ 63,592	\$ (1,819)
Year ended December 31, 2010:				
Interest rate swaps	Interest expense, net	\$ (27,443)	\$ 27,443	\$ —
Commodity contracts	Cost of product sales	(3,221)	13,946	10,725
Total		\$ (30,664)	\$ 41,389	\$ 10,725

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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) (b)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
	(Thousands of Dollars)		(Thousands of Dollars)	
Year ended December 31, 2012:				
Interest rate swaps	\$ (17,069)	Interest expense, net	\$ (1,749)	\$ —
Commodity contracts	(77,200)	(Loss) income from discontinued operations	(51,483)	4,010
Total	<u>\$ (94,269)</u>		<u>\$ (53,232)</u>	<u>\$ 4,010</u>

Year ended December 31, 2011:				
Interest rate swaps	\$ (84,199)	Interest expense, net	\$ —	\$ —
Commodity contracts	30,747	(Loss) income from discontinued operations	5,030	(4,010)
Total	<u>\$ (53,452)</u>		<u>\$ 5,030</u>	<u>\$ (4,010)</u>

Year ended December 31, 2010:				
Interest rate swaps	\$ 35,000	Interest expense, net	\$ —	\$ —
Commodity contracts	(1,440)	Cost of product sales	(1,680)	—
Total	<u>\$ 33,560</u>		<u>\$ (1,680)</u>	<u>\$ —</u>

- (a) Amounts are included in specified location for both the gain (loss) reclassified from accumulated OCI into income (effective portion) and the gain (loss) recognized in income on derivative (ineffective portion).
- (b) For the years ended December 31, 2012 and 2011, the amount associated with commodity contracts includes losses of \$21.7 million and gains of \$15.1 million, respectively, as a result of our decision to discontinue cash flow hedging treatment because the hedged forecasted transactions were probable not to occur.

Derivatives Not Designated as Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income
		(Thousands of Dollars)
Year ended December 31, 2012:		
Commodity contracts	Revenues	\$ (7,654)
Commodity contracts	Cost of product sales	20,138
Commodity contracts	(Loss) income from discontinued operations	6,176
Total		<u>\$ 18,660</u>
Year ended December 31, 2011:		
Commodity contracts	Revenues	\$ 235
Commodity contracts	Cost of product sales	(11,661)
Commodity contracts	Operating expenses	46
Commodity contracts	(Loss) income from discontinued operations	7,207
Total		<u>\$ (4,173)</u>
Year ended December 31, 2010:		
Commodity contracts	Cost of product sales	\$ (3,050)
Commodity contracts	Operating expenses	(52)
Total		<u>\$ (3,102)</u>

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

For derivatives designated as cash flow hedging instruments, once a hedged transaction occurs, we reclassify the effective portion from AOCI to “Interest expense, net” for our forward-starting interest rate swaps or to “(Loss) income from discontinued operations, net of tax” for our commodity contracts associated with the San Antonio Refinery. As of December 31, 2012, we expect to reclassify a loss of \$4.7 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 5 months for our forward-starting interest rate swaps.

18. RELATED PARTY TRANSACTIONS

The following table summarizes information pertaining to related party transactions:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Revenues	\$ 5,380	\$ 1,039	\$ —
Operating expenses	\$ 139,178	\$ 144,274	\$ 137,634
General and administrative expenses	\$ 62,490	\$ 66,220	\$ 71,554
Interest income	\$ 1,219	\$ —	\$ —
Expenses included in discontinued operations, net of tax	\$ (8,804)	\$ (6,288)	\$ —

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 U.S. operations. Certain of our wholly owned subsidiaries employ persons who perform services for our international operations.

GP Services Agreement. NuStar Energy and NuStar GP, LLC entered into a services agreement effective January 1, 2008 (the GP Services Agreement). The GP Services Agreement provides that NuStar GP, LLC will furnish administrative and certain operating services necessary to conduct the business of NuStar Energy. All employees providing services to both NuStar GP Holdings and NuStar Energy are employed by NuStar GP, LLC; therefore, NuStar Energy reimburses NuStar GP, LLC for all employee costs, other than the expenses allocated to NuStar GP Holdings (the Holdco Administrative Services Expense). The GP Services Agreement has an original termination date of December 31, 2012, but will automatically renew every two-year unless terminated by either party upon six months’ prior written notice.

We had a payable to NuStar GP, LLC of \$1.4 million and \$6.7 million as of December 31, 2012 and 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 December 31, 2012 and 2011 of \$18.1 million and \$14.5 million, respectively, related to amounts payable for retiree medical benefits and other post-employment benefits.

Non-Compete Agreement. On July 19, 2006, we entered into a non-compete agreement with NuStar GP Holdings, Riverwalk Logistics, L.P. and NuStar GP, LLC (the Non-Compete Agreement). The Non-Compete Agreement became effective on December 22, 2006 when NuStar GP Holdings ceased to be subject to the Amended and Restated Omnibus Agreement, dated March 31, 2006. Under the Non-Compete Agreement, we will have a right of first refusal with respect to the potential acquisition of assets that relate to the transportation, storage or terminalling of crude oil, feedstocks or refined petroleum products (including petrochemicals) in the United States and internationally. NuStar GP Holdings will have a right of first refusal with respect to the potential acquisition of general partner and other equity interests in publicly traded partnerships under common ownership with the general partner interest. With respect to any other business opportunities, neither the Partnership nor NuStar GP Holdings are prohibited from engaging in any business, even if the Partnership and NuStar GP Holdings would have a conflict of interest with respect to such other business opportunity.

Asphalt JV

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. As of December 31, 2012, the interest rate was 2.8%. 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. As of December 31, 2012, our note receivable from Asphalt JV totaled \$95.7 million under the NuStar JV Facility.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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 December 31, 2012, NuStar Energy has provided guarantees for commodity purchases, lease obligations and certain utilities for Asphalt JV with a maximum potential exposure of \$137.1 million. In addition, NuStar has provided two guarantees to suppliers that do not specify a maximum amount, but for which we believe any amounts due would be minimal. A majority of the guarantees were in existence prior to the Asphalt Sale and 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, but it will not reduce the availability under the NuStar 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 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.

In addition, we have terminal service agreements with Asphalt JV for our terminals in Jacksonville, FL, Dumfries, VA, and Baltimore, MD. These terminal service agreements have lease terms ranging from one to five years, with annual renewal options. Asphalt JV has the option to terminate any of these agreements at the end of a lease term with a 90 days written notice. Pursuant to the terms of the agreements, we provide aggregate storage capacity of approximately 0.6 million barrels to Asphalt JV for a storage charge of approximately \$6.3 million per year, plus applicable throughput and handling fees.

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. As of December 31, 2012, we had a receivable from Asphalt JV of \$109.4 million mainly associated with crude oil sales under the Asphalt JV 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 provided that certain of NuStar GP, LLC employees would provide employee-services to Asphalt JV. In exchange, Asphalt JV would 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 were not entitled to any new unit-based compensation grants from NuStar GP, LLC, and Asphalt JV was not responsible for unit-based compensation costs prior to the effective date. The Asphalt JV Employee Services Agreement terminated on December 31, 2012, and effective January 1, 2013, those employees became employees of NuStar Asphalt Refining, LLC.

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

19. EMPLOYEE BENEFIT PLANS AND LONG-TERM INCENTIVE PLANS

Employee Benefit Plans

We rely on employees of NuStar GP, LLC to provide the necessary services to conduct our U.S. operations. NuStar GP, LLC sponsors various employee benefit plans.

The NuStar Pension Plan (the Pension Plan) is a qualified non-contributory defined benefit pension plan that became effective July 1, 2006. The Pension Plan covers substantially all of NuStar GP, LLC's employees and generally provides eligible employees with retirement income calculated under a final average pay formula (FAP) or a cash balance formula. Employees hired before January 1, 2011 are covered under FAP, which is based on years of service and compensation during their period of service, and employees become fully vested in their benefits upon attaining five years of vesting service. Employees hired on January 1, 2011 or after are covered under the cash balance formula, which is based on age and service and interest credits, and employees become fully vested in their benefits upon attaining three years of vesting service.

NuStar GP, LLC also maintains an excess pension plan (the Excess Pension Plan) and a supplemental executive retirement plan (the SERP). The Excess Pension Plan and the SERP are nonqualified deferred compensation plans that provide benefits to a select group of management or other highly compensated employees of NuStar GP, LLC. Benefits under the Excess Pension Plan and the SERP are generally payable in a single lump sum payment upon the employee's separation from service.

The NuStar Thrift Plan (the Thrift Plan) is a qualified employee profit-sharing plan that became effective June 26, 2006. Participation in the Thrift Plan is voluntary and is open to substantially all NuStar GP, LLC employees upon their date of hire, except for part-time employees (as defined in the Thrift Plan), who become eligible upon completing one year of service (as defined in the Thrift Plan). Thrift Plan participants can contribute from 1% up to 30% of their total annual compensation to the Thrift Plan in the form of pre-tax and/or after tax employee contributions. NuStar GP, LLC makes matching contributions in an amount equal to 100% of each participant's employee contributions up to a maximum of 6% of the participant's total annual compensation.

NuStar GP, LLC also maintains an excess thrift plan (the Excess Thrift Plan) that became effective July 1, 2006. The Excess Thrift Plan is a nonqualified deferred compensation plan that provides benefits to those employees of NuStar GP, LLC whose compensation and/or annual contributions under the Thrift Plan are subject to the limitations applicable to qualified retirement plans under the Internal Revenue Code of 1986, as amended. Benefits under the Excess Thrift Plan are generally payable in a single lump sum payment upon the employee's separation from service.

NuStar GP, LLC also provides a post-retirement medical benefits plan for retired employees, referred to as other post-retirement benefits.

None of the Excess Thrift Plan, the Excess Pension Plan or the SERP is intended to constitute either a qualified plan under the provisions of Section 401 of the Internal Revenue Code or a funded plan subject to the Employee Retirement Income Security Act.

We also maintain several other defined contribution plans for certain international employees located in Canada, the Netherlands and the United Kingdom. For the years ended December 31, 2012, 2011 and 2010, our costs for these plans totaled \$2.6 million, \$2.6 million and \$2.5 million, respectively.

Long-Term Incentive Plans

NuStar GP, LLC also sponsors the following:

- The Third Amended and Restated 2000 Long-Term Incentive Plan (the 2000 LTIP), under which NuStar GP, LLC may award up to 3,250,000 NS common units. Awards under the 2000 LTIP can include NS unit options, restricted units, performance awards, distribution equivalent rights (DER) and contractual rights to receive common units. As of December 31, 2012, a total of 1,569,173 NS common units remained available to be awarded under the 2000 LTIP.
- The 2003 Employee Unit Incentive Plan (the UIP) under which NuStar GP, LLC may award up to 500,000 NS common units to employees of NuStar GP, LLC or its affiliates, excluding officers and directors of NuStar GP, LLC and its affiliates. Awards under the UIP can include NS unit options, restricted units and DER. As of December 31, 2012, a total of 226,277 NS common units remained available to be awarded under the UIP.
- The 2002 Unit Option Plan under which NuStar GP, LLC may award up to 200,000 NS unit options to officers and directors of NuStar GP, LLC or its affiliates, of which substantially all of the NS unit options have been awarded as of December 31, 2012.
- The 2006 Long-Term Incentive Plan (the 2006 LTIP) under which NuStar GP Holdings may award up to

NUSTAR ENERGY L.P. AND SUBSIDIARIES
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2,000,000 NSH units to employees, consultants and directors of NuStar GP Holdings and its affiliates, including us. Awards under the 2006 LTIP can include NSH unit options, performance awards, DER, restricted units, phantom units, unit grants and unit appreciation rights. As of December 31, 2012, a total of 1,510,971 NSH units remained available to be awarded under the 2006 LTIP.

The number of awards granted under the above-described plans were as follows:

	Year Ended December 31,					
	2012		2011		2010	
	Granted	Vesting	Granted	Vesting	Granted	Vesting
2000 LTIP:						
Performance awards	33,445	(a)	27,111	(a)	21,380	(a)
Restricted units	231,855	1/5 per year	208,195	1/5 per year	191,430	1/5 per year
Restricted units (grants to non-employee directors of NuStar GP, LLC)	8,170	1/3 per year	6,760	1/3 per year	3,938	1/3 per year
UIP:						
Restricted units (b)	15,382	1/5 per year	14,005	1/5 per year	11,520	1/5 per year
2006 LTIP:						
Restricted units	25,640	1/5 per year	24,970	1/5 per year	21,935	1/5 per year
Restricted units (grants to non-employee directors of NuStar GP Holdings) (c)	10,601	1/3 per year	9,987	1/3 per year	6,156	1/3 per year

- (a) Performance awards vest 1/3 per year if certain performance measures are met.
- (b) The UIP restricted unit grants include 3,392, 2,880 and 2,460 restricted unit awards granted to certain international employees for the years ended December 31, 2012, 2011 and 2010, respectively, that vest 1/3 per year, as defined in the award agreements.
- (c) We do not reimburse NuStar GP, LLC for compensation expense relating to these awards.

Our share of compensation expense related to the various long-term incentive plans and benefit plans described above is as follows:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Long-term incentive plans	\$ 7,745	\$ 8,521	\$ 20,349
Benefit plans	\$ 17,921	\$ 13,684	\$ 13,129

20. OTHER (EXPENSE) INCOME

Other (expense) income consisted of the following:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Loss on deconsolidation of Asphalt JV	(23,800)	—	—
(Loss) gain from sale or disposition of assets	(3,351)	209	(510)
Storage agreement early termination costs	—	(5,000)	—
Contingent loss adjustment	—	(3,250)	—
Gain from insurance recoveries	—	—	13,500
Foreign exchange (losses) gains	(1,422)	2,078	(1,507)
Other, net	2,062	2,620	4,451
Other (expense) income, net	\$ (26,511)	\$ (3,343)	\$ 15,934

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

For the year ended December 31, 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 and a contingent loss adjustment of \$3.3 million related to a legal settlement.

The gain from insurance recoveries for the year ended December 31, 2010 resulted from insurance claims related to damage primarily at our Texas City, Texas terminal caused by Hurricane Ike in 2008.

21. 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 under our 2010 Shelf Registration Statement. We used the net proceeds from this offering of \$343.9 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.

On December 9, 2011, we issued 6,037,500 common units representing limited partner interests at a price of \$53.45 per unit under our 2010 Shelf Registration Statement. We used the net proceeds from this offering of \$318.0 million, including a contribution of \$6.6 million from our general partner to maintain its 2% general partner interest, mainly to reduce outstanding borrowings under our 2007 Revolving Credit Agreement.

Our shelf registration statement on Form S-3 became effective on April 29, 2011, which permits us to offer and sell various types of securities, including NuStar Energy common units and debt securities of NuStar Logistics and NuPOP, having an aggregate value of up to \$200.0 million (the 2011 Shelf Registration Statement). On May 23, 2011, in connection with the 2011 Shelf Registration Statement, we entered into an Equity Distribution Agreement (the Equity Distribution Agreement) with Citigroup Global Markets Inc. (Citigroup). Under the Equity Distribution Agreement, we may from time to time sell an aggregate of up to \$200.0 million NuStar Energy common units representing limited partner interests, using Citigroup as our sales agent. In September and October 2011, we issued 108,029 NuStar Energy common units under the Equity Distribution Agreement for net proceeds of \$6.0 million, including a contribution of \$0.1 million from our general partner to maintain its 2% general partner interest.

On May 19, 2010, we issued 4,400,000 common units representing limited partner interests at a price of \$56.55 per unit under our 2010 Shelf Registration Statement. We used the net proceeds from this offering of \$245.2 million, including a contribution of \$5.1 million from our general partner to maintain its 2% general partner interest, mainly to reduce outstanding borrowings under our 2007 Revolving Credit Agreement and for the Asphalt Holdings Acquisition.

Accumulated Other Comprehensive Income (Loss)

The balance of and changes in the components included in “Accumulated other comprehensive income (loss)” were as follows:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
	(Thousands of Dollars)		
Balance as of January 1, 2010	\$ 8,050	\$ (240)	\$ 7,810
Activity	3,450	35,240	38,690
Balance as of December 31, 2010	11,500	35,000	46,500
Activity	(15,425)	(58,482)	(73,907)
Balance as of December 31, 2011	(3,925)	(23,482)	(27,407)
Activity	9,579	(41,037)	(31,458)
Balance as of December 31, 2012	<u>\$ 5,654</u>	<u>\$ (64,519)</u>	<u>\$ (58,865)</u>

Other comprehensive income (loss) attributable to the noncontrolling interest consisted of foreign currency translation adjustment gains of \$1.1 million and losses of \$3.0 million, for the years ended December 31, 2012 and 2011, respectively. We did not have a noncontrolling interest for the year ended December 31, 2010.

Allocations of Net Income

General Partner. Our partnership agreement, as amended, sets forth the calculation to be used to determine the amount and

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priority of cash distributions that the common unitholders and general partner will receive. The partnership agreement also contains provisions for the allocation of net income and loss to the unitholders and the general partner. For purposes of maintaining partner capital accounts, the partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interests. Normal allocations according to percentage interests are made after giving effect 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:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Net (loss) income attributable to NuStar Energy L.P.	\$ (226,616)	\$ 221,461	\$ 238,970
Less general partner incentive distribution (a)	41,242	36,319	33,304
Net (loss) income after general partner incentive distribution	(267,858)	185,142	205,666
General partner interest	2%	2%	2%
General partner allocation of net (loss) income after general partner incentive distribution	(5,356)	3,703	4,113
General partner incentive distribution	41,242	36,319	33,304
Net income applicable to general partner	\$ 35,886	\$ 40,022	\$ 37,417

- (a) The net income allocation to the general partner's incentive distribution is less than the actual distribution made with respect to 2011, which is shown in the distribution table below, due to the issuance of common units after the end of the third quarter but before the record date.

Cash Distributions

We make quarterly distributions of 100% of our available cash, generally defined as cash receipts less cash disbursements and cash reserves established by the general partner, in its sole discretion. These quarterly distributions are declared and paid within 45 days subsequent to each quarter-end. The limited partner unitholders are entitled to receive a minimum quarterly distribution of 0.60 per unit each quarter (\$2.40 annualized). Our cash is first distributed 98% to the limited partners and 2% to the general partner until the amount distributed to our unitholders is equal to the minimum quarterly distribution and arrearages in the payment of the minimum quarterly distribution for any prior quarter. Cash in excess of the minimum quarterly distributions is distributed to our unitholders and our general partner based on the percentages shown below.

Our general partner is entitled to incentive distributions if the amount we distribute with respect to any quarter exceeds specified target levels shown below:

Quarterly Distribution Amount per Unit	Percentage of Distribution	
	Unitholders	General Partner
Up to \$0.60	98%	2%
Above \$0.60 up to \$0.66	90%	10%
Above \$0.66	75%	25%

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

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars, Except Per Unit Data)		
General partner interest	\$ 7,486	\$ 6,630	\$ 6,227
General partner incentive distribution	41,242	36,326	33,304
Total general partner distribution	48,728	42,956	39,531
Limited partners' distribution	325,526	288,550	271,847
Total cash distributions	<u>\$ 374,254</u>	<u>\$ 331,506</u>	<u>\$ 311,378</u>
Cash distributions per unit applicable to limited partners	<u>\$ 4.380</u>	<u>\$ 4.360</u>	<u>\$ 4.280</u>

In February 2013, we declared a quarterly cash distribution of \$1.095 that was paid on February 14, 2013 to unitholders of record on February 11, 2013. This distribution related to the fourth quarter of 2012 and totaled \$98.1 million, of which \$12.8 million represented our general partner's interest and incentive distribution.

22. NET INCOME PER UNIT

The following table details the calculation of earnings per unit:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars, Except Per Unit Data)		
Net (loss) income attributable to NuStar Energy L.P.	\$ (226,616)	\$ 221,461	\$ 238,970
Less general partner distribution (including IDR)	48,728	42,948	39,531
Less limited partner distribution	325,526	288,497	271,847
Distributions greater than earnings	<u>\$ (600,870)</u>	<u>\$ (109,984)</u>	<u>\$ (72,408)</u>
General partner earnings:			
Distributions	\$ 48,728	\$ 42,948	\$ 39,531
Allocation of distributions greater than earnings (2%)	(12,019)	(2,201)	(1,447)
Total	<u>\$ 36,709</u>	<u>\$ 40,747</u>	<u>\$ 38,084</u>
Limited partner earnings:			
Distributions	\$ 325,526	\$ 288,497	\$ 271,847
Allocation of distributions greater than earnings (98%)	(588,851)	(107,783)	(70,961)
Total	<u>\$ (263,325)</u>	<u>\$ 180,714</u>	<u>\$ 200,886</u>
Weighted-average limited partner units outstanding			
	<u>72,957,417</u>	<u>65,018,301</u>	<u>62,946,987</u>
Net (loss) income per unit applicable to limited partners			
	<u>\$ (3.61)</u>	<u>\$ 2.78</u>	<u>\$ 3.19</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

23. STATEMENTS OF CASH FLOWS

Changes in current assets and current liabilities were as follows:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Decrease (increase) in current assets:			
Accounts receivable	\$ 160,435	\$ (230,980)	\$ (90,369)
Receivable from related parties	(113,018)	—	—
Inventories	112,589	(160,139)	(26,595)
Income tax receivable	2,921	(4,265)	—
Other current assets	(26,050)	(1,825)	31,373
Increase (decrease) in current liabilities:			
Accounts payable	(43,451)	140,898	80,980
Payable to related party	(5,339)	(3,603)	(218)
Accrued interest payable	(6,092)	126	8,179
Accrued liabilities	11,259	(10,087)	(6,488)
Taxes other than income tax	(2,444)	2,574	(4,793)
Income tax payable	(563)	1,848	1,064
Changes in current assets and current liabilities	<u>\$ 90,247</u>	<u>\$ (265,453)</u>	<u>\$ (6,867)</u>

The above changes in current assets and current liabilities differ from changes between amounts reflected in the applicable consolidated balance sheets due to:

- the changes in assets held for sale being reflected in the line items to which the changes relate in the table above;
- current assets and current liabilities acquired and disposed during the period; and
- the effect of foreign currency translation.

Non-cash investing and financing activities for the years ended December 31, 2012, 2011 and 2010 mainly consist of changes in the fair values of our fixed-to-floating and forward-starting interest rate swaps.

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

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Cash paid for interest, net of amount capitalized	\$ 110,679	\$ 109,027	\$ 87,653
Cash paid for income taxes, net of tax refunds received	\$ 21,032	\$ 14,920	\$ 13,062

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

24. INCOME TAXES

Components of income tax expense related to certain of our operations conducted through separate taxable wholly owned corporate subsidiaries were as follows:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Current:			
U.S.	\$ 4,469	\$ 3,730	\$ 2,010
Foreign	16,483	8,632	11,464
Total current	20,952	12,362	13,474
Deferred:			
U.S.	6,033	1,009	(3,786)
Foreign	(4,491)	3,342	2,053
Total deferred	1,542	4,351	(1,733)
Total income tax expense	\$ 22,494	\$ 16,713	\$ 11,741

The difference between income tax expense recorded in our consolidated statements of income and income taxes computed by applying the statutory federal income tax rate (35% for all years presented) to income before income tax expense is due to the fact that the majority of our income is not subject to federal income tax due to our status as a limited partnership.

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

	December 31,	
	2012	2011
	(Thousands of Dollars)	
Deferred income tax assets:		
Net operating losses	\$ 25,567	\$ 17,089
Environmental and legal reserves	291	14,822
Capital loss	—	1,044
Valuation allowance	(78)	(1,161)
Total deferred income tax assets	25,780	31,794
Deferred income tax liabilities:		
Property, plant and equipment	(54,155)	(57,392)
Other	(631)	(698)
Total deferred income tax liabilities	(54,786)	(58,090)
Net deferred income tax liability	\$ (29,006)	\$ (26,296)
Reported on the consolidated balance sheets as:		
Deferred income tax asset	\$ 3,108	\$ 9,141
Deferred income tax liability	(32,114)	(35,437)
Net deferred income tax liability	\$ (29,006)	\$ (26,296)

As of December 31, 2012, our U.S. corporate operations have net operating loss carryforwards for tax purposes totaling approximately \$72.1 million, which are subject to various limitations on use and expire in years 2021 through 2031.

As of December 31, 2012 and 2011, we recorded a valuation allowance of \$0.1 million and \$1.2 million, respectively, related to our foreign deferred tax assets. We estimate the amount of valuation allowance based upon our expectations of taxable income in the various jurisdictions in which we operate and the period over which we can utilize those future deductions. The valuation

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allowance reflects uncertainties related to our ability to utilize certain net operating loss carryforwards before they expire. In 2012, we decreased the valuation allowance for the foreign net operating loss by \$1.1 million due to changes in our estimates of the amount of those loss carryforwards that will be realized, based upon future taxable income and potential tax planning strategies.

The realization of net deferred income tax assets recorded as of December 31, 2012 is dependent upon our ability to generate future taxable income in the United States. We believe it is more-likely-than not that the deferred income tax assets as of December 31, 2012 will be realized, based on expected future taxable income and potential tax planning strategies.

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 15. 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.

St. Eustatius Tax Agreement

On June 1, 1989, the governments of the Netherlands Antilles and St. Eustatius approved a Free Zone and Profit Tax Agreement retroactive to January 1, 1989, which expired on December 31, 2000. This agreement required a subsidiary of Kaneb, which we acquired on July 1, 2005, to pay the greater of 2% of taxable income, as defined therein, or 500,000 Netherlands Antilles guilders (approximately \$0.3 million) per year. The agreement further provided that any amounts paid in order to meet the minimum annual payment were available to offset future tax liabilities under the agreement to the extent that the minimum annual payment is greater than 2% of taxable income. On February 22, 2006, we entered into a revised agreement (the 2005 Tax and Maritime Agreement) with the governments of St. Eustatius and the Netherlands Antilles. The 2005 Tax and Maritime Agreement was effective beginning January 1, 2005 and expires on December 31, 2014. Under the terms of the 2005 Tax and Maritime Agreement, we agreed to make a one-time payment of 5.0 million Netherlands Antilles guilders (approximately \$2.8 million) in full and final settlement of all of our liabilities, taxes, fees, levies, charges, or otherwise (including settlement of audits) due or potentially due to St. Eustatius. We further agreed to pay an annual minimum profit tax to St. Eustatius of 1.0 million Netherlands Antilles guilders (approximately \$0.6 million), beginning as of January 1, 2005. We agreed to pay the minimum annual profit tax in twelve equal monthly installments. To the extent the minimum annual profit tax exceeds 2% of taxable profit (as defined in the 2005 Tax and Maritime Agreement), we can carry forward that excess to offset future tax liabilities. If the minimum annual profit tax is less than 2% of taxable profit, we agreed to pay that difference.

Effective January 1, 2011, the Netherlands Antilles was dissolved, and St. Eustatius became part of the Netherlands. We are uncertain of the impact, if any, to our overall tax liability in St. Eustatius.

25. 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. Beginning September 28, 2012, we no longer have asphalt refining due to the Asphalt Sale. Intersegment revenues result from storage and throughput agreements with wholly owned subsidiaries of NuStar Energy at lease rates consistent with rates charged to third parties for storage and at pipeline tariff rates based upon the applicable published tariff. Related party revenues mainly result from storage agreements with our joint ventures and the noncontrolling shareholder of our Turkey subsidiary.

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Results of operations for the reportable segments were as follows:

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
Revenues:			
Storage:			
Third parties	\$ 524,249	\$ 513,450	\$ 475,624
Intersegment	66,804	52,282	44,214
Related party	4,589	1,039	—
Total storage	595,642	566,771	519,838
Transportation:			
Third parties	340,455	311,449	315,690
Intersegment	—	65	382
Total transportation	340,455	311,514	316,072
Asphalt and fuels marketing:			
Third parties	5,085,592	5,445,877	3,611,747
Intersegment	—	9,782	4,143
Related party	791	—	—
Total asphalt and fuels marketing	5,086,383	5,455,659	3,615,890
Consolidation and intersegment eliminations	(66,804)	(62,129)	(48,739)
Total revenues	<u>\$ 5,955,676</u>	<u>\$ 6,271,815</u>	<u>\$ 4,403,061</u>
Depreciation and amortization expense:			
Storage	\$ 93,449	\$ 87,737	\$ 77,071
Transportation	52,878	51,165	50,617
Asphalt and fuels marketing	11,253	20,949	20,257
Total segment depreciation and amortization expense	157,580	159,851	147,945
Other depreciation and amortization expense	7,441	6,738	5,857
Total depreciation and amortization expense	<u>\$ 165,021</u>	<u>\$ 166,589</u>	<u>\$ 153,802</u>
Operating (loss) income:			
Storage	\$ 194,567	\$ 193,395	\$ 178,947
Transportation	158,590	146,403	148,571
Asphalt and fuels marketing	(296,785)	71,854	90,861
Consolidation and intersegment eliminations	303	(52)	276
Total segment operating income	56,675	411,600	418,655
Less general and administrative expenses	(104,756)	(103,050)	(110,241)
Less other depreciation and amortization expense	(7,441)	(6,738)	(5,857)
Other asset impairment loss	(3,295)	—	—
Gain on legal settlement	28,738	—	—
Total operating (loss) income	<u>\$ (30,079)</u>	<u>\$ 301,812</u>	<u>\$ 302,557</u>

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

Revenues by geographic area are shown in the table below.

	Year Ended December 31,		
	2012	2011	2010
	(Thousands of Dollars)		
United States	\$ 4,237,648	\$ 4,530,810	\$ 3,326,674
Netherlands	1,438,297	1,564,062	914,144
Other	279,731	176,943	162,243
Consolidated revenues	<u>\$ 5,955,676</u>	<u>\$ 6,271,815</u>	<u>\$ 4,403,061</u>

For the years ended December 31, 2012 and 2011, Valero Energy Corporation accounted for approximately 11%, or \$668.1 million, and 10%, or \$684.1 million, of our consolidated revenues, respectively. These revenues were included in all of our reportable business segments. For the year ended December 31, 2010, no single customer accounted for 10% or more of our consolidated revenues.

Long-lived assets include property, plant and equipment, intangible assets subject to amortization and certain long-lived assets included in “Other long-term assets, net” in the consolidated balance sheets. Total amounts of long-lived assets by geographic area were as follows:

	December 31,	
	2012	2011
	(Thousands of Dollars)	
United States	\$ 3,031,559	\$ 3,166,784
Netherlands	464,226	446,855
Other	226,837	219,911
Consolidated long-lived assets	<u>\$ 3,722,622</u>	<u>\$ 3,833,550</u>

Total assets by reportable segment were as follows:

	December 31,	
	2012	2011
	(Thousands of Dollars)	
Storage	\$ 2,627,946	\$ 2,597,904
Transportation	1,720,711	1,251,474
Asphalt and fuels marketing	885,661	1,717,960
Total segment assets	5,234,318	5,567,338
Other partnership assets	378,771	313,852
Total consolidated assets	<u>\$ 5,613,089</u>	<u>\$ 5,881,190</u>

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

Changes in the carrying amount of goodwill were as follows:

	<u>Storage</u>	<u>Transportation</u>	<u>Asphalt and Fuels Marketing</u>	<u>Total</u>
	(Thousands of Dollars)			
Balance as of January 1, 2011	\$ 585,167	\$ 174,848	\$ 53,255	\$ 813,270
Turkey Acquisition preliminary purchase price allocation	33,734	—	—	33,734
Other (a)	(287)	—	—	(287)
Balance as of December 31, 2011	618,614	174,848	53,255	846,717
TexStar Acquisition preliminary purchase price allocation	—	127,896	—	127,896
Asphalt Operations impairment	—	—	(22,132)	(22,132)
Terminal sales (b)	(3,764)	—	—	(3,764)
Other (a)	2,307	—	—	2,307
Balance as of December 31, 2012	<u>\$ 617,157</u>	<u>\$ 302,744</u>	<u>\$ 31,123</u>	<u>\$ 951,024</u>

- (a) Includes purchase price adjustments related to acquisitions still subject to the measurement period that ends at the earlier of 12 months from the acquisition date or when information becomes available. Also includes foreign currency translation adjustments.
- (b) Goodwill associated with five terminals in Georgia and Alabama sold on April 16, 2012.

Capital expenditures, including acquisitions and investments in other noncurrent assets, by reportable segment were as follows:

	<u>Year Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(Thousands of Dollars)		
Storage	\$ 161,672	\$ 263,918	\$ 241,491
Transportation	493,028	45,170	21,300
Asphalt and fuels marketing	20,333	90,683	26,387
Other partnership assets	53,982	45,569	27,147
Total capital expenditures	<u>\$ 729,015</u>	<u>\$ 445,340</u>	<u>\$ 316,325</u>

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

26. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

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

Condensed Consolidating Balance Sheets
December 31, 2012
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	\$ 7,033	\$ 1,112	\$ —	\$ 75,457	\$ —	\$ 83,602
Receivables	—	157,452	10,561	340,144	(10,381)	497,776
Inventories	—	2,320	5,590	165,349	(31)	173,228
Income tax receivable	—	—	—	1,265	—	1,265
Other current assets	—	26,353	1,468	37,417	—	65,238
Assets held for sale	—	35,337	—	82,997	—	118,334
Intercompany receivable	—	353,384	599,599	—	(952,983)	—
Total current assets	7,033	575,958	617,218	702,629	(963,395)	939,443
Property, plant and equipment, net	—	1,423,991	582,299	1,232,170	—	3,238,460
Intangible assets, net	—	18,733	—	73,702	—	92,435
Goodwill	—	145,990	170,652	634,382	—	951,024
Investment in wholly owned subsidiaries	3,133,097	161,957	1,208,595	2,329,595	(6,833,244)	—
Investment in joint ventures	—	35,883	—	67,062	—	102,945
Deferred income tax asset	—	—	—	3,108	—	3,108
Note receivable from related party	—	95,711	—	—	—	95,711
Other long-term assets, net	490	148,384	26,330	14,759	—	189,963
Total assets	3,140,620	2,606,607	2,605,094	5,057,407	(7,796,639)	5,613,089
Liabilities and Partners' Equity						
Current portion of long-term debt	\$ —	\$ 1,313	\$ 250,967	\$ 34,142	\$ —	\$ 286,422
Payables	15	122,706	12,657	274,044	(10,381)	399,041
Accrued interest payable	—	22,512	1,224	5	—	23,741
Accrued liabilities	862	76,322	7,542	39,477	—	124,203
Taxes other than income tax	129	5,671	2,830	1,263	—	9,893
Income tax payable	—	247	—	2,424	—	2,671
Intercompany payable	508,365	—	—	444,618	(952,983)	—
Total current liabilities	509,371	228,771	275,220	795,973	(963,364)	845,971
Long-term debt, less current portion	—	2,124,582	—	—	—	2,124,582
Long-term payable to related party	—	12,629	—	5,442	—	18,071
Deferred income tax liability	—	—	—	32,114	—	32,114
Other long-term liabilities	—	2,701	279	4,376	—	7,356
Total partners' equity	2,631,249	237,924	2,329,595	4,219,502	(6,833,275)	2,584,995
Total liabilities and partners' equity	\$ 3,140,620	\$ 2,606,607	\$ 2,605,094	\$ 5,057,407	\$ (7,796,639)	\$ 5,613,089

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

NUSTAR ENERGY L.P. AND SUBSIDIARIES
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 ventures	—	—	—	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	<u>\$ 3,386,673</u>	<u>\$ 2,515,820</u>	<u>\$ 2,748,566</u>	<u>\$ 5,887,687</u>	<u>\$(8,657,556)</u>	<u>\$ 5,881,190</u>
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	<u>\$ 3,386,673</u>	<u>\$ 2,515,820</u>	<u>\$ 2,748,566</u>	<u>\$ 5,887,687</u>	<u>\$(8,657,556)</u>	<u>\$ 5,881,190</u>

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

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

Condensed Consolidating Statements of Income (Loss)
For the Year Ended December 31, 2012
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	\$ —	\$ 364,860	\$ 210,712	\$ 5,405,157	\$ (25,053)	\$ 5,955,676
Costs and expenses	1,699	218,289	151,185	5,640,047	(25,465)	5,985,755
Operating (loss) income	(1,699)	146,571	59,527	(234,890)	412	(30,079)
Equity in (loss) earnings of subsidiaries	(224,917)	(361,830)	65,505	112,818	408,424	—
Equity in (loss) earnings of joint ventures	—	(16,117)	—	6,739	—	(9,378)
Interest expense, net	—	(76,311)	(12,546)	(813)	—	(89,670)
Other (expense) income, net	—	(26,596)	1,679	(1,594)	—	(26,511)
(Loss) income from continuing operations before income tax expense	(226,616)	(334,283)	114,165	(117,740)	408,836	(155,638)
Income tax expense	—	255	1,329	20,910	—	22,494
(Loss) income from continuing operations	(226,616)	(334,538)	112,836	(138,650)	408,836	(178,132)
Loss from discontinued operations, net of tax	—	(2,364)	—	(46,355)	(386)	(49,105)
Net (loss) income	(226,616)	(336,902)	112,836	(185,005)	408,450	(227,237)
Less net loss attributable to noncontrolling interest	—	—	—	(621)	—	(621)
Net (loss) income attributable to NuStar Energy L.P.	<u>\$ (226,616)</u>	<u>\$ (336,902)</u>	<u>\$ 112,836</u>	<u>\$ (184,384)</u>	<u>\$ 408,450</u>	<u>\$ (226,616)</u>

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

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

Condensed Consolidating Statements of Income
For the Year Ended December 31, 2011
(Thousands of Dollars)

	<u>NuStar Energy</u>	<u>NuStar Logistics</u>	<u>NuPOP</u>	<u>Non-Guarantor Subsidiaries (a)</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 299,226	\$ 199,569	\$ 5,805,535	\$ (32,515)	\$ 6,271,815
Costs and expenses	1,663	176,985	142,077	5,682,209	(32,931)	5,970,003
Operating (loss) income	(1,663)	122,241	57,492	123,326	416	301,812
Equity in earnings of subsidiaries	223,125	12,883	108,644	145,218	(489,870)	—
Equity in earnings of joint venture	—	—	—	11,458	—	11,458
Interest expense, net	—	(56,389)	(22,840)	(2,498)	—	(81,727)
Other income (expense), net	—	1,309	1,936	(6,588)	—	(3,343)
Income from continuing operations before income tax expense	221,462	80,044	145,232	270,916	(489,454)	228,200
Income tax expense	1	(575)	13	17,274	—	16,713
Income from continuing operations	221,461	80,619	145,219	253,642	(489,454)	211,487
(Loss) income from discontinued operations, net of tax	—	(2,793)	—	12,907	—	10,114
Net income	221,461	77,826	145,219	266,549	(489,454)	221,601
Less net income attributable to noncontrolling interest	—	—	—	140	—	140
Net income attributable to NuStar Energy L.P.	<u>\$ 221,461</u>	<u>\$ 77,826</u>	<u>\$ 145,219</u>	<u>\$ 266,409</u>	<u>\$ (489,454)</u>	<u>\$ 221,461</u>

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

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

Condensed Consolidating Statements of Income
For the Year Ended December 31, 2010
(Thousands of Dollars)

	<u>NuStar Energy</u>	<u>NuStar Logistics</u>	<u>NuPOP</u>	<u>Non-Guarantor Subsidiaries (a)</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 294,163	\$ 172,623	\$ 3,959,122	\$ (22,847)	\$ 4,403,061
Costs and expenses	1,353	189,950	125,495	3,808,276	(24,570)	4,100,504
Operating (loss) income	(1,353)	104,213	47,128	150,846	1,723	302,557
Equity in earnings of subsidiaries	240,343	41,515	120,827	180,242	(582,927)	—
Equity in earnings of joint venture	—	—	—	10,500	—	10,500
Interest income (expense), net	1	(52,486)	(24,353)	(1,442)	—	(78,280)
Other income, net	—	3,163	289	12,482	—	15,934
Income before income tax expense	238,991	96,405	143,891	352,628	(581,204)	250,711
Income tax expense	21	1,303	—	10,417	—	11,741
Net income	<u>\$ 238,970</u>	<u>\$ 95,102</u>	<u>\$ 143,891</u>	<u>\$ 342,211</u>	<u>\$ (581,204)</u>	<u>\$ 238,970</u>

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

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

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the Year Ended December 31, 2012
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net (loss) income	\$ (226,616)	\$ (336,902)	\$ 112,836	\$ (185,005)	\$ 408,450	\$ (227,237)
Other comprehensive (loss) income:						
Foreign currency translation adjustment	—	—	—	10,677	—	10,677
Net unrealized loss on cash flow hedges	—	(17,069)	—	(77,200)	—	(94,269)
Net loss reclassified into income on cash flow hedges	—	1,749	—	51,483	—	53,232
Total other comprehensive loss	—	(15,320)	—	(15,040)	—	(30,360)
Comprehensive (loss) income	(226,616)	(352,222)	112,836	(200,045)	408,450	(257,597)
Less comprehensive gain attributable to noncontrolling interest	—	—	—	477	—	477
Comprehensive (loss) income attributable to NuStar Energy L.P.	<u>\$ (226,616)</u>	<u>\$ (352,222)</u>	<u>\$ 112,836</u>	<u>\$ (200,522)</u>	<u>\$ 408,450</u>	<u>\$ (258,074)</u>

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

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

Condensed Consolidating Statements of Comprehensive Income
For the Year Ended December 31, 2011
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net income	\$ 221,461	\$ 77,826	\$ 145,219	\$ 266,549	\$ (489,454)	\$ 221,601
Other comprehensive (loss) income:						
Foreign currency translation adjustment	—	—	—	(18,431)	—	(18,431)
Net unrealized (loss) gain on cash flow hedges	—	(84,199)	—	30,747	—	(53,452)
Net gain reclassified into income on cash flow hedges	—	—	—	(5,030)	—	(5,030)
Total other comprehensive (loss) income	—	(84,199)	—	7,286	—	(76,913)
Comprehensive income (loss)	221,461	(6,373)	145,219	273,835	(489,454)	144,688
Less comprehensive loss attributable to noncontrolling interest	—	—	—	(2,866)	—	(2,866)
Comprehensive income (loss) attributable to NuStar Energy L.P.	<u>\$ 221,461</u>	<u>\$ (6,373)</u>	<u>\$ 145,219</u>	<u>\$ 276,701</u>	<u>\$ (489,454)</u>	<u>\$ 147,554</u>

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

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

Condensed Consolidating Statements of Comprehensive Income
For the Year Ended December 31, 2010
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net income	\$ 238,970	\$ 95,102	\$ 143,891	\$ 342,211	\$ (581,204)	\$ 238,970
Other comprehensive income:						
Foreign currency translation adjustment	—	—	—	3,450	—	3,450
Net unrealized (loss) gain on cash flow hedges	—	35,000	—	(1,440)	—	33,560
Net loss reclassified into income on cash flow hedges	—	—	—	1,680	—	1,680
Total other comprehensive income	—	35,000	—	3,690	—	38,690
Comprehensive income	<u>\$ 238,970</u>	<u>\$ 130,102</u>	<u>\$ 143,891</u>	<u>\$ 345,901</u>	<u>\$ (581,204)</u>	<u>\$ 277,660</u>

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

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

Condensed Consolidating Statements of Cash Flows
For the Year Ended December 31, 2012
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by operating activities	\$ 363,639	\$ 86,333	\$ 81,700	\$ 149,369	\$ (381,838)	\$ 299,203
Cash flows from investing activities:						
Capital expenditures	—	(292,873)	(16,114)	(101,608)	—	(410,595)
Acquisitions	—	(201,610)	—	(114,200)	—	(315,810)
Investment in other long-term assets	—	—	—	(2,610)	—	(2,610)
Proceeds from sale or disposition of assets	—	5,166	4,537	32,947	—	42,650
Proceeds from sale of Asphalt Operations	—	436,276	—	—	—	436,276
Increase in note receivable from related party	—	(95,711)	—	—	—	(95,711)
Investment in subsidiaries	(337,123)	(114,200)	—	(34)	451,357	—
Net cash used in investing activities	(337,123)	(262,952)	(11,577)	(185,505)	451,357	(345,800)
Cash flows from financing activities:						
Debt borrowings	—	2,621,025	—	—	—	2,621,025
Debt repayments	—	(2,470,355)	(250,000)	—	—	(2,720,355)
Proceeds from senior note offering, net of issuance costs	—	247,398	—	—	—	247,398
Issuance of common units, net of issuance costs	336,415	—	—	—	—	336,415
General partner contribution	7,121	—	—	—	—	7,121
Distributions to unitholders and general partner	(365,279)	(365,279)	—	(16,567)	381,846	(365,279)
Proceeds from termination of interest rate swaps	—	(5,678)	—	—	—	(5,678)
Contributions from (distributions to) affiliates	—	337,123	—	114,234	(451,357)	—
Net intercompany borrowings (repayments)	2,254	(177,851)	179,877	(4,272)	(8)	—
Other, net	(133)	(9,845)	—	—	—	(9,978)
Net cash (used in) provided by financing activities	(19,622)	176,538	(70,123)	93,395	(69,519)	110,669
Effect of foreign exchange rate changes on cash	—	1,179	—	854	—	2,033
Net increase in cash and cash equivalents	6,894	1,098	—	58,113	—	66,105
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	\$ 7,033	\$ 1,112	\$ —	\$ 75,457	\$ —	\$ 83,602

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

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

Condensed Consolidating Statements of Cash Flows
For the Year Ended December 31, 2011
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 377,469	\$ 121,416	\$ 59,109	\$ (84,135)	\$ (379,391)	\$ 94,468
Cash flows from investing activities:						
Capital expenditures	—	(197,845)	(8,093)	(129,722)	—	(335,660)
Acquisitions	—	(47,817)	—	(52,873)	—	(100,690)
Investment in other long-term assets	—	—	—	(8,990)	—	(8,990)
Proceeds from sale or disposition of assets	—	63	86	1,937	—	2,086
Investment in subsidiaries	(374,628)	—	(56,727)	(56,759)	488,114	—
Net cash used in investing activities	(374,628)	(245,599)	(64,734)	(246,407)	488,114	(443,254)
Cash flows from financing activities:						
Debt borrowings	—	949,549	—	—	—	949,549
Debt repayments	—	(801,950)	—	—	—	(801,950)
Issuance of common units, net of issuance costs	317,285	—	—	—	—	317,285
General partner contribution	6,708	—	—	—	—	6,708
Distributions to unitholders and general partner	(322,046)	(322,046)	—	(32)	322,078	(322,046)
Proceeds from termination of interest rate swaps	—	33,433	—	—	—	33,433
Contributions from (distributions to) affiliates	—	260,028	56,727	114,053	(430,808)	—
Net intercompany borrowings (repayments)	(4,702)	(105,944)	(51,102)	161,741	7	—
Other, net	—	4,705	—	(963)	—	3,742
Net cash (used in) provided by financing activities	(2,755)	17,775	5,625	274,799	(108,723)	186,721
Effect of foreign exchange rate changes on cash	—	(1,233)	—	(326)	—	(1,559)
Net increase (decrease) in cash and cash equivalents	86	(107,641)	—	(56,069)	—	(163,624)
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	\$ 139	\$ 14	\$ —	\$ 17,344	\$ —	\$ 17,497

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

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

Condensed Consolidating Statements of Cash Flows
For the Year Ended December 31, 2010
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	NuPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Net cash provided by operating activities	\$ 302,373	\$ 144,654	\$ 30,740	\$ 189,918	\$ (305,185)	\$ 362,500
Cash flows from investing activities:						
Capital expenditures	—	(109,023)	(14,621)	(146,186)	—	(269,830)
Acquisition	—	—	—	(43,026)	—	(43,026)
Investment in other long-term assets	—	—	—	(3,469)	—	(3,469)
Proceeds from sale or disposition of assets	—	25	34	2,551	—	2,610
Proceeds from insurance recoveries	—	—	—	13,500	—	13,500
Investment in subsidiaries	(245,604)	—	—	(25)	245,629	—
Net cash used in investing activities	(245,604)	(108,998)	(14,587)	(176,655)	245,629	(300,215)
Cash flows from financing activities:						
Debt borrowings	—	1,076,406	—	—	—	1,076,406
Debt repayments	—	(1,401,354)	—	—	—	(1,401,354)
Proceeds from senior note offering, net of issuance costs	—	445,431	—	—	—	445,431
Issuance of common units, net of issuance costs	240,148	—	—	—	—	240,148
General partner contribution	5,078	—	—	—	—	5,078
Distributions to unitholders and general partner	(305,154)	(305,154)	—	(31)	305,185	(305,154)
Contributions from (distributions to) affiliates	—	245,604	—	25	(245,629)	—
Net intercompany borrowings (repayments)	3,159	19,424	(16,133)	(6,450)	—	—
Other, net	—	(3,458)	(20)	(811)	—	(4,289)
Net cash (used in) provided by financing activities	(56,769)	76,899	(16,153)	(7,267)	59,556	56,266
Effect of foreign exchange rate changes on cash	—	(6,502)	—	7,066	—	564
Net increase in cash and cash equivalents	—	106,053	—	13,062	—	119,115
Cash and cash equivalents as of the beginning of the period	53	1,602	—	60,351	—	62,006
Cash and cash equivalents as of the end of the period	\$ 53	\$ 1,602	\$ —	\$ 73,413	\$ —	\$ 181,121

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

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

27. QUARTERLY FINANCIAL DATA (UNAUDITED)

The amounts shown below differ from those previously reported in our quarterly reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2012 and June 30 and September 30, 2011 due to the sale of the San Antonio Refinery on January 1, 2013 as discussed in Note 5 Dispositions. The results of operations of the San Antonio Refinery have been presented as discontinued operations for all periods presented.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
(Thousands of Dollars, Except Per Unit Data)					
2012:					
Revenues	\$ 1,609,405	\$ 1,767,748	\$ 1,593,756	\$ 984,767	\$ 5,955,676
Operating income (loss)	\$ 59,019	\$ (204,908)	\$ 59,352	\$ 56,458	\$ (30,079)
Income (loss) from continuing operations	\$ 37,952	\$ (244,466)	\$ 13,965	\$ 14,417	\$ (178,132)
Loss from discontinued operations, net of tax	(11,698)	(2,344)	(9,623)	(25,440)	(49,105)
Net income (loss)	<u>\$ 26,254</u>	<u>\$ (246,810)</u>	<u>\$ 4,342</u>	<u>\$ (11,023)</u>	<u>\$ (227,237)</u>
Net income (loss) per unit applicable to limited partners:					
Continuing operations	\$ 0.39	\$ (3.53)	\$ 0.04	\$ 0.05	\$ (2.95)
Discontinued operations	(0.16)	(0.03)	(0.13)	(0.32)	(0.66)
Total	<u>\$ 0.23</u>	<u>\$ (3.56)</u>	<u>\$ (0.09)</u>	<u>\$ (0.27)</u>	<u>\$ (3.61)</u>
Cash distributions per unit applicable to limited partners					
	\$ 1.095	\$ 1.095	\$ 1.095	\$ 1.095	\$ 4.380
2011:					
Revenues	\$ 1,234,616	\$ 1,496,357	\$ 1,716,437	\$ 1,824,405	\$ 6,271,815
Operating income	\$ 55,731	\$ 114,186	\$ 90,066	\$ 41,829	\$ 301,812
Income from continuing operations	\$ 28,516	\$ 90,044	\$ 68,143	\$ 24,784	\$ 211,487
Income from discontinued operations, net of tax	—	2,561	2,138	5,415	10,114
Net income	<u>\$ 28,516</u>	<u>\$ 92,605</u>	<u>\$ 70,281</u>	<u>\$ 30,199</u>	<u>\$ 221,601</u>
Net income per unit applicable to limited partners:					
Continuing operations	\$ 0.30	\$ 1.23	\$ 0.89	\$ 0.22	\$ 2.63
Discontinued operations	—	0.04	0.03	0.08	0.15
Total	<u>\$ 0.30</u>	<u>\$ 1.27</u>	<u>\$ 0.92</u>	<u>\$ 0.30</u>	<u>\$ 2.78</u>
Cash distributions per unit applicable to limited partners					
	\$ 1.075	\$ 1.095	\$ 1.095	\$ 1.095	\$ 4.360

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

28. SUBSEQUENT EVENTS

On January 22, 2013, NuStar Logistics issued \$402.5 million of 7.625% fixed-to-floating rate subordinated notes due January 15, 2043 under our 2010 Shelf Registration Statement, including the underwriters' option to purchase up to an additional \$52.5 million principal amount of the notes, which option was exercised in full. The net proceeds of approximately \$391.5 million were used for general partnership purposes, including repayment of outstanding borrowings under our 2012 Revolving Credit Agreement. The notes are fully and unconditionally guaranteed on an unsecured and subordinated basis by NuStar Energy and NuPOP.

The 7.625% notes will bear interest at a fixed annual rate of 7.625%, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year beginning on April 15, 2013 and ending on January 15, 2018. Thereafter, the notes will bear interest at an annual rate equal to the sum of the three-month LIBOR rate for the related quarterly interest period plus 6.734% payable quarterly on January 15, April 15, July 15 and October 15 of each year, commencing April 15, 2018, unless payment is deferred in accordance with the terms of the notes. NuStar Logistics may elect to defer interest payments on the notes on one or more occasions for up to five consecutive years. Deferred interest will accumulate additional interest at a rate equal to the interest rate then applicable to the notes until paid. If NuStar Logistics elects to defer interest payments, NuStar Energy cannot declare or make cash distributions to its unitholders during the period interest is deferred.

The notes do not have sinking fund requirements. These notes are subordinated to existing senior unsecured indebtedness of NuStar Logistics and do not contain restrictions on NuStar Logistics' ability to incur additional indebtedness, including debt that ranks senior in priority of payment to the notes. In addition, the notes do not limit NuStar Logistics' ability to incur indebtedness secured by certain liens or to engage in certain sale-leaseback transactions. At the option of NuStar Logistics, the notes may be redeemed in whole or in part at any time at a redemption price, which may include a make-whole premium, plus accrued and unpaid interest to the redemption date.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

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 (the Exchange Act)) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were operating effectively as of December 31, 2012.

INTERNAL CONTROL OVER FINANCIAL REPORTING.

(a) Management's Report on Internal Control over Financial Reporting.

Management's report on NuStar Energy L.P.'s internal control over financial reporting required by Item 9A. appears in Item 8. of this report, and is incorporated herein by reference.

(b) Attestation Report of the Registered Public Accounting Firm.

The report of KPMG LLP on NuStar Energy L.P.'s internal control over financial reporting appears in Item 8. of this Form 10-K, and is incorporated herein by reference.

(c) Changes in Internal Controls 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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

DIRECTORS AND EXECUTIVE OFFICERS OF NUSTAR GP, LLC

We do not have directors or officers. The directors and officers of NuStar GP, LLC, the general partner of our general partner, Riverwalk Logistics, L.P., perform all of our management functions. NuStar GP Holdings, LLC (NuStar GP Holdings), the sole member of NuStar GP, LLC, selects the directors of NuStar GP, LLC (the Board). Officers of NuStar GP, LLC are appointed by its directors.

Set forth below is certain information concerning the directors and executive officers of NuStar GP, LLC:

Name	Age	Position Held with NuStar GP, LLC
William E. Greehey	76	Chairman of the Board
Curtis V. Anastasio	56	President, Chief Executive Officer (CEO) and Director
J. Dan Bates	68	Director
Dan J. Hill	72	Director
Stan McLelland	67	Director
Rodman D. Patton	69	Director
Bradley C. Barron	47	Executive Vice President and General Counsel
Steven A. Blank	58	Executive Vice President, Chief Financial Officer (CFO) and Treasurer
Mary Rose Brown	56	Executive Vice President-Administration
Douglas W. Comeau	56	Executive Vice President & Chief Operating Officer
Thomas R. Shoaf	54	Senior Vice President and Controller

As a limited partnership, we are not required by the NYSE rules to have a nominating committee, and the Board has historically performed the functions served by a nominating committee. However, in 2013, the Board has created a Nominating/Governance & Conflicts Committee to identify candidates for membership on the Board. In accordance with our Corporate Governance Guidelines, individuals are considered for membership on the Board based on their character, judgment, integrity, diversity, age, skills (including financial literacy), independence and experience in the context of the overall needs of the Board. Our directors are also selected based on their knowledge about our industry and their respective experience leading or advising large companies. We require that our directors have the ability to work collegially, exercise good judgment and think critically. In addition, we ask that our directors commit to working hard for our company. The Nominating/Governance & Conflicts Committee strives to find the best possible candidates to represent the interests of NuStar Energy L.P. and its unitholders. As part of its annual self-assessment process, the Board and each of its committees evaluates the mix of independent and non-independent directors, as well as the performance of the directors and the committees, and the Board annually elects a presiding director.

The Board is led by its Chairman, Mr. Greehey. The Board has determined that separating the roles of Chairman and CEO is in the best interest of unitholders at this time. In addition, the Board has appointed Mr. Patton as its presiding director to serve as a point of contact for unitholders wishing to communicate with the Board and to lead executive sessions of the non-management directors.

Mr. Greehey became Chairman of the Board in January 2002. He has also been the Chairman of the board of directors of NuStar GP Holdings since March 2006. Mr. Greehey served as Chairman of the board of directors of Valero Energy Corporation (Valero Energy) from 1979 through January 2007. Mr. Greehey was CEO of Valero Energy from 1979 through December 2005, and President of Valero Energy from 1998 until January 2003.

Mr. Anastasio became the President and a director of NuStar GP, LLC in December 1999. He also became its CEO in June 2000. Mr. Anastasio has also served as President and Chief Executive Officer of NuStar GP Holdings since March 2006, and he has been a director of NuStar GP Holdings since January 2007.

Mr. Bates became a director of NuStar GP, LLC in April 2006. He has been President and CEO of the Southwest Research Institute since 1997. Mr. Bates also serves as Chairman of the board of Signature Science L.L.C. and Vice Chairman of Southwest Automotive Research Center. He served as Vice Chairman of the board of directors of the Federal Reserve Bank of

Dallas' San Antonio Branch from January 2005 through December 2009.

Mr. Hill became a director of NuStar GP, LLC in July 2004. From February 2001 through May 2004, he served as a consultant to El Paso Corporation. Prior to that, he served as President and CEO of Coastal Refining and Marketing Company. In 1978, Mr. Hill was named as Senior Vice President of The Coastal Corporation and President of Coastal States Crude Gathering. In 1971, he began managing Coastal's NGL business. Previously, Mr. Hill worked for Amoco and Mobil.

Mr. McLelland became a director of NuStar GP, LLC in October 2005. He has also served as a director of NuStar GP Holdings since July 2006. Mr. McLelland has served as a director of two privately held companies, Patton Surgical Corp. and the general partner of Yorktown Technologies, LP, since November 2003 and June 2004, respectively. Mr. McLelland was U.S. Ambassador to Jamaica from January 1997 until March 2001. Prior to being named U.S. Ambassador to Jamaica, Mr. McLelland was a senior executive with Valero Energy. He joined Valero Energy in 1981 as Senior Vice President and General Counsel, and he served as Executive Vice President and General Counsel from 1990 until 1997.

Mr. Patton became a director of NuStar GP, LLC in June 2001. He retired from Merrill Lynch & Co. in 1999 where he had served as Managing Director in the Energy Group since 1993. Prior to that, he served in investment banking and corporate finance positions with Credit Suisse First Boston (1981-1993) and Blyth Eastman Paine Webber (1971-1981). He has also served as a director of Apache Corporation since 1999 and is a member of its audit committee.

Mr. Barron became Executive Vice President and General Counsel of NuStar GP, LLC and NuStar GP Holdings in February 2012. He served as Senior Vice President and General Counsel of NuStar GP, LLC and NuStar GP Holdings from April 2007 until his promotion in February 2012. He also served as Secretary of NuStar GP, LLC and NuStar GP Holdings from April 2007 to February 2009. He served as Vice President, General Counsel and Secretary of NuStar GP, LLC from January 2006 until his promotion in April 2007. Mr. Barron also served as Vice President, General Counsel and Secretary of NuStar GP Holdings from March 2006 until his promotion in April 2007. Mr. Barron served as Managing Counsel and Corporate Secretary of NuStar GP, LLC from July 2003 until January 2006. From January 2001 until July 2003, he served as Counsel, and then Senior Counsel, to Valero Energy.

Mr. Blank became Executive Vice President, CFO and Treasurer of NuStar GP, LLC and NuStar GP Holdings in February 2012. He served as Senior Vice President and CFO of NuStar GP, LLC from January 2002 until his promotion in February 2012. He also served as NuStar GP, LLC's Treasurer from July 2005 until his promotion in February 2012. He has also served as Senior Vice President, CFO and Treasurer of NuStar GP Holdings since March 2006. From December 1999 until January 2002, he was Chief Accounting and Financial Officer and a director of NuStar GP, LLC. He served as Vice President and Treasurer of Ultramar Diamond Shamrock Corporation from December 1996 until January 2002.

Ms. Brown became Executive Vice President-Administration of NuStar GP, LLC and NuStar GP Holdings in February 2012. She served as Senior Vice President-Administration of NuStar GP, LLC from April 2008 until her promotion in February 2012. She served as Senior Vice President-Corporate Communications from April 2007 through April 2008. Prior to her service to NuStar GP, LLC, Ms. Brown served as Senior Vice President-Corporate Communications for Valero Energy from September 1997 to April 2007.

Mr. Comeau became Executive Vice President & Chief Operating Officer of NuStar GP, LLC and NuStar GP Holdings, LLC in September 2012. He served as Senior Vice President - Corporate Development and Strategic Planning of NuStar GP, LLC from March 2012 until his promotion in September 2012. Prior to his service to NuStar GP, LLC and NuStar GP Holdings, LLC, Mr. Comeau served as Vice President and General Manager of the Benicia Refinery for Valero Energy from August 2003 to March 2012. He served as Vice President - Strategic Capital Review for Valero Energy from January 2001 to August 2003.

Mr. Shoaf became Senior Vice President and Controller of NuStar GP, LLC and NuStar GP Holdings in February 2012. He served as Vice President and Controller of NuStar GP, LLC from July 2005 until his promotion in February 2012. He also served as Vice President and Controller of NuStar GP Holdings from March 2006 until his promotion in February 2012. Mr. Shoaf served as Vice President-Structured Finance for Valero Corporate Services Company, a subsidiary of Valero Energy, from 2001 until his appointment with NuStar GP, LLC.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires directors, executive officers and persons who beneficially own more than 10% of NuStar Energy L.P.'s equity securities to file certain reports with the Securities and Exchange Commission (SEC) concerning their beneficial ownership of NuStar Energy's equity securities within two business days. We believe that during the year ended December 31, 2012 all Section 16(a) reports applicable to our executive officers, directors and greater than 10% stockholders were timely filed, with the exception of a Form 4 filed on January 17, 2013 to report Ms. Brown's purchase of 14,900 units.

CODE OF ETHICS OF SENIOR FINANCIAL OFFICERS

NuStar GP, LLC has adopted a Code of Ethics for Senior Financial Officers that applies to NuStar GP, LLC's principal executive officer, principal financial officer and controller. This code charges the senior financial officers with responsibilities regarding honest and ethical conduct, the preparation and quality of the disclosures in documents and reports NuStar GP, LLC files with the SEC and compliance with applicable laws, rules and regulations.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Audit Committee reviews and reports to the Board on various auditing and accounting matters, including the quality, objectivity and performance of NuStar Energy's internal and external accountants and auditors, the adequacy of its financial controls and the reliability of financial information reported to the public. The Audit Committee also monitors NuStar Energy's compliance with environmental laws and regulations. The Board has adopted a written charter for the Audit Committee. The members of the Audit Committee during 2012 were Rodman D. Patton (Chairman), J. Dan Bates and Dan J. Hill. The Audit Committee met eight times in 2012. For further information, see the "*Report of the Audit Committee*" below.

The Board has determined that Mr. Patton is an "audit committee financial expert" (as defined by the SEC), and that he is "independent" as that term is used in the NYSE Listing Standards.

REPORT OF THE AUDIT COMMITTEE FOR FISCAL YEAR 2012

Management of NuStar GP, LLC is responsible for NuStar Energy's internal controls and the financial reporting process. KPMG LLP (KPMG), NuStar Energy's independent registered public accounting firm for the year ended December 31, 2012, is responsible for performing an independent audit of NuStar Energy's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) and generally accepted auditing standards, and an audit of NuStar Energy's internal control over financial reporting in accordance with the standards of the PCAOB, and issuing a report thereon. The Audit Committee monitors and oversees these processes and approves the selection and appointment of NuStar Energy's independent registered public accounting firm and recommends the ratification of such selection and appointment to the Board.

The Audit Committee has reviewed and discussed NuStar Energy's audited consolidated financial statements with management and KPMG. The Audit Committee has discussed with KPMG the matters required to be discussed by Statement on Auditing Standards No. 114 by the PCAOB. The Audit Committee has received written disclosures and the letter from KPMG required by applicable requirements of the Audit Committee concerning independence and has discussed with KPMG that firm's independence.

Based on the foregoing review and discussions and such other matters the Audit Committee deemed relevant and appropriate, the Audit Committee recommended to the Board that the audited consolidated financial statements of NuStar Energy be included in NuStar Energy's Annual Report on Form 10-K for the year ended December 31, 2012.

Members of the Audit Committee:

Rodman D. Patton (Chairman)
J. Dan Bates
Dan J. Hill

RISK OVERSIGHT

While it is the job of management to assess and manage our risk, the Board of Directors and its Audit Committee (each where applicable) discuss the guidelines and policies that govern the process by which risk assessment and management is undertaken and evaluate reports from various functions with the management team on risk assessment and management. The Board interfaces regularly with management and receives periodic reports that include updates on operational, financial, legal and risk management matters. The Audit Committee assists the Board in oversight of the integrity of NuStar Energy's financial statements and NuStar Energy's compliance with legal and regulatory requirements, including those related to the health, safety and environmental performance of our company. The Audit Committee also reviews and assesses the performance of NuStar Energy's internal audit function and its independent auditors. The Board receives regular reports from the Audit Committee.

Evaluation of Compensation Risk. The Compensation Committee has focused on aligning our compensation policies with the long-term interests of NuStar Energy and avoiding short-term rewards for management decisions that could pose long-term risks to NuStar Energy. NuStar Energy's compensation programs are structured so that a considerable amount of our management's compensation is tied to NuStar Energy's long-term fiscal health. The only short-term incentive available to NuStar Energy employees and executives is the all-employee performance bonus. All bonuses, including executive bonuses, are determined with reference to well-defined performance metrics selected by the Compensation Committee and applicable to all employees. Historically, our long-term incentives have taken the form of performance units, restricted units and unit options that typically vest over three- and five-year periods, thereby aligning our employees' interests with the long-term goals of NuStar Energy. No business group or unit is compensated differently than any other, regardless of profitability. There is also a maximum number of performance units that may be earned, based on the performance of NuStar Energy relative to certain peer companies. As such, we believe that our compensation policies encourage employees to operate our business in a fundamentally sound manner and do not create incentives to take risks that are reasonably likely to have a material adverse effect on NuStar Energy.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussion and such other matters the Compensation Committee deemed relevant and appropriate, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this annual report.

Members of the Compensation Committee:

Dan J. Hill (Chairman)

J. Dan Bates

Rodman D. Patton

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Philosophy

Our philosophy for compensating our named executive officers (NEOs) is based on the belief that a significant portion of executive compensation should be incentive-based and determined by both NuStar Energy's and the executive's performance objectives. Our executive compensation programs are designed to accomplish the following long-term objectives:

- increase value to unitholders, while practicing good corporate governance;
- support our business strategy and business plan by clearly communicating what is expected of executives with respect to goals and results;
- provide the Compensation Committee with the flexibility to respond to the continually changing environment in which NuStar Energy operates;
- align executive incentive compensation with NuStar Energy's short- and long-term performance results; and
- provide market-competitive compensation and benefits to enable us to recruit, retain and motivate the executive talent necessary to produce sustainable, superior growth for our unitholders.

Compensation for our NEOs primarily consists of base salary, an annual incentive bonus and long-term, equity-based incentives. Our executives participate in the same group benefit programs available to our salaried employees in the United States. In addition, see "Post-Employment Benefits" below in this Item 11. Our executives do not have employment or severance agreements, other than the change-of-control agreements described below in "Potential Payments Upon Termination or Change of Control." The Compensation Committee targets base salary for our NEOs, as well as annual incentive bonus and long-term incentive awards (expressed, in each case, as a percentage of base salary), at or near the median of our peer group and after reviewing survey data for a group of 849 industrial companies. In each case, an executive's salary and incentive opportunities are determined by the unique responsibilities of his or her position and by each executive's experience and performance, with the market information in mind.

Our NEOs for the year ended December 31, 2012 were: Curtis V. Anastasio, Bradley C. Barron, Steven A. Blank, Mary Rose Brown and Douglas W. Comeau.

Administration of Executive Compensation Programs

Our executive compensation programs are administered by our Board's Compensation Committee. The Compensation Committee is composed of three independent directors who are not participants in our executive compensation programs. Policies adopted by the Compensation Committee are implemented by our compensation and benefits staff.

Annually, the Compensation Committee reviews market trends in compensation, including the practices of identified competitors, and the alignment of the compensation program with NuStar Energy's strategy. Specifically, for executive officers, the Compensation Committee:

- establishes and approves target compensation levels for each executive officer;
- approves company performance measures and goals;
- determines the mix between cash and equity compensation, short-term and long-term incentives and benefits;

- verifies the achievement of previously established performance goals; and
- approves the resulting cash or equity awards to executives.

In making determinations about total compensation for executives, the Compensation Committee takes into account a number of factors, including: the competitive market for talent; compensation paid at peer companies; industry-wide trends; NuStar Energy's performance; the particular executive's role, responsibilities, experience and performance; and retention. The Compensation Committee also considers other equitable factors such as the role, contribution and performance of an individual executive relative to the executive's peers at the company. The Compensation Committee does not assign specific weight to these factors, but rather makes a subjective judgment taking all of these factors into account.

The Compensation Committee has retained BDO USA, LLP (BDO) as its independent compensation consultant with respect to executive compensation matters. In its role as advisor to the Compensation Committee, BDO was retained directly by the Compensation Committee, which has the authority to select, retain and/or terminate its relationship with a consulting firm. The Compensation Committee determined that there are no conflicts of interest between the Company, the Committee and BDO because BDO provides no other services to NuStar Energy; fees paid to BDO represent less than a fraction of 1% of BDO's worldwide revenues; BDO has policies in place to prevent a conflict of interest, including a policy that no employee of BDO may own NuStar Energy units; and there is no business or personal relationship between BDO's consultant and any of NuStar Energy's officers or directors.

Selection of Compensation Comparative Data

The Compensation Committee relies upon two primary sources of competitive compensation data in assessing base salary rates, annual incentive compensation and long-term incentive compensation: a group of master limited partnerships and other companies in our industry and broader survey data on comparably sized entities.

To establish compensation for the NEOs, including the CEO, the Committee, in consultation with management and BDO, identified a specific peer group (listed below), composed primarily of master limited partnerships but also including independent, regional refining companies, to evaluate competitive rates of compensation (the Compensation Comparative Group). Refining companies, HollyFrontier Corporation and Western Refining Inc., were added to our prior peer list in 2008 to account for our acquisition of asphalt refining and marketing assets from CITGO Asphalt Refining Company (the Asphalt Business) in March 2008. For 2012, each of these organizations, in our opinion, competed with us for executive talent. We intend to reevaluate this group in 2013, particularly with respect to the refining companies, in view of the fact we no longer directly own any refining assets, due to our third quarter 2012 sale of 50% of the Asphalt Business and our first quarter 2013 sale of the San Antonio refinery. The competitive data for these companies is derived from their respective publicly filed annual proxy statements or annual reports on Form 10-K.

<u>Company</u>	<u>Ticker</u>
1. Boardwalk Pipeline Partners	BWP
2. Buckeye Partners LP	BPL
3. Copano Energy LLC	CPNO
4. Crosstex Energy LP	XTEX
5. Enbridge Energy Partners LP	EEP
6. Energy Transfer Partners	ETP
7. Enterprise Product Partners LP	EPD
8. Kinder Morgan Energy LP	KMP
9. Magellan Midstream Partners LP	MMP
10. Mark West Energy Partners	MWE
11. ONEOK Partners, L.P.	OKS
12. Plains All American Pipeline LP	PAA
13. Regency Energy Partners	RGNC
14. Sunoco Logistics Partners LP	SXL
15. HollyFrontier Corporation*	HFC
16. Western Refining Inc.	WNR

* Holly Corporation and Frontier Oil Corporation merged in 2011 to form HollyFrontier Corporation.

The Compensation Committee also periodically reviews survey data reported on a position-by-position basis to obtain additional information regarding compensation of comparable positions. The survey data consists of general industry data for executive positions reported in the Towers Watson General Industry Executive Compensation database, a proprietary compensation database of approximately 849 U.S. industrial companies that is updated each year. In 2012, at the Committee's request, BDO reviewed and interpreted tabular data from the Towers Watson survey for companies in a range of reported revenues comparable to NuStar Energy's. We refer to the competitive survey data, together with the Compensation Comparative Group data, as the Compensation Comparative Data.

Process and Timing of Compensation Decisions

The Compensation Committee reviews and approves all compensation for the NEOs. Recommendations regarding compensation for NEOs other than the CEO are developed by the CEO in consultation with BDO. In making these recommendations, the CEO considers the Compensation Comparative Data and evaluates the individual performance of each NEO and their respective contributions to the Company. The recommendations are then reviewed by the Compensation Committee, which may accept the recommendations or may make adjustments to the recommended compensation based on their own assessment of the individual's performance and contributions to NuStar Energy.

As required by the Compensation Committee's charter, the compensation of the CEO is reviewed and approved by the Compensation Committee based on the Compensation Comparative Data and other factors; discretionary adjustments may be made based upon their independent evaluation of the CEO's performance and contributions.

Each July, the Compensation Committee reviews the NEOs' total compensation, including base salary and the target levels of annual incentive and long-term incentive compensation. The review includes a comparison with competitive market data provided by BDO, an evaluation of the total compensation of the executive officer group from an internal equity perspective and reviews of reports on the compensation history of each executive. Based on these reviews and evaluations, the Compensation Committee establishes annual salary rates for executive officer positions for the upcoming 12-month period and sets target levels of annual incentive and long-term incentive compensation. Although the target levels are established in July, the long-term incentives are reviewed again at the time of grant, typically in the fourth quarter for unit options and restricted units and in the first quarter for performance units. The Compensation Committee may also review salaries or grant long-term incentive awards at other times during the year because of new appointments, promotions or other extraordinary circumstances.

The following table summarizes the approximate timing of some of our significant compensation events:

Event	Timing
Establishing financial performance objectives for current year's annual incentive bonus; evaluating achievement of bonus metrics in prior year	First quarter
Review and certify financial performance for performance units granted in prior years; grant performance units	First quarter
Review base salaries for executive officers for the current year and targets for annual incentive bonus and long-term incentive grants	Third quarter
Consider grant of restricted unit and unit options to employees and officers and grant restricted units to directors	Fourth quarter
Setting meeting dates for action by the Compensation Committee for the upcoming year	Fourth quarter

Additional information regarding the timing of 2012 long-term incentive grants is discussed below under "Performance Units" and "Restricted Units."

Elements of Executive Compensation

General

Our executive compensation programs currently consist of the following material elements:

- base salaries;
- annual incentive bonuses;
- long-term equity-based incentives, including:

- performance units; and
- restricted units;
- medical and other insurance benefits, retirement benefits and other perquisites.

We use base salary as the foundation for our executive compensation program. We believe that base salary should provide a fixed level of competitive pay that reflects the executive officer's primary duties and responsibilities, as well as a foundation for incentive opportunities and benefit levels. Our annual incentive bonuses are designed to focus our executives on improving NuStar Energy's distributable cash flow (DCF), a non-GAAP measure of financial performance, which is widely regarded among the master limited partnership (MLP) investment community as a significant determinant of an MLP's unit price. Our long-term equity incentive awards are designed to directly tie an executive's financial reward opportunities with the rewards to unitholders on both an absolute and relative basis, as measured by long-term unit price performance and payment of distributions. Throughout this Item 11, we use the term "Total Direct Compensation" to refer to the sum of an executive officer's base salary, annual incentive bonus and long-term incentive awards for a particular fiscal year. We also offer group medical benefits that allow employees (including NEOs) affordable coverage at group rates, as well as pension benefits that reward continued service and a thrift plan that provides a tax-advantaged savings opportunity.

Relative Size of Primary Elements of Compensation

In setting executive compensation, the Compensation Committee considers the aggregate amount of compensation payable to an executive officer and the form of the compensation. The Compensation Committee seeks to achieve the appropriate balance between salary, cash rewards earned for the achievement of company and personal objectives and long-term incentives that align the interests of our executive officers with those of our unitholders. The size of each element is based on competitive market practices, as well as company and individual performance.

The level of incentive compensation typically increases in relation to an executive officer's responsibilities, with the level of incentive compensation for more senior executive officers being a greater percentage of total compensation than for less senior executives. The Compensation Committee believes that making a significant portion of an executive officer's incentive compensation contingent on long-term unit price performance more closely aligns the executive officer's interests with those of our unitholders.

Because we place such a large proportion of our total executive compensation at risk in the form of variable pay (*i.e.* annual and long-term incentives), the Compensation Committee does not adjust current compensation based upon realized gains or losses from prior incentive awards. For example, we will not reduce the size of a target long-term incentive grant in a particular year solely because NuStar Energy's unit price performed well during the immediately preceding years. We believe that adopting a policy of making such adjustments would penalize management's current compensation for NuStar Energy's prior success.

The following table summarizes the relative size of base salary and incentive compensation targets for 2012 for each of our NEOs:

Name	Target Percentage of Total Direct Compensation			TOTAL
	Base Salary (%)	Annual Incentive Bonus (%)	Long-Term Incentives (%)	
Anastasio	26	23	51	100
Barron	35	21	44	100
Blank	35	21	44	100
Brown	35	21	44	100
Comeau	31	23	46	100

Individual Performance and Personal Objectives

The Compensation Committee evaluates our NEOs' individual performance and personal objectives with input from our CEO. Our CEO's performance is evaluated by the Compensation Committee in consultation with other members of the Board.

Assessment of individual performance may include objective criteria, but is a largely subjective process. The criteria used to measure an individual's performance may include use of quantitative criteria (*e.g.*, execution of projects within budget, improving an operating unit's profitability, or timely completion of an acquisition or divestiture), as well as more qualitative

factors, such as the executive officer's ability to lead, ability to communicate and successful adherence to NuStar's core values (*i.e.*, environmental and workplace safety, integrity, work commitment, effective communication and teamwork). There are no specific weights given to any of these various elements of individual performance.

We use our evaluation of individual performance to supplement our objective compensation criteria and adjust an executive officer's recommended compensation. For example, although an individual officer's indicated bonus may be calculated to be \$100,000 based on NuStar Energy's performance, an individual performance evaluation might result in a reduction or increase in that amount.

Base Salaries

The base salaries for our executive officers are reviewed annually by the Compensation Committee based on recommendations of our CEO, with input from BDO and our compensation and benefits staff. Our CEO's base salary is reviewed and approved by the Compensation Committee based on its review of recommendations by BDO, our Chairman and our compensation and benefits staff.

The competitiveness of base salaries for each executive position is determined by an evaluation of the compensation data described above. Base salaries may be adjusted to achieve what is determined to be a reasonably competitive level or to reflect promotions, the assignment of additional responsibilities, individual performance or the performance of NuStar Energy. Salaries are also periodically adjusted to remain competitive with the Compensation Comparative Data.

In July 2011, BDO performed a comprehensive review of our NEO's Total Direct Compensation. In July 2012, management reviewed several sets of survey data, including a Aon Hewitt study, a Mercer study and *The World At Work*, and they also considered anecdotal information about compensation by local companies. Based on this information, management recommended that each NuStar employee throughout the company, including the NEOs, be eligible to receive a merit-based pay raise in the range of 0% to 3.25% of his or her actual salary paid during the prior 12-month period (Eligible Salary). Each NEO received a raise in their base salary in the amount of 3.25% of their Eligible Salary, as provided in the table below.

Name	Annualized Base Salary at December 31, 2012	July 2012 Increase to Prior Annualized Salary
Anastasio	\$536,900	\$16,900
Barron	309,750	9,750
Blank	373,410	11,750
Brown	334,530	10,530
Comeau (1)	385,000	--

(1) Mr. Comeau was hired in March 2012 at an annual salary of \$295,000, and he received a \$9,590 raise in July 2012. He was promoted in October 2012, and at that time his salary rate was raised to \$385,000.

Annual Incentive Bonus

Our NEOs participate in the annual incentive plan in which all domestic company employees participate. Under the plan, participants can earn annual incentive bonuses based on the following three factors:

- The individual's position, which is used to determine a targeted percentage of annual base salary that may be awarded as incentive bonus. Generally, the target amount for the NEOs is set following the analysis of market practices in the Compensation Comparative Group and a determination of the median bonus target available to comparable executives in those companies;
- NuStar Energy's attainment of specific quantitative financial goals, which are established by the Compensation Committee during the first quarter of the year; and
- A discretionary evaluation by the Compensation Committee of both NuStar Energy's performance and, in the case of the NEOs, the individual executive's performance.

The following table shows the percentage of each NEO's salary paid in 2012 that represents his or her annual bonus target for the fiscal year ended December 31, 2012, before discretionary adjustments, as discussed below:

Name	Annual Incentive Bonus Target as a Percentage of Base Salary
Anastasio	90
Barron	60
Blank	60
Brown	60
Comeau	75

Determination of Annual Incentive Target Opportunities

As illustrated by the example above, each NEO has an annual incentive opportunity generally based on a stated percentage of his or her base salary. The target amount is awarded for achieving a 100% score on our stated financial goal under the bonus plan. For example, in a year with a 100% score, an executive with a salary of \$200,000 and a target annual incentive opportunity equal to 60% of his base annual salary would receive a bonus of \$120,000. In addition, the plan allows for the upward or downward adjustment of awards, based upon attainment of the financial goal, equal to a range of 0% to 200% of the target award. If we failed to reach at least the threshold level of performance for our financial goal, the participant would have earned an incentive award of \$0. Likewise, if we had achieved the maximum level of performance for the financial goal, the participant could earn up to 200% of his target award.

Once the financial goals have been reviewed and measured, the Compensation Committee has the authority to exercise its discretion in evaluating NuStar Energy's performance. In exercising this discretionary judgment, the Compensation Committee considers such relevant performance factors as growth, attainment of strategic objectives, acquisitions and divestitures, safety and environmental compliance, and other considerations. This discretionary judgment may result in an increase or decrease in the aggregate earned award for all employees based upon the attainment of the financial goals noted above.

The CEO develops individual incentive bonus recommendations based upon the methodology described above. In addition, both the CEO and the Compensation Committee may make adjustments to the recommended incentive bonus amounts based upon an assessment of an individual's performance and contributions to NuStar Energy. The CEO and the Compensation Committee also review and discuss each executive bonus on a case-by-case basis, considering such factors as teamwork, leadership, individual accomplishments and initiative, and may adjust the bonus awarded to reflect these factors.

The bonus target for the CEO is decided solely by the Compensation Committee, and the Compensation Committee may make discretionary adjustments to the calculated level of bonus based upon its independent evaluation of the CEO's performance and contributions.

Company Performance Objectives

In 2012, as in prior years, the Compensation Committee approved a DCF metric for NuStar Energy's bonus metric, based on management's recommendations and input from BDO. In the MLP investment community, DCF is widely regarded as a significant determinant of unit price. As such, the Compensation Committee believes the measure appropriately aligns our management's interest with our unitholders' interest in continuously increasing distributions in a prudent manner.

We derive DCF from our financial statements by adjusting our net income for depreciation and amortization expense, equity earnings from joint ventures and unrealized gains and losses arising from certain derivative contracts. Additionally, we subtract our aggregate annual reliability capital expenditures and add the aggregate annual amount of cash distributions received from equity method investees.

Each year, the Compensation Committee establishes NuStar Energy's budgeted DCF for the year as a target and establishes corresponding levels of performance for which the incentive opportunity would be paid, such that if less than 90% of the target was attained, no bonus would be paid; if 90% of the target was attained, 50% of the incentive opportunity could be paid; if the target was achieved, 100% of the incentive opportunity could be paid; if 110% of the target was attained, 150% of the incentive opportunity could be paid; and if 120% or more of the target was attained, 200% of the incentive opportunity could be paid. The budgeted DCF may be adjusted during the year to account for acquisitions or other significant changes not anticipated at the time the target was determined. In 2012, NuStar's budgeted DCF was \$393,000,000.

Determination of Awards

For the 2012 annual incentive bonus determination, the Compensation Committee measured NuStar Energy's DCF against the established target to determine the amount of incentive award earned. NuStar Energy's DCF for 2012 was below 90% of the target. This resulted in the NEOs having a potential annual incentive award equal to 0% of his or her target award.

Name	Bonuses Paid For 2012 (\$)
Anastasio	0
Barron	0
Blank	0
Brown	0
Comeau	0

Long-term Incentive Awards

We provide unit-based, long-term compensation for employees, including executives and directors, through our Third Amended and Restated 2000 Long-Term Incentive Plan (the 2000 LTIP), which was approved by our unitholders effective as of May 1, 2011. The 2000 LTIP provides for a variety of unit and unit-based awards, including unit options, restricted units and performance units. Performance units vest (become nonforfeitable) upon the achievement of an objective performance goal. Long-term incentive awards vest over a period determined by the Compensation Committee.

Under the design of the long-term incentive award plan, each plan participant, including the NEOs, are designated a target long-term incentive award expressed as a percentage of base salary. This percentage reflects the fair value of the awards to be granted.

As mentioned above, BDO delivered a comprehensive review of our NEO's Total Direct Compensation in July 2012. Based on BDO's review and analysis, the Compensation Committee adjusted the NEO's long-term incentive targets (expressed as a percent of base salary) as shown in the table below.

Name	Long-Term Incentive Target (% of base salary)
Anastasio	200
Barron	125
Blank	125
Brown	125
Comeau	150

The Compensation Committee allocates a percentage of long-term award value to performance-based awards and a percentage to awards that focus on retention and increasing ownership levels of executive officers. Beginning with the long-term award in the fourth quarter of 2011, the target levels were allocated in the following manner for each individual:

- 35% of the targeted long-term incentive dollar value is awarded to the executive in a grant of performance units. The number of performance units granted is based upon the expected fair value of a single performance unit at the time of grant; and
- 65% of the targeted long-term incentive dollar value is awarded to the executive in the form of restricted units. The number of restricted units granted is based upon the expected fair value of a single restricted unit at the time of grant.

The Compensation Committee reviews and approves all grants for the NEOs. The CEO develops individual grant recommendations based upon the methodology described above, but both the CEO and the Compensation Committee may make adjustments to the recommended grants based upon an assessment of an individual's performance and contributions to NuStar Energy. Grants to the CEO are decided solely by the Compensation Committee following the methodology described above, and the Compensation Committee may make discretionary adjustments to the calculated level of long-term incentives based upon its independent evaluation of the CEO's performance and contributions.

Restricted Units

Name	Restricted Units Granted in 2012 (2)	
	NS	NSH
Anastasio	9,575	6,630
Barron	3,450	2,390
Blank	4,160	2,880
Brown	3,730	2,580
Comeau (1)	11,150	3,565

- (1) In addition to the annual grant opportunity, Mr. Comeau received a hiring grant of 3,000 NS restricted units in March 2012 and a grant of 3,000 NS restricted units in October 2012 for his promotion to Chief Operating Officer.
- (2) In January 2012, in addition to the annual grants provided in the table, the Compensation Committee awarded the NEOs a special, one-time grant NuStar Energy restricted units based on the company's performance in 2011. That special grant is described below in the "Special Restricted Unit Grant" table.

The restricted units comprise approximately 65% of each executive's total NuStar Energy long-term incentive target. The Compensation Committee presently expects to grant restricted units annually. The executives' long-term incentive targets include approximately 70% NuStar Energy restricted units and 30% NuStar GP Holdings restricted units (in both cases, calculated from an assumed unit value based on the average closing price for the 10 business days approximately one month prior to the Compensation Committee meeting at which the awards are to be approved). The restricted units all vest in equal increments on the anniversary of the grant date over five years. Restricted units of NuStar GP Holdings were introduced into the compensation program in 2008 to reflect the fact that the performance of NuStar GP Holdings is directly tied to the performance of NuStar Energy, since NuStar GP Holdings' sole asset is its interest in NuStar Energy. The NuStar GP Holdings restricted units grants, as well as the grants of the NuStar Energy restricted units, were approved in a joint meeting of the Compensation Committee and the compensation committee of NuStar GP Holdings' Board of Directors.

In 2012, the Compensation Committee and management made a determination that the grants for employees, including management and non-employee directors, would be made as soon as administratively practicable and no earlier than the third business day following our third quarter earnings release. Due to the time required to award and implement the grants, the grant was not made until December 19, 2012.

Performance Units

In April 2012, performance units comprised approximately 35% of each of our NEOs' total NuStar Energy long-term incentive targets. Performance units are earned only upon NuStar Energy's achievement of an objective performance measure, total unitholder return (TUR), as compared with the Compensation Comparative Group. NuStar Energy's TUR is the total return to unitholders, based upon the growth in the unit price, as well as cash distributions to unitholders, during the year. The Compensation Committee believes this type of incentive award strengthens the tie between the named executive's pay and our financial performance.

The number of performance units granted in 2012 was determined by multiplying annual base salary rate by the Long-Term Incentive Target Percentage, and then multiplying that product by 35%. That product is then divided by the assumed value of an individual unit, which is the product of (x) the average unit price for the period of December 15 through December 31 (using the daily closing prices) and (y) a factor that reflects the present value of the award and a risk that the award might be forfeited.

Name	Performance Unit Grants in 2012
Anastasio	8,200
Barron	2,955
Blank	3,565
Brown	3,195
Comeau	2,560

Each award is subject to vesting in three annual increments, based upon our TUR during rolling three-year periods that end on December 31 of each year following the date of grant. At the end of each performance period, our TUR is compared to the Compensation Comparative Group and ranked by quartile. Executives then earn 0%, 50%, 100% or 150% of that portion of the initial grant amount that is vested, depending upon whether our TUR is in the last, 3rd, 2nd or 1st quartile, respectively, and

they earn 200% if we rank highest in the group. Amounts not earned in a given performance period can be carried forward for one additional performance period and up to 100% of the carried amount can still be earned, depending upon the quartile achieved for that subsequent period.

For the performance period ended December 31, 2011, our performance ranking in the fourth quartile of the group for the three-year period, which resulted in the NEOs receiving none of the 2011 performance units available to vest in January 2012. On January 26, 2012, the Compensation Committee met and discussed NuStar Energy's performance for the period. During that period, NuStar Energy's TUR was 72.41%.

Based on their review of company performance, as well as each NEO's performance during the three-year period ending December 31, 2011, the Compensation Committee awarded a special grant of restricted units as shown in the table below, which vest in equal increments over three years, beginning on the first anniversary date of the grant. Each NEOs agreed to waive his or her right to receive any performance units that would have carried forward into subsequent years as a result of their failure to meet the performance threshold for 2011.

Name	Special One-Time Restricted Unit Grant for 2011 Performance
Anastasio	5,337
Barron	1,818
Blank	2,240
Brown	2,025
Comeau	—

For the performance period ended December 31, 2012, our performance ranked in the fourth quartile of the group for the rolling three-year period, which resulted in the NEOs receiving none of the 2012 performance units available to vest in 2013.

Perquisites and Other Benefits

Perquisites

We provide only minimal perquisites to our executive officers. Mr. Anastasio, Mr. Barron, Mr. Blank and Ms. Brown received federal income tax preparation services in 2012. Executives are also eligible to receive liability insurance. For more information on perquisites, see the Summary Compensation Table and its footnotes.

Other Benefits

We provide other benefits, including medical, life, dental and disability insurance in line with competitive market conditions. Our NEOs are eligible for the same benefit plans provided to our other employees, including our pension plans, 401(K) thrift plan (the Thrift Plan), and insurance and supplemental plans chosen and paid for by employees who desire additional coverage. Executive officers and other employees whose compensation exceeds certain limits are eligible to participate in non-qualified excess benefit programs whereby those individuals can choose to make larger contributions than allowed under the qualified plan rules and receive correspondingly higher benefits. These plans are described below under "Post-Employment Benefits."

Post-Employment Benefits

Pension Plans

For a discussion of our pension plans, including the Excess Pension Plan and the Supplemental Executive Retirement Plan, please see the narrative description accompanying the Pension Benefits table below this item.

Nonqualified Deferred Compensation Plans

Excess Thrift Plan

The Excess Thrift Plan provides unfunded benefits to those employees of NuStar GP, LLC whose annual additions under the Thrift Plan are subject to the limitations on such annual additions as provided under §415 of the Internal Revenue Code of 1986, as amended (the Code), and/or who are constrained from making maximum contributions under the Thrift Plan by §401(a)(17) of the Code, which limits the amount of an employee's annual compensation which may be taken into account under that plan. The Excess Thrift Plan is comprised of two separate components, consisting of (1) an "excess benefit plan" as defined under §3(36) of The Employee Retirement Income Security Act of 1974, as amended (ERISA) and (2) a plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. Each component of the Excess Thrift Plan consists of a separate plan for purposes of Title I of ERISA. To the extent a participant's annual total compensation exceeds the compensation limits for the calendar year under §401(a)(17) of the Code (\$250,000 for 2012), the participant's excess thrift plan account is credited with that number of hypothetical NuStar Energy units that could have been purchased with the difference between:

- The total company matching contributions that would have been credited to the participant's account under the Thrift Plan had the participant's contributions not been reduced pursuant to §401; and
- The actual company matching contributions credited to such participant's account.

Mr. Anastasio, Mr. Barron, Mr. Blank and Ms. Brown participated in the Excess Thrift Plan in 2012.

Frozen Nonqualified 401(k) Plan

Effective July 1, 2006, we established the NuStar GP, LLC Frozen Nonqualified 401(k) Plan for Former Employees of Ultramar Diamond Shamrock Corporation (the Frozen Plan). The Frozen Plan assumes and continues the frozen Ultramar Diamond Shamrock Corporation Nonqualified 401(k) Plan (the UDS Plan) with respect to the current NuStar GP, LLC employees who had accrued benefits under the UDS Plan. No additional benefits accrue under the Frozen Plan, and we make no contributions to the Frozen Plan. Mr. Anastasio and Mr. Blank have Frozen Plan accounts.

Change-of-Control Severance Arrangements

We entered into change of control agreements with each of the NEOs in, or prior to, 2007. These agreements are intended to assure the continued availability of these executives in the event of certain transactions culminating in a "change of control" as defined in the agreements. The change of control employment agreements have three-year terms, which terms are automatically extended for one year upon each anniversary unless a notice not to extend is given by us. If a "change of control" (as defined in the agreements) occurs during the term of an agreement, then the agreement becomes operative for a fixed three-year period. The agreements provide generally that the executive's terms and conditions of employment (including position, location, compensation and benefits) will not be adversely changed during the three-year period after a change of control of us.

Particular payments under the agreements are triggered commensurate with the occurrence of any of the following:

(i) termination of employment by the company other than for "cause" (as defined in the agreements) or disability, (ii) termination by the executive for "good reason" (as defined in the agreements), (iii) termination by the executive other than for "good reason," and (iv) termination of employment because of death or disability. These triggers were designed to ensure the continued availability of the executives following a change of control, and to compensate the executives at appropriate levels if their employment is unfairly or prematurely terminated during the applicable term following a change of control. For more information regarding payments that may be made under our severance arrangements, see our disclosures below under the caption "Potential Payments upon Termination or Change-in-Control Payments."

Employment Agreements

None of the named executive officers have employment agreements other than the change-of-control agreements described above. As a result, in the event of a termination, retirement, death or disability, an officer will only receive compensation or benefits to which he or she would be entitled under the terms of, as applicable, the defined contribution, defined benefit, medical or long-term incentive plans.

Impact of Accounting and Tax Treatments

Accounting Treatment

NuStar Energy's financial statements include the expense for awards of NuStar Energy unit options and restricted units to NuStar GP, LLC employees and directors and the expense for awards of NuStar GP Holdings unit options and restricted units to NuStar GP, LLC employees, as we are obligated to pay for all costs of NuStar GP, LLC's employees working on our behalf in accordance with the Services Agreement described below in Item 13. Certain Relationships and Related Transactions and Director Independence. Under the Services Agreement, 1% of NuStar GP, LLC's domestic unit compensation expense is charged back to NuStar GP Holdings.

NuStar GP, LLC accounts for awards of NuStar Energy L.P. common units to NuStar GP, LLC's employees and directors as a derivative, whereby a liability for the award is recorded at inception. Subsequent changes in the fair value of the award are included in the determination of net income.

Each month, NuStar GP, LLC determines the fair value of its liability for awards of NuStar Energy unit options and restricted units. The fair value of unit options is determined using the Black-Scholes model at each reporting date. The fair value of restricted units equals the market price of NuStar Energy common units at each reporting date. NuStar GP, LLC records compensation expense each reporting period such that the cumulative compensation expense recorded equals the current fair value, considering the percentage of the award that has vested to date. NuStar GP, LLC records compensation expense related to unit options until such options are exercised, and records compensation expense for restricted units until the date of vesting.

NuStar GP Holdings accounts for awards of restricted units and unit options awarded to its directors, as well as the employees and directors of NuStar GP, LLC, at fair value. NuStar GP Holdings uses the market price at the grant date as the fair value of restricted units. NuStar GP Holdings estimates the fair value of unit options at the grant date using the Black-Scholes model. For both restricted units and unit options, NuStar GP Holdings recognizes the resulting compensation expense over the vesting period.

For certain awards, the terms of the compensation plans provide that employees vest in the award when they retire or will continue to vest in the award after retirement over the nominal vesting period established in the award. For any awards subsequent to January 1, 2006, we recognize compensation expense immediately for awards granted to retirement-eligible employees or over the period from the grant date to the date retirement eligibility is achieved if that date is expected to occur during the nominal vesting period. Employees are typically retirement eligible at age 55.

Tax Treatment

Under Section 162(m) of the Code, publicly held corporations may not take a tax deduction for compensation in excess of \$1 million paid to the CEO or the other four most highly compensated executive officers unless that compensation meets the Code's definition of "performance-based" compensation. Section 162(m) allows a deduction for compensation to a specified executive that exceeds \$1 million only if it is paid (i) solely upon attainment of one or more performance goals, (ii) pursuant to a qualifying performance-based compensation plan adopted by the Compensation Committee, and (iii) the material terms, including the performance goals, of such plan are approved by the unitholders before payment of the compensation. The Compensation Committee considers deductibility under Section 162(m) with respect to compensation arrangements for executive officers. The Compensation Committee believes that it is in the best interest of NuStar Energy for the Compensation Committee to retain its flexibility and discretion to make compensation awards to foster achievement of performance goals established by the Compensation Committee (which may include performance goals defined in the Code) and other corporate goals the Compensation Committee deems important to NuStar Energy's success, such as encouraging employee retention, rewarding achievement of nonquantifiable goals and achieving progress with specific projects. NuStar Energy believes that unit options and performance unit grants qualify as performance-based compensation and are not subject to any deductibility limitations under Section 162(m). Grants of restricted units and other equity-based awards that are not subject to specific quantitative performance measures will likely not qualify as "performance-based" compensation and, in such event, would be subject to 162(m) deduction restrictions.

Compensation-Related Policies

Unit Ownership Guidelines

Our Board, the Compensation Committee and our executives recognize that ownership of NuStar Energy L.P. units is an effective means by which to align the interests of NuStar GP, LLC directors and executives with those of NuStar Energy's unitholders. We have long emphasized and reinforced the importance of unit ownership among our executives and directors.

During 2006, the Compensation Committee worked with its independent compensation consultant to formalize unit ownership and retention guidelines for directors and NuStar GP, LLC officers to ensure continuation of our successful track record in aligning the interests of NuStar GP, LLC directors and officers with those of NuStar Energy's unitholders through ownership of

NuStar Energy units. The guidelines were approved by the Compensation Committee and the Board in March 2006. In February 2007, in view of the public offerings of NuStar GP Holdings in 2006, the Compensation Committee amended the guidelines to include ownership of either NuStar GP Holdings units or NuStar Energy units. An officer or a director's ownership also includes units subject to vesting.

Non-employee Director Unit Ownership Guidelines

Non-employee directors are expected to acquire and hold during their service as a Board member NuStar Energy units and/or NuStar GP Holdings units with an aggregate value of at least \$50,000. Directors have five years from their initial election to the Board to meet the target unit ownership guidelines, and they are expected to continuously own sufficient units to meet the guidelines, once attained.

Officer Unit Ownership Guidelines

Unit ownership guidelines for officers of NuStar GP, LLC are as follows:

Officer	Value of NuStar Energy Units and/or NuStar GP Holdings Units Owned
President	3.0x Base Salary
Senior Vice Presidents and above	2.0x Base Salary
Vice Presidents	1.0x Base Salary

Our officers are expected to meet the applicable guideline within five years of their initial appointment and continuously own sufficient units to meet the guideline, once attained.

Prohibition on Insider Trading and Speculation on NuStar Energy L.P. or NuStar GP Holdings, LLC Units

We have established policies prohibiting our officers, directors and employees from purchasing or selling either NuStar Energy L.P. or NuStar GP Holdings, LLC securities while in possession of material, nonpublic information or otherwise using such information for their personal benefit or in any manner that would violate applicable laws and regulations. Our outside directors, officers and certain other employees are prohibited from trading in either NuStar Energy L.P. or NuStar GP Holdings, LLC securities for the period beginning on the last business day of each calendar quarter through the second business day following our disclosure of our quarterly or annual financial results. In addition, our policies prohibit our officers, directors and employees from speculating in the either NuStar Energy L.P. or NuStar GP Holdings, LLC units, which includes short selling (profiting if the market price of our units decreases), buying or selling publicly traded options (including writing covered calls), hedging or any other type of derivative arrangement that has a similar economic effect. Our directors, officers and certain other employees are also required to receive management consent before they enter into margin loans or other financing arrangements that may lead to the ownership or other rights to their NuStar Energy L.P. or NuStar GP Holdings, LLC securities being transferred to a third party.

EXECUTIVE COMPENSATION

The tables that appear in the following pages of this section provide information required by the SEC regarding compensation paid to or earned by our NEOs for the year ended December 31, 2012. We have used captions and headings in these tables in accordance with the SEC regulations requiring these disclosures. The footnotes to these tables provide important information to explain the values presented in the tables, and are an important part of our disclosures.

SUMMARY COMPENSATION TABLE FOR FISCAL YEAR ENDED DECEMBER 31, 2012

The following table provides a summary of compensation paid for the years ended December 31, 2012, December 31, 2011 and December 31, 2010 to NuStar GP, LLC's CEO, CFO and to its three other most highly compensated executive officers. The table shows amounts earned by such persons for services rendered to NuStar GP, LLC in all capacities in which they served.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Unit Awards (\$)(2)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
Curtis V. Anastasio President and CEO	2012	528,450	0	1,414,505	0	0	194,066	34,940	2,171,961
	2011	504,000	453,600	988,617	0	0	241,385	38,628	2,381,917
	2010	480,900	385,000	1,019,418	0	0	190,656	37,001	2,112,975
Bradley C. Barron Executive Vice President and General Counsel	2012	304,875	0	503,574	0	0	134,758	19,483	962,690
	2011	290,570	174,300	355,723	0	0	79,153	15,937	915,683
Steven A. Blank Executive Vice President, CFO and Treasurer	2012	367,535	0	610,065	0	0	145,953	24,113	1,147,666
	2011	356,395	213,800	433,693	0	0	303,970	26,289	1,253,774
	2010	346,015	173,000	442,407	0	0	129,601	25,466	1,116,489
Mary Rose Brown Executive Vice President-Administration	2012	329,265	0	547,821	0	0	127,380	22,400	1,026,866
	2011	319,335	191,600	388,490	0	0	99,450	14,826	1,013,701
	2010	310,085	155,000	396,775	0	0	63,442	18,555	943,857
Douglas W. Comeau Executive Vice President- Chief Operating Officer	2012	251,820	0	821,121	0	0	0	11,594	1,084,535

Footnotes:

- (1) The NEOs were not awarded a bonus for 2012. 2011 bonus awards were paid in February 2012 with respect to 2011 performance. 2010 bonus amounts were paid in February 2011 with respect to 2010 performance. Bonuses were determined taking into consideration NuStar Energy's performance in the applicable year, the individual executive's targets and the executive's performance, as described above under "Compensation Disclosure & Analysis-Annual Incentive Bonus."
- (2) The amounts reported represent the grant date fair value of grants of restricted NuStar Energy L.P. units, NuStar Energy L.P. performance units and restricted NuStar GP Holdings, LLC units. Please see "Compensation Discussion and Analysis-Impact of Accounting and Tax Treatment-Accounting Treatment" above in this item for more information.
- (3) For the applicable NEOs, the following table identifies the separate amounts attributable to (A) the aggregate change in

the actuarial present value of the NEO's accumulated benefit under NuStar GP, LLC's defined benefit and actuarial pension plans, including supplemental plans (but excluding tax-qualified defined contribution plans and nonqualified defined contribution plans), and (B) above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified.

Name	Year	(A)	(B)	TOTAL
Anastasio	2012	\$ 194,066	\$ 0	\$ 194,066
	2011	241,385	0	241,385
	2010	190,656	0	190,656
Barron	2012	134,758	0	134,758
	2011	79,153	0	79,153
Blank	2012	145,953	0	145,953
	2011	303,970	0	303,970
	2010	129,601	0	129,601
Brown	2012	127,380	0	127,380
	2011	99,450	0	99,450
	2010	63,442	0	63,442
Comeau	2012	—	0	—

(4) The amounts reported in this column for 2012 consist of the following for each officer:

Name	Club Dues (a)	Company Contribution to Thrift Plan	Company Contribution to Excess Thrift Plan	Tax Preparation	Personal Liability Insurance	Executive Health Exams (b)	TOTAL
Anastasio	\$ 1,172	\$ 13,700	\$ 18,007	\$ 850	\$ 1,211	\$ 0	\$ 34,940
Barron	0	13,646	3,293	850	1,211	483	19,483
Blank	0	15,000	7,052	850	1,211	0	24,113
Brown	845	14,738	4,756	850	1,211	0	22,400
Comeau	0	11,594	n/a	0	0	0	11,594

(a) Management has determined that club dues will no longer be paid for or reimbursed.

(b) The amount reported is the difference between the value of executive health exams made available to NuStar Energy officers and the value of NuStar Energy's all-employee wellness assessments.

**GRANTS OF PLAN-BASED AWARDS
FOR FISCAL YEAR ENDED DECEMBER 31, 2012**

The following table provides further information regarding the grants of plan-based awards to the NEOs.

Name	Grant Date	Date of Approval of Comp Committee	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Unit Awards: Number of Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Unit)	Grant Date Fair Value of Unit and Unit Option Awards (\$)
			Threshold (#)	Target (#)	Maximum (#)				
Anastasio	(1)1/26/2012	1/26/2012	—	—	—	5,337	—	—	312,535 (7)
	(2)4/24/2012	4/24/2012	0	8,200	16,400	—	—	—	471,828 (8)
	(3)12/19/2012	10/23/2012	—	—	—	9,575	—	—	439,397 (9)
	(4)12/19/2012	10/23/2012	—	—	—	6,630	—	—	190,745 (10)
Barron	(1)1/26/2012	1/26/2012	—	—	—	1,818	—	—	106,462 (7)
	(2)4/24/2012	4/24/2012	0	2,955	5,910	—	—	—	170,031 (8)
	(3)12/19/2012	10/23/2012	—	—	—	3,450	—	—	158,321 (9)
	(4)12/19/2012	10/23/2012	—	—	—	2,390	—	—	68,760 (10)
Blank	(1)1/26/2012	1/26/2012	—	—	—	2,240	—	—	131,174 (7)
	(2)4/24/2012	4/24/2012	0	3,565	7,130	—	—	—	205,130 (8)
	(3)12/19/2012	10/23/2012	—	—	—	4,160	—	—	190,902 (9)
	(4)12/19/2012	10/23/2012	—	—	—	2,880	—	—	82,858 (10)
Brown	(1)1/26/2012	1/26/2012	—	—	—	2,025	—	—	118,584 (7)
	(2)4/24/2012	4/24/2012	0	3,195	6,390	—	—	—	183,840 (8)
	(3)12/19/2012	10/23/2012	—	—	—	3,730	—	—	171,170 (9)
	(4)12/19/2012	10/23/2012	—	—	—	2,580	—	—	74,227 (10)
Comeau	(5)3/26/2012		—	—	—	3,000	—	—	179,940 (11)
	(2)4/24/2012	4/24/2012	0	2,560	5,120	—	—	—	147,302 (8)
	(6)10/23/2012	10/23/2012	—	—	—	3,000	—	—	154,980 (12)
	(3)12/19/2012	10/23/2012	—	—	—	5,150	—	—	236,334 (9)
	(4)12/19/2012	10/23/2012	—	—	—	3,565	—	—	102,565 (10)

Footnotes:

- (1) Restricted units of NuStar Energy were granted by the Compensation Committee at a joint meeting with the Compensation Committee of NuStar GP Holdings, LLC on January 26, 2012. The restricted units vest 1/3 annually over three years beginning on the first anniversary of the grant date.
- (2) Performance units were awarded by the Board, upon recommendation of the Compensation Committee, on April 24, 2012. Each award is subject to vesting in three annual increments, based upon our TUR during rolling three-year periods that end on December 31 of each year following the date of grant. At the end of each performance period, our TUR is compared to the Peer Group and ranked by quartile. Executives then earn 0%, 50%, 100% or 150% of that portion of the initial grant amount that is vesting, depending upon whether our TUR is in the last, 3rd, 2nd or 1st quartile, respectively, and they earn 200% if we rank highest in the group. Amounts not earned in a given performance period can be carried forward for one additional performance period and up to 100% of the carried amount can still be earned. For the performance period ended December 31, 2012, our performance ranked in the fourth quartile of the group, and none of the eligible units were vested.
- (3) Restricted units of NuStar Energy were approved by the Compensation Committee at a joint meeting with the Compensation Committee of NuStar GP Holdings, LLC on October 23, 2012, and the grant date for these restricted units was set at that time for the date that was as soon as administratively practicable after the meeting. The restricted units vest 1/5 annually over five years beginning on the first anniversary of the grant date.
- (4) Restricted units of NuStar GP Holdings, LLC were approved by the Compensation Committee of NuStar GP Holdings at a joint meeting with the Compensation Committee of NuStar GP, LLC on October 23, 2012, and the grant date for these restricted units was set at that time for the date that was as soon as administratively practicable after the meeting. The restricted units vest 1/5 annually over five years beginning on the first anniversary of the grant date.
- (5) Restricted units of NuStar Energy were granted by the President & CEO, under discretionary authority given him by the Compensation Committee, and ratified by the committee at their subsequent meeting, on March 26, 2012. The restricted units vest 1/5 annually over five years beginning on the first anniversary of the grant date.

- (6) Restricted units of NuStar Energy were granted by the Compensation Committee at a joint meeting with the Compensation Committee of NuStar GP Holdings, LLC on October 23, 2012. The restricted units vest 1/5 annually over five years beginning on the first anniversary of the grant date.
- (7) The grant date fair value for restricted units was determined by multiplying the number of restricted units that were granted by the NYSE closing unit price of our units on the date of grant, \$58.56.
- (8) The grant date fair value for performance units was determined by multiplying the number of performance units that were granted by the NYSE closing unit price of our units on the date of grant, \$57.54.
- (9) The grant date fair value for restricted units was determined by multiplying the number of restricted units that were granted by the NYSE closing unit price of our units on the date of grant, \$45.89.
- (10) The grant date fair value for restricted units was determined by multiplying the number of NuStar GP Holdings, LLC restricted units that were granted by the NYSE closing unit price of NuStar GP Holdings, LLC units on the date of grant, \$28.77.
- (11) The grant date fair value for restricted units was determined by multiplying the number of restricted units that were granted by the NYSE closing unit price of our units on the date of grant, \$59.98.
- (12) The grant date fair value for restricted units was determined by multiplying the number of restricted units that were granted by the NYSE closing unit price of our units on the date of grant, \$51.66.

**OUTSTANDING EQUITY AWARDS
AT DECEMBER 31, 2012**

The following table provides further information regarding our NEOs' unexercised unit options, unvested restricted units and unvested performance units as of December 31, 2012. The value of NuStar Energy restricted units reported below is equal to \$42.48, the NuStar Energy L.P. closing price on the NYSE on December 30, 2012. The value of the NuStar GP Holdings, LLC restricted units reported below is equal to \$27.69, the NuStar GP Holdings, LLC closing price on the NYSE on December 30, 2012.

Name	Option Awards					Unit Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Units That Have Not Vested (#)	Market Value of Units That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Units or Other Rights That Have Not Vested (\$)
Anastasio	11,800(1)	—	—	45.35	10/29/2013	—	—	—	—
	9,625(2)	—	—	56.51	10/28/2014	—	—	—	—
	13,450(3)	—	—	57.51	10/27/2015	—	—	—	—
	11,000(4)	—	—	55.92	11/2/2013	—	—	—	—
	56,300(5)	—	—	31.55	11/16/2014	—	—	—	—
	—	—	—	—	—	30,476(7)	1,294,620	—	—
	—	—	—	—	—	20,174(8)	558,618	—	—
	—	—	—	—	—	12,877(9)	547,015	—	—
Barron	1,280(1)	—	—	45.35	10/29/2013	—	—	—	—
	1,975(2)	—	—	56.51	10/28/2014	—	—	—	—
	2,100(4)	—	—	55.92	11/2/2013	—	—	—	—
	35,000(5)	—	—	31.55	11/16/2014	—	—	—	—
	—	—	—	—	—	10,619(10)	451,093	—	—
	—	—	—	—	—	6,870(11)	190,230	—	—
	—	—	—	—	—	4,631(12)	196,725	—	—
Blank	8,700(1)	—	—	45.35	10/29/2013	—	—	—	—
	6,875(2)	—	—	56.51	10/28/2014	—	—	—	—
	7,225(3)	—	—	57.51	10/27/2015	—	—	—	—
	5,125(4)	—	—	55.92	11/2/2013	—	—	—	—
	41,000(5)	—	—	31.55	11/16/2014	—	—	—	—
	—	—	—	—	—	12,985(13)	551,603	—	—
	—	—	—	—	—	8,398(14)	232,541	—	—
	—	—	—	—	—	5,662(15)	240,522	—	—
Brown	1,700(6)	—	—	69.15	4/30/2014	—	—	—	—
	35,000(5)	—	—	31.55	11/16/2014	—	—	—	—
	—	—	—	—	—	11,645(16)	494,680	—	—
	—	—	—	—	—	7,512(17)	208,007	—	—
	—	—	—	—	—	5,076(18)	215,628	—	—
Comeau	—	—	—	—	—	11,150(19)	473,652	—	—
	—	—	—	—	—	3,565(20)	98,715	—	—
	—	—	—	—	—	2,560(21)	108,749	—	—

Footnotes:

- (1) Options granted October 29, 2003, which vested in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

- (2) Options granted on October 28, 2004, which vested in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (3) Options granted on October 27, 2005, which vested in 1/5 increments over five years, beginning on the first anniversary of the date of grant. In 2012, the Compensation Committee extended the expiration date for these options from 2012 to 2015.
- (4) Options granted on November 2, 2006, which vested in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (5) Options of NuStar GP Holdings granted November 16, 2007, which vested in 1/3 increments over three years, beginning on the third anniversary of the date of grant.
- (6) Options granted April 30, 2007, which vested in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (7) Mr. Anastasio's restricted NuStar Energy L.P. units consist of: 1,700 restricted units granted November 6, 2008; 2,760 restricted units granted December 14, 2009; 4,140 restricted units granted December 30, 2010; 6,964 restricted units granted on December 16, 2011; 5,337 restricted units granted January 26, 2012; and 9,575 restricted units granted on December 19, 2012. The restricted units granted January 26, 2012 vest in 1/3 increments over three years, beginning on the first anniversary of the date of grant. All of Mr. Anastasio's other restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (8) Mr. Anastasio's restricted NuStar GP Holdings, LLC units consist of: 1,740 restricted units granted November 6, 2008; 2,600 restricted units granted December 14, 2009; 3,900 restricted units granted December 30, 2010; 5,304 restricted units granted December 16, 2011; and 6,630 restricted units granted December 19, 2012. All of Mr. Anastasio's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (9) Mr. Anastasio's unvested NuStar Energy L.P. performance units were granted February 26, 2010, January 28, 2011 and April 24, 2012 and vest annually in 1/3 increments over three years beginning on the first anniversary of their grant date. The performance units are payable in NuStar Energy L.P.'s units. Upon vesting, the performance units are converted into a number of NuStar Energy L.P. units based on NuStar Energy's TUR during rolling three-year periods that end of December 31 of each year following the date of grant. At the end of each performance period, NuStar Energy's TUR is compared to the Peer Group and ranked by quartile. Holders of the performance units then earn 0%, 50%, 100% or 150% of that portion of the initial grant that is vesting, depending upon whether NuStar Energy's TUR is in the last, third, second or first quartile, respectively; holders earn 200% if NuStar Energy is the highest ranking entity in the Peer Group. For the period ended December 31, 2010, NuStar's TUR was in the first quartile of it and the Peer Group, which resulted in a 150% vest for participants. Mr. Anastasio received a total of 13,908 units for the 2010 performance period. For the period ended December 31, 2011, NuStar's TUR was in the last quartile of it and the Peer Group, which resulted in no vesting for participants. For the period ended December 31, 2012, NuStar's TUR was in the last quartile of it and the Peer Group, which resulted in no vesting for participants.
- (10) Mr. Barron's restricted NuStar Energy L.P. units consist of: 520 restricted units granted November 6, 2008; 846 restricted units granted December 14, 2009; 1,473 restricted units granted on December 30, 2010; 2,512 restricted units granted December 16, 2011; 1,818 restricted units granted on January 26, 2012; and 3,450 restricted units granted December 19, 2012. The restricted units granted January 26, 2012 vest in 1/3 increments over three years, beginning on the first anniversary of the date of grant. All of Mr. Barron's other restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (11) Mr. Barron's restricted NuStar GP Holdings, LLC units consist of: 540 restricted units granted November 6, 2008; 798 restricted units granted December 14, 2009; 1,230 restricted units granted December 30, 2010; 1,912 restricted units granted December 16, 2011; and 2,390 restricted units granted December 19, 2012. All of Mr. Barron's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (12) Mr. Barron's unvested NuStar Energy L.P. performance units were granted and vest in accordance with the description in Footnote (9) above. For the 2010 period, Mr. Barron received a total of 4,438 units. For the 2011 period, Mr. Barron received no vested performance units. For the 2012 period, Mr. Barron received no vested performance units.
- (13) Mr. Blank's restricted NuStar Energy L.P. units consist of: 660 restricted units granted November 6, 2008; 1,058 restricted units granted December 14, 2009; 1,839 restricted units granted December 30, 2010; 3,028 restricted units granted December 16, 2011; 2,240 restricted units granted January 26, 2012; and 4,160 restricted units granted December 19, 2012. The restricted units granted January 26, 2012 vest in 1/3 increments over three years, beginning on the first anniversary of the date of grant. All of Mr. Blank's other restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (14) Mr. Blank's restricted NuStar GP Holdings, LLC units consist of: 680 restricted units granted November 6, 2008; 998 restricted units granted December 14, 2009; 1,536 restricted units granted December 30, 2010; 2,304 restricted units granted December 16, 2011; and 2,880 restricted units granted December 19, 2012. All of Mr. Blank's restricted units vest

in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

- (15) Mr. Blank's unvested NuStar Energy L.P. performance units were granted and vest in accordance with the description in Footnote (9) above. For the 2010 period, Mr. Blank received a total of 5,965 units. For the 2011 period, Mr. Blank received no vested performance units. For the 2012 period, Mr. Blank received no vested performance units.
- (16) Ms. Brown's restricted NuStar Energy L.P. units consist of: 580 restricted units granted November 6, 2008; 948 restricted units granted December 14, 2009; 1,650 restricted units granted December 30, 2010; 2,712 restricted units granted December 16, 2011; 2,025 restricted units granted January 26, 2012; and 3,730 restricted units granted December 19, 2012. The restricted units granted January 26, 2012 vest in 1/3 increments over three years, beginning on the first anniversary of the date of grant. All of Ms. Brown's other restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (17) Ms. Brown's restricted NuStar GP Holdings, LLC units consist of: 600 restricted units granted November 6, 2008; 894 restricted units granted December 14, 2009; 1,374 restricted units granted December 30, 2010; 2,064 restricted units granted December 16, 2011; and 2,580 restricted units granted December 19, 2012. All of Ms. Brown's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (18) Ms. Brown's unvested NuStar Energy L.P. performance units were granted and vest in accordance with Footnote (9) above. For the 2010 period, Ms. Brown received a total of 4,648 units. For the 2011 period, Ms. Brown received no vested performance units. For the 2012, Ms. Brown received no vested performance units.
- (19) Mr. Comeau's restricted NuStar Energy L.P. units consist of: 3,000 restricted units granted March 26, 2012; 3,000 restricted units granted October 23, 2012; and 5,150 restricted units granted December 19, 2012. All of Mr. Comeau's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (20) Mr. Comeau's restricted NuStar GP Holdings, LLC units consist of 3,565 restricted units granted December 19, 2012. All of Mr. Comeau's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.
- (21) Mr. Comeau's unvested NuStar Energy L.P. performance units were granted April 24, 2012 and vest in accordance with Footnote (9) above.

OPTION EXERCISES AND UNITS VESTED IN YEAR ENDED DECEMBER 31, 2012

The following table provides further information regarding option exercises by our NEOs, and the vesting of restricted units and performance units held by our NEOs, during 2012.

Name	Option Awards		Unit Awards	
	Number of Units Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Units Acquired on Vesting (#)	Value Realized on Vesting \$(7)
Anastasio	24,000(1)	496,320	13,309(3)	491,932
Barron	-	-	4,489(4)	166,676
Blank	6,666(2)	137,120	5,498(5)	203,931
Brown	-	-	5,103(6)	192,845
Comeau	-	-	-	-

Footnotes:

- (1) Mr. Anastasio's NuStar Energy L.P. unit option exercises in 2012 were as follows: 14,000 exercised on February 29 and 10,000 exercised on July 31.
- (2) Mr. Blank's NuStar Energy L.P. unit option exercises in 2012 were as follows: 3,333 exercised on March 1 and 3,333 exercised on July 31.
- (3) Mr. Anastasio's NuStar Energy L.P. units vested in 2012 as follows: 1,700 units on November 6; 1,442 units on November 16; 1,380 units on December 14; 1,741 units on December 16; and 1,380 on December 30. Mr. Anastasio's NuStar GP Holdings, LLC units vested in 2012 as follows: 1,740 units on November 6; 1,300 units on December 14; 1,326 units on December 16 and 1,300 units on December 30.
- (4) Mr. Barron's NuStar Energy L.P. units vested in 2012 as follows: 520 units on November 6; 600 units on November 16; 423 units on December 14; 628 units on December 16 and 491 units on December 30. Mr. Barron's NuStar GP Holdings, LLC units vested in 2012 as follows: 540 units on November 6; 399 units on December 14; 478 units on December 16 and 410 units on December 30.
- (5) Mr. Blank's NuStar Energy L.P. units vested in 2012 as follows: 660 units on November 6; 672 units on November 16; 529 units on December 14; 757 units on December 16 and 613 on December 30. Mr. Blank's NuStar GP Holdings, LLC units vested in 2012 as follows: 680 units on November 6; 499 units on December 14; 576 units on December 16 and 512 units on December 30.
- (6) Ms. Brown's units vested in 2012 as follows: 200 units on April 30; 580 units on November 6; 600 units on November 16; 474 on December 14; 678 units on December 16 and 550 units on December 30. Ms. Brown's NuStar GP Holdings, LLC units vested in 2012 as follows: 600 units on November 6; 447 units on December 14; 516 units on December 16 and 458 units on December 30.
- (7) The value realized on vesting was calculated by multiplying the closing price of NuStar Energy L.P. units on the NYSE on the date of vesting by the number of NuStar Energy L.P. units vested or the closing price of NuStar GP Holdings, LLC units on the NYSE on the date of vesting by the number of NuStar GP Holdings, LLC units vested, as applicable. The closing prices of the applicable dates are as follows:

2012 Vesting Date	NS Closing Price (\$)
April 30	54.99
November 6	46.00
November 16	40.24
December 14	44.10
December 16	44.10
December 30	41.99
NSH Closing Price (\$)	
November 6	28.19
December 14	28.53
December 16	28.53
December 30	27.81

POST-EMPLOYMENT COMPENSATION

PENSION BENEFITS FOR YEAR ENDED DECEMBER 31, 2012

The following table provides information regarding the accumulated benefits of our named executive officer under NuStar GP, LLC's pension plans during the year ended December 31, 2012.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit\$(2)	Payments During Last Fiscal Year
Anastasio	NuStar GP, LLC Pension Plan	6.5	251,538	—
	NuStar GP, LLC Excess Pension Plan	—	—	—
	NuStar GP, LLC Supplemental Executive Retirement Plan	11.0	702,723	—
Barron	NuStar GP, LLC Pension Plan	6.5	165,878	—
	NuStar GP, LLC Excess Pension Plan	12.0	210,284	—
	NuStar GP, LLC Supplemental Executive Retirement Plan	—	—	—
Blank	NuStar GP, LLC Pension Plan	6.5	268,629	—
	NuStar GP, LLC Excess Pension Plan	—	—	—
	NuStar GP, LLC Supplemental Executive Retirement Plan	11.0	380,431	—
Brown	NuStar GP, LLC Pension Plan	5.7	219,295	—
	Excess Pension Plan	5.7	187,040	—
	Supplemental Executive Retirement Plan	—	—	—
Comeau (1)	NuStar GP, LLC Pension Plan	—	—	—
	Excess Pension Plan	—	—	—
	Supplemental Executive Retirement Plan	—	—	—

Footnotes:

- (1) Mr. Comeau is not presently eligible for pension benefits, as he has not yet completed one year of service with the company.
- (2) The present values stated above were calculated using the same interest rate and mortality table that we use for valuations under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) 715 for financial reporting purposes. The present values as of December 31, 2012 were determined using a 4.48% discount rate and the plans' earliest unreduced retirement age (i.e., age 62). The present values reflect post-retirement mortality rates based on the 2013 Static Mortality Table for Annuitants and Non-Annuitants per IR Reg. 1.430(h)(3)-1(e). No decrements were included for pre-retirement termination, mortality, or disability. Where applicable, lump sums were determined based on a 3.98% interest rate and the mortality table prescribed by the IRS in Rev. Ruling 2007-67 and updated by IRS Notice 2008-85 for distributions in the years 2009-2013.

We maintain a noncontributory defined benefit pension plan in which most of our employees are eligible to participate and under which contributions by individual participants are neither required nor permitted. We also maintain a noncontributory, non-qualified excess pension plan and a non-qualified supplemental executive retirement plan, or SERP, which provide supplemental pension benefits to certain highly compensated employees. The excess pension plan and the SERP provide eligible employees with additional retirement savings opportunities that cannot be achieved with tax-qualified plans due to the Code's limits on (1) annual compensation that can be taken into account under qualified plans or (2) annual benefits that can be provided under qualified plans. Employees who are eligible for the excess pension plans and the SERP may participate in one or the other, but not both plans.

NuStar GP, LLC Pension Plan

The Pension Plan is a qualified, non-contributory defined benefit pension plan established as of July 1, 2006 and designed to provide retirement income to our eligible employees. The Pension Plan covers substantially all of NuStar GP, LLC's employees and generally provides retirement income calculated under a defined benefit final average pay formula (FAP) based on years of service and compensation during their period of service. Effective January 1, 2011, the FAP was frozen to new Pension Plan entrants and a defined benefit cash balance formula, based on age and service, was established.

Under an agreement between the companies, Valero Energy will pay pension benefits to eligible NuStar GP, LLC employees for their years of service with Valero Energy under the Valero Energy pension plan, and the employee's highest annual salary will be determined with regard to service with NuStar GP, LLC after July 1, 2006 until the individual commences a benefit under the Valero Energy pension plan or terminates employment with NuStar GP, LLC. For more information about the Valero Energy Pension Plan, please see Valero Energy's annual report on Form 10-K for the year ended December 31, 2012 and its annual proxy statement. The Pension Plan is intended to be a qualified plan under, and subject to, relevant provisions of the Code and the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Pension Plan (supplemented, as necessary, by the excess pension plan or the SERP described below) provides a monthly pension at normal retirement equal to 1.6% of the eligible employee's average monthly compensation (based upon the eligible employee's earnings during the three consecutive calendar years during the last ten years of the eligible employee's credited service, including service with our former parent, Valero Energy, affording the highest such average) times the eligible employee's years of credited service. Pension benefits are not subject to any deduction for social security or other offset amounts.

Eligible employees are NuStar GP, LLC employees, except for those employees who are nonresident aliens, who are U.S. citizens but being paid by a foreign affiliated employer (as defined in the plan), who are covered by a collective bargaining agreement (unless it expressly provides for the benefits provided under the plan), or who are not yet participating.

NuStar GP, LLC Excess Pension Plan

The Excess Pension Plan was established effective as of July 1, 2006 for the purpose of providing benefits to eligible employees of NuStar GP, LLC whose pension benefits under the Pension Plan and the Valero Energy Pension Plan, where applicable, are subject to limitations under the Code. The Excess Pension Plan is an excess benefit plan as contemplated under ERISA for those benefits provided in excess of Section 415 of the Code. Benefits provided as a result of other statutory limitations are limited to a select group of management or highly compensated employees. The Excess Pension Plan is not intended to constitute either a qualified plan under the Code or a funded plan subject to ERISA. For employees of NuStar GP, LLC who were eligible to receive a benefit under the Valero Energy Excess Pension Plan (the Predecessor Excess Pension Plan) as of July 1, 2006, the Excess Pension Plan assumed the liabilities of the Predecessor Excess Pension Plan and will provide a single, nonqualified defined benefit to eligible employees for their pre-July 1, 2006 benefit accruals under the Predecessor Excess Pension Plan and their post-July 1, 2006 benefit accruals under this Excess Pension Plan.

An eligible employee's monthly pension under the Excess Pension Plan will be equal to (i) 1.6% of the employee's average monthly compensation multiplied by the employee's years of service *less* (ii) the employee's Pension Plan benefit. Mr. Barron and Ms. Brown participate in the Excess Pension Plan in 2012.

NuStar GP, LLC Supplemental Executive Retirement Plan

The SERP was established effective as of July 1, 2006 for the purpose of providing certain highly compensated, management personnel of NuStar GP, LLC and its subsidiaries a supplement to the retirement benefit they may otherwise receive under the Pension Plan and the Valero Energy Pension Plan, where applicable. The SERP is not intended to constitute either a qualified plan under the Code or a funded plan subject to ERISA. For employees of NuStar GP, LLC who were eligible to receive a benefit under the Valero Energy Supplemental Executive Retirement Plan (the Prior SERP) as of July 1, 2006, the SERP assumed the liabilities of the Prior SERP and shall provide a single, nonqualified defined benefit to eligible employees for their pre-July 1, 2006 benefit accruals under the Prior SERP and their post-July 1, 2006 benefit accruals under this SERP.

An eligible employee's monthly pension under the SERP will be equal to:

- (i) 1.6% of the employee's average monthly compensation multiplied by the employee's years of service; *plus*
- (ii) 0.35% of the product of the employee's years of service and the amount that the employee's average monthly compensation exceeds the lesser of:
 - a. 1.25 multiplied by the employee's monthly covered compensation and
 - b. the monthly FICA amount; *minus*
- (iii) the employee's Pension Plan benefit.

Mr. Anastasio and Mr. Blank participate in the SERP.

**NONQUALIFIED DEFERRED COMPENSATION
FOR YEAR ENDED DECEMBER 31, 2012**

The following table provides additional information regarding contributions by NuStar GP, LLC and each of our NEOs under our non-qualified defined contribution and other deferred compensation plans during the year ended December 31, 2012. The table also presents each named executive officer's withdrawals, earnings and year-end balances in such plans. Please see the descriptions of our Excess Thrift Plan and the Frozen Nonqualified 401(k) Plan above in "Compensation Discussion and Analysis- Post-Employment Benefits."

Name	Executive Contributions in 2012 \$(1)	Registrant Contributions in 2012 \$(2)	Aggregate Earnings in 2012 \$(3)	Aggregate Withdrawals/ Distributions \$(4)	Aggregate Balance at December 31, 2012 \$(5)
Anastasio	0	18,007	68,724	0	524,275
Barron	0	3,293	3,293	0	20,190
Blank	0	7,052	178,986	0	1,229,953
Brown	0	4,756	4,756	0	24,199
Comeau	0	0	0	0	0

Footnotes:

- (1) The executives made no contributions to these plans in 2012.
- (2) Amounts reported represent our contributions to our Excess Thrift Plan. All of the amounts included in this column are included within the amounts reported as "All Other Compensation" for 2012 in the Summary Compensation Table.
- (3) Amounts include the earnings (excluding dividends, if any), if any, of the executives' respective account in (as applicable) our Excess Thrift Plan and our Frozen Nonqualified 401(k) Plan.
- (4) The executives made no withdrawals from and received no distributions under our plans in 2012.
- (5) Amounts include the aggregate balance, if any, of the executives' respective account in (as applicable) our Excess Thrift Plan and our Frozen Nonqualified 401(k) Plan.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

Each of our NEOs has entered into a Change of Control Severance Agreement with NuStar Energy and NuStar GP, LLC. These agreements seek to assure the continued availability of these executives in the event of a “change of control” (described below) of NuStar. When determining the amounts and benefits payable under the agreements, the Compensation Committee sought to secure compensation that is competitive in our market in order to recruit and retain executive officer talent. Consideration was given to the principal economic terms found in written employment and change of control agreements of other publicly traded companies.

When a change of control occurs, the agreement becomes operative for a fixed three-year period. The agreements provide generally that the executive’s terms of employment will not be adversely changed during the three-year period after a change of control. In addition, outstanding unit options held by the executive will automatically vest, restrictions applicable to outstanding restricted units held by the executive will lapse, and all unvested performance units held by the executive will fully vest and become payable at 200% of target. The executives are also entitled to receive a payment in an amount sufficient to make the executive whole for any excise tax on excess parachute payments imposed under Section 4999 of the Code. Each agreement subjects the executive to obligations of confidentiality, both during the term and after termination, for secret and confidential information relating to NuStar Energy, NuStar GP, LLC and their affiliates (as defined in the agreement) that the executive acquired during his or her employment.

For purposes of these agreements, a “change of control” means any of the following (subject to additional particulars as stated in the agreements):

- the acquisition by an individual, entity or group of beneficial ownership of 40% of NuStar GP Holdings’ voting interests;
- the failure of NuStar GP Holdings to control NuStar GP, LLC, NuStar Energy’s general partner, Riverwalk Logistics, L.P., or all of the general partner interests of NuStar Energy;
- Riverwalk Logistics, L.P. ceases to be NuStar Energy’s general partner or Riverwalk Logistics, L.P. is no longer controlled by either NuStar GP, LLC or one of its affiliates;
- the acquisition of more than 50% of all voting interests of NuStar Energy then outstanding;
- certain consolidations or mergers of NuStar GP Holdings;
- certain consolidations or mergers of NuStar Energy;
- sale of all or substantially all of the assets of NuStar GP Holdings to anyone other than its affiliates;
- sale of all or substantially all of the assets of NuStar Energy to anyone other than its affiliates; or
- change in the composition of the NuStar GP Holdings board of directors so that fewer than a majority of those directors are “incumbent directors” as defined in the agreement.

In the agreements, “cause” is defined to mean, generally, the willful and continued failure of the executive to perform substantially the executive’s duties, or the willful engaging by the executive in illegal or gross misconduct that is materially and demonstrably injurious to the company. “Good reason” is defined to mean, generally:

- a diminution in the executive’s position, authority, duties and responsibilities,
- failure of the successor of NuStar to assume and perform under the agreement, and
- relocation of the executive or increased travel requirements.

SEC regulations require us to disclose potential payments to an executive in connection with his or her termination or a change of control of NuStar. We have elected to use the following table to make the required disclosures. Except as noted, values assume that a change of control occurred on December 31, 2012, and that the executive’s employment was terminated on that date.

Under the change of control agreements, if an executive officer’s employment is terminated for “cause,” the officer will not receive any benefits or compensation other than any accrued salary or vacation pay that remained unpaid through the date of termination, and, therefore, there is no presentation of termination for “cause” below.

PAYMENTS UNDER CHANGE OF CONTROL SEVERANCE AGREEMENTS

Executive Benefits and Payments	Termination of Employment by the Company Other Than for “Cause” or Disability, or by the Executive for “Good Reason” (2)	Termination of Employment because of Death or Disability (3)	Termination by the Executive Other Than for “Good Reason” (4)	Continued Employment Following Change of Control (5)
Salary (1)				
<i>Anastasio</i>	\$ 1,610,700	\$ —	\$ —	\$ —
<i>Barron</i>	619,500	—	—	—
<i>Blank</i>	746,820	—	—	—
<i>Brown</i>	669,060	—	—	—
<i>Comeau</i>	770,000	—	—	—
Bonus (1)				
<i>Anastasio</i>	\$ 1,360,800	\$ 453,600	\$ 453,600	\$ —
<i>Barron</i>	348,600	174,300	174,300	—
<i>Blank</i>	427,600	213,800	213,800	—
<i>Brown</i>	383,200	191,600	191,600	—
<i>Comeau</i>	—	—	—	—
Pension, Excess Pension, and SERP Benefits				
<i>Anastasio</i>	\$ 1,047,545	\$ —	\$ —	\$ —
<i>Barron</i>	202,221	—	—	—
<i>Blank</i>	291,872	—	—	—
<i>Brown</i>	246,048	—	—	—
<i>Comeau</i>	—	—	—	—
Contributions under Defined Contribution Plans				
<i>Anastasio</i>	\$ 96,842	\$ —	\$ —	\$ —
<i>Barron</i>	37,170	—	—	—
<i>Blank</i>	44,809	—	—	—
<i>Brown</i>	40,144	—	—	—
<i>Comeau</i>	46,200	—	—	—
Health and Welfare Plan Benefits	(6)			
<i>Anastasio</i>	\$ 84,375	\$ —	\$ —	\$ —
<i>Barron</i>	31,116	—	—	—
<i>Blank</i>	55,681	—	—	—
<i>Brown</i>	36,861	—	—	—
<i>Comeau</i>	17,345	—	—	—

Executive Benefits and Payments	Termination of Employment by the Company Other Than for “Cause” or Disability, or by the Executive for “Good Reason” (2)	Termination of Employment because of Death or Disability (3)	Termination by the Executive Other Than for “Good Reason” (4)	Continued Employment Following Change of Control (5)
Accelerated Vesting of Unit Options (7)				
<i>Anastasio</i>	\$0	\$0	\$0	\$0
<i>Barron</i>	0	0	0	0
<i>Blank</i>	0	0	0	0
<i>Brown</i>	0	0	0	0
<i>Comeau</i>	0	0	0	0
Accelerated Vesting of Restricted Units (8)				
<i>Anastasio</i>	\$ 1,294,620	\$ 1,294,620	\$ 1,294,620	\$ 1,294,620
<i>Barron</i>	451,093	451,093	451,093	451,093
<i>Blank</i>	551,603	551,603	551,603	551,603
<i>Brown</i>	494,680	494,680	494,680	494,680
<i>Comeau</i>	473,652	473,652	473,652	473,652
Accelerated Vesting of Performance Units (9)				
<i>Anastasio</i>	\$ 1,094,030	\$ 1,094,030	\$ 1,094,030	\$ 1,094,030
<i>Barron</i>	393,450	393,450	393,450	393,450
<i>Blank</i>	481,044	481,044	481,044	481,044
<i>Brown</i>	431,257	431,257	431,257	431,257
<i>Comeau</i>	217,498	217,498	217,498	217,498
280G Tax Gross-Up (10)				
<i>Anastasio</i>	\$ 1,744,050	\$ —	\$ —	\$ —
<i>Barron</i>	637,795	—	—	—
<i>Blank</i>	0	—	—	—
<i>Brown</i>	0	—	—	—
<i>Comeau</i>	392,039	—	—	—
Totals				
<i>Anastasio</i>	\$ 8,832,972	\$ 2,842,250	\$ 2,842,250	\$ 2,388,650
<i>Barron</i>	2,720,946	1,018,843	1,018,843	844,943
<i>Blank</i>	2,598,709	1,246,447	1,246,447	1,032,647
<i>Brown</i>	2,301,260	1,117,547	1,117,547	925,947
<i>Comeau</i>	1,916,734	691,150	691,150	691,150

Footnotes:

- (1) Per SEC regulations, for purposes of this analysis we assumed each executive’s compensation at the time of each triggering event to be as stated below. The listed salary is the executive’s actual annualized rate of pay as of December 31, 2012. The listed bonus amount represents the highest bonus earned by the executive in any of the fiscal years 2010, 2011 and 2012 (the three years prior to the assumed change of control):

Name	Annual Salary	Bonus
Anastasio	\$ 536,900	\$ 453,600
Barron	309,750	174,300
Blank	373,410	213,800
Brown	334,530	191,600
Comeau	385,000	—

- (2) The change of control agreements provide that if the company terminates the executive officer’s employment (other than for “cause,” death or “disability,” as defined in the agreement) or if the executive officer terminates his or her employment for “good reason,” as defined in the agreement, the executive is generally entitled to receive the following:
- (A) a lump sum cash payment equal to the sum of:
- (i) accrued and unpaid compensation through the date of termination, including a pro-rata annual bonus (for this

table, we assumed that the executive officers' bonuses for the year of termination were paid at year end);

- (ii) two times the sum of the executive officer's (three times for Mr. Anastasio) annual base salary plus the executive officer's highest annual bonus from the past three years,
- (iii) the amount of the actuarial present value of the pension benefits (qualified and nonqualified) the executive would have received for an additional two years of service (three years for Mr. Anastasio), and (iv) the equivalent of two years (three years for Mr. Anastasio) of employer contributions under NuStar GP, LLC's tax-qualified and supplemental defined contribution plans; and

(B) continued welfare benefits for two years (three years for Mr. Anastasio).

- (3) If the executive's employment is terminated by reason of his death or disability, then his or her estate or beneficiaries will be entitled to receive a lump sum cash payment equal to any accrued and unpaid salary and vacation pay plus a bonus equal to the highest bonus earned by the executive in the prior three years (prorated to the date of termination). In this example, the termination of employment was deemed to occur on the last day of the year; thus a full year's bonus is shown in the table. In addition, in the case of disability, the executive would be entitled to any disability and related benefits at least as favorable as those provided by NuStar GP, LLC under its plans and programs during the 120-days prior to the executive's termination of employment.
- (4) If the executive voluntarily terminates his employment other than for "good reason," then he or she will be entitled to a lump sum cash payment equal to any accrued and unpaid salary and vacation pay plus a bonus equal to the highest bonus earned by the executive in the prior three years (prorated to the date of termination). In this example, the termination of employment was deemed to occur on the last day of the year; thus a full year's bonus is shown in the table.
- (5) The change of control agreements provide for a three-year term of employment following a change of control. The agreements generally provide that the executive will continue to enjoy compensation and benefits on terms at least as favorable as in effect prior to the change of control. In addition, all outstanding equity incentive awards will automatically vest on the date of the change of control.
- (6) The executive is entitled to coverage under the welfare benefit plans (*e.g.*, health, dental, etc.) for two years following the date of termination (three years for Mr. Anastasio).
- (7) The amounts stated in the table represent the gross value of previously unvested unit options derived by multiplying (x) the difference between (as applicable) \$42.48 (the closing price of NuStar Energy L.P.'s units on the NYSE on December 31, 2012) or \$27.69 (the closing price of NuStar GP Holdings, LLC's units on the NYSE on December 31, 2012), and the options' exercise prices, times (y) the number of unvested unit options.
- (8) The amounts stated in the table represent the gross value of previously unvested restricted units, derived by multiplying (x) the number of units whose restrictions lapsed because of the change of control, times (y) (as applicable) \$42.48 (the closing price of NuStar Energy L.P.'s units on the NYSE on December 31, 2012) or \$27.69 (the closing price of NuStar GP Holdings, LLC's units on the NYSE on December 31, 2012).
- (9) The amounts stated in the table represent the product of (x) the number of performance units whose vesting was accelerated because of the change of control, times 200%, times (y) \$42.48 (the closing price of NuStar Energy L.P.'s units on the NYSE on December 31, 2012).
- (10) If any payment or benefit is determined to be subject to an excise tax under Section 4999 of the Code, the executive is entitled to receive an additional payment to adjust for the incremental tax cost of the payment or benefit.

COMPENSATION OF DIRECTORS

DIRECTOR COMPENSATION (2012)

The following table provides a summary of compensation paid for the year ended December 31, 2012, to the Board. The table shows amounts earned by such persons for services rendered to NuStar GP, LLC in all capacities in which they served.

Name and Principal Position	Fees Earned or Paid in Cash (\$)(1)	Unit Awards (\$)(3)	Option Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
William E. Greehey	111,250	94,992	—	—	n/a	—	206,242
Curtis V. Anastasio	(2)	(2)	(2)	(2)	(2)	(2)	(2)
J. Dan Bates	87,750	69,982	—	—	n/a	—	157,732
Dan J. Hill	87,750	69,982	—	—	n/a	—	157,732
Stan L. McLelland	60,500	69,982	—	—	n/a	—	130,482
Rodman D. Patton	87,995	69,982	—	—	n/a	—	157,977

- (1) In addition to the fees paid according to the non-employee director compensation described below, the amounts disclosed in this column exclude reimbursement for expenses for commercial transportation to and from Board meetings and lodging while attending meetings.
- (2) Mr. Anastasio is not compensated for his service as a director of NuStar GP, LLC. His compensation for his services as President and CEO are included above in the Summary Compensation Table.
- (3) The amounts reported represent the grant date fair value for the grant of restricted NuStar Energy L.P. units for the fiscal year ended December 31, 2012. Please see “Compensation Discussion and Analysis- Impact of Accounting and Tax Treatment- Accounting Treatment” above in this item for more information.

As of December 31, 2012, each director holds the following aggregate number of restricted unit and option awards:

Name	Aggregate # of Restricted Units	Aggregate # of Unit Options
William E. Greehey	3,570	—
Curtis V. Anastasio	*	*
J. Dan Bates	2,606	—
Dan J. Hill	2,606	—
Stan L. McLelland	2,606	—
Rodman D. Patton	2,606	—

* Mr. Anastasio’s aggregate holdings are disclosed above in the Outstanding Equity Awards at December 31, 2012.

Non-employee directors receive a retainer fee of \$55,000 per year, plus \$1,250 for each Board and committee meeting attended in person and \$500 for each Board and committee meeting attended telephonically. Directors who serve as chairperson of a committee receive an additional \$10,000 annually. Each director is also reimbursed for expenses of meeting attendance. Directors who are employees of NuStar GP, LLC receive no compensation (other than reimbursement of expenses) for serving as directors. The Chairman of the Board receives an additional retainer fee of \$50,000 per year. The Chairman of the Board receives no fees for attending committee meetings.

NuStar GP, LLC supplements the compensation paid to non-employee directors other than the Chairman of the Board with an annual grant of restricted NuStar Energy L.P. units valued at \$70,000 that vests in equal annual installments over a three-year period. The Chairman of the Board receives an annual grant of restricted NuStar Energy L.P. units valued at \$95,000 that vests in equal annual installments over a three-year period. We believe this annual grant of restricted units increases the non-employee directors’ identification with the interests of NuStar Energy L.P.’s unitholders through ownership of NuStar Energy L.P. units. Upon a non-employee director’s initial election to the Board, the director will receive a grant of restricted units equal to the pro-rated amount of the annual grant of restricted units from the time of his or her election through the next annual grant of restricted units.

In the event of a “Change of Control” as defined in the 2000 LTIP, all unvested restricted units and unit options previously granted immediately become vested or exercisable. Each plan also contains anti-dilution provisions providing for an adjustment in the number of restricted units or unit options, respectively, that have been granted to prevent dilution of benefits in the event any change in the capital structure of NuStar Energy affects the NuStar Energy L.P. units.

Compensation Committee

The Compensation Committee reviews and reports to the Board on matters related to compensation strategies, policies and programs, including certain personnel policies and policy controls, management development, management succession and benefit programs. The Compensation Committee also approves and administers NuStar Energy's equity compensation plans and incentive bonus plan. The Board has adopted a written charter for the Compensation Committee. The members of the Compensation Committee are Dan J. Hill (Chairman), J. Dan Bates and Rodman D. Patton, none of whom is a current or former employee or officer of NuStar GP, LLC and each of whom have been determined by the Board to be "independent," as described below in Item 13. The Compensation Committee met five times in 2012.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks. None of Mr. Hill, Mr. Bates or Mr. Patton has served as an officer or employee of NuStar GP, LLC. Furthermore, except for compensation arrangements disclosed in this annual report on Form 10-K, NuStar Energy has not participated in any contracts, loans, fees, awards or financial interests, direct or indirect, with any Compensation Committee member. In addition, none of NuStar Energy's management and no Board member is aware of any means, directly or indirectly, by which a Compensation Committee member could receive a material benefit from NuStar Energy.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED UNITHOLDER MATTERS

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth ownership of NuStar Energy L.P. units and NuStar GP Holdings, LLC units by directors and executive officers of NuStar GP, LLC as of December 31, 2012. Unless otherwise indicated in the notes to the table, each of the named persons and members of the group has sole voting and investment power with respect to the units shown:

Name of Beneficial Owner(a)	Units Beneficially Owned(b)	Units under Exercisable Options(c)	Percentage of Outstanding Units(d)	NuStar GP Holdings, LLC Units Beneficially Owned	NuStar GP Holdings, LLC Units under Exercisable Options	Percentage of Outstanding Units(e)
William E. Greehey	2,082,577	—	2.67%	7,947,479	—	18.65%
Curtis V. Anastasio	115,404	45,875	*	85,175	56,300	*
J. Dan Bates	15,685	—	*	2,000	—	*
Dan J. Hill	14,777	—	*	8,000	—	*
Stan McLelland	8,994	—	*	22,817	—	*
Rodman D. Patton	24,732	—	*	15,000	—	*
Bradley C. Barron	19,301	5,335	*	13,797	35,000	*
Steven A. Blank	45,699	27,925	*	51,420	41,000	*
Mary Rose Brown	39,186	1,700	*	62,261	35,000	*
Douglas W. Comeau	14,005	—		5,405	—	
Thomas R. Shoaf	11,575	4,825	*	7,314	25,700	*
All directors and officers as a group (11)	2,391,935	85,660	3.18%	8,220,668	193,000	19.74%

* Indicates that the percentage of beneficial ownership does not exceed 1% of the class.

(a)

- (a) The business address for all beneficial owners listed above is 19003 IH-10 West, San Antonio, Texas 78257.
- (b) This column includes units issued under NuStar Energy's long-term incentive plans. Restricted units granted under NuStar GP, LLC's long-term incentive plans are rights to receive NuStar Energy L.P. units upon vest and, as such, may not be disposed of or voted until vested. The column does not include units that could be acquired under options, which information is set forth in the next column.
- (c) This column discloses units that may be acquired within 60 days of December 31, 2012 through the exercise of unit options.
- (d) As of December 31, 2012, 77,886,078 NuStar Energy L.P. units were issued and outstanding. There are no classes of equity securities of NuStar Energy outstanding other than the units. The calculation for Percentage of Outstanding units includes units listed under the captions "Units Beneficially Owned" and "Units under Exercisable Options."
- (e) As of December 31, 2012, 42,605,171 NuStar GP Holdings, LLC's units were issued and outstanding. There are no classes of equity securities of NuStar GP Holdings, LLC outstanding other than the units. The calculation for Percentage of Outstanding Units includes units listed under the captions "NuStar GP Holdings, LLC Units Beneficially Owned" and "NuStar GP Holdings, LLC Units under Exercisable Options."

Except as otherwise indicated, the following table sets forth certain information as of December 31, 2012 with respect to each entity known to us to be the beneficial owner of more than 5% of our outstanding units.

Name and Address of Beneficial Owner	Units	Percentage of Units (2)
NuStar GP Holdings(1) 19003 IH-10 West San Antonio, Texas 78257	10,351,491	13.3%

- (1) NuStar GP Holdings owns the units through its wholly owned subsidiaries, NuStar GP, LLC and Riverwalk Holdings, LLC. NuStar GP Holdings controls voting and investment power of the units through these wholly owned subsidiaries.
- (2) Assumes 77,886,078 units outstanding.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about NuStar GP, LLC's equity compensation plans, which are described in further detail in Note 19 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data:"

Plan categories	Number of Securities to be issued upon exercise of outstanding unit options, warrants and rights(1)	Weighted-Average exercise price of outstanding unit options, warrants and rights	Number of securities remaining for future issuance under equity compensation plans
Equity Compensation Plans approved by security holders	1,680,827	\$ 53.73	1,569,173
Equity Compensation Plans not approved by security holders	442,958	\$ 50.20	227,042(2)

- (1) Grants under NuStar GP, LLC's long-term incentive plans do not dilute the interests of NuStar Energy L.P. unitholders. Upon the vest of a restricted unit or the exercise of a unit option granted under NuStar GP, LLC's plan, NuStar GP, LLC purchases a NuStar Energy L.P. unit to satisfy that vest or exercise on the open market. No new NuStar Energy L.P. units are issued to satisfy vesting restricted units or exercises of unit options.
- (2) As of December 31, 2012, options to purchase 765 NuStar Energy L.P. units remained available for grant under the 2002 Unit Option Plan. As of December 31, 2012, 226,277 units remained available for grant under the 2003 Employee Unit Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

TRANSACTIONS WITH MANAGEMENT AND OTHERS

In January 2007, our Board adopted a written related person transaction policy that codifies our prior practice. For purposes of the policy, a related person transaction is one that is not available to all employees generally or involves less than \$10,000 when aggregated with similar transactions. The policy requires that any related person transaction between NuStar Energy or NuStar GP, LLC and: (i) any vice president, Section 16 officer or director, (ii) any 5% or greater unitholder of NuStar Energy, its controlled affiliates or NuStar GP Holdings, (iii) any immediate family member of any officer or director, or (iv) any entity controlled by any of (i), (ii) or (iii) (or in which any of (i), (ii) or (iii) owns more than 5%) must be approved by the disinterested members of the Board. In addition, the policy requires that the officers and directors have an affirmative obligation to inform our Corporate Secretary of his or her immediate family members, as well as any entities in which he or she controls or owns more than 5%.

Please see “Executive Compensation, Potential Payments upon Termination or Change in Control” for a discussion of NuStar Energy’s Change of Control Agreements with the NEOs.

On December 10, 2007, NuStar Logistics, L.P., our wholly owned subsidiary, entered into a non-exclusive Aircraft Time Sharing Agreement (the Time Share Agreement) with William E. Greehey, Chairman of our Board. The Time Share Agreement provides that NuStar Logistics, L.P. will sublease the aircraft to Mr. Greehey on an “as needed and as available” basis, and will provide a fully qualified flight crew for all Mr. Greehey’s flights. Mr. Greehey will pay NuStar Logistics an amount equal to the maximum amount of expense reimbursement permitted in accordance with Section 91.501(d) of the Aeronautics Regulations of the Federal Aviation Administration and the Department of Transportation, which expenses include and are limited to: fuel oil, lubricants, and other additives; travel expenses of the crew, including food, lodging and ground transportation; hangar and tie down costs away from the aircraft’s base of operation; insurance obtained for the specific flight; landing fees, airport taxes and similar assessments; customs, foreign permit, and similar fees directly related to the flight; in-flight food and beverages; passenger ground transportation; flight planning and weather contract services; and an additional charge equal to 100% of the costs of the fuel oil, lubricants, and other additives. The Time Share Agreement has an initial term of two years, after which the Time Share Agreement will automatically renew for one-year terms until terminated by either party. The Time Share Agreement was approved by the disinterested members of the Board on December 5, 2007. The Time Share Agreement was amended, as of September 4, 2009, to reflect the addition of another aircraft.

On April 24, 2008, the independent directors of NuStar GP, LLC approved the adoption of a Services Agreement, effective January 1, 2008, between NuStar GP, LLC and NuStar Energy (the Services Agreement). The Services Agreement provides that NuStar GP, LLC will furnish all services necessary for the conduct of the business of NuStar Energy, and NuStar Energy will reimburse NuStar GP, LLC for all payroll and related benefit costs, including pension and unit-based compensation costs, other than the expenses allocated to NuStar Holdings (the Holdco Services Expense). The Holdco Services Expense is equal to \$1.1 million (as adjusted), plus 1.0% of NuStar GP, LLC’s domestic employee bonus and unit compensation expense for the applicable fiscal year. For fiscal year 2012, the Holdco Services Expense was equal to \$1.3 million. The Holdco Services Expense is subject to adjustment (a) by an annual amount equal to NuStar GP, LLC’s annual merit increase percentage for the most recently completed contract year and (b) for changed levels of services due to expansion of operations through, among other things, expansion of operations, acquisitions or the construction of new businesses or assets. On December 31, 2012, the Services Agreement automatically renewed for a two-year term and will continue to renew automatically for two-year terms unless terminated by either party on six months’ written notice.

John D. Greehey, a NuStar employee, is the son of William E. Greehey, the Chairman of our Board. As such, he is deemed to be a “related person” under Item 404(a) of the SEC’s Regulation S-K. Mr. J. Greehey is a Vice President of a subsidiary of NuStar Energy L.P., NuStar Marketing LLC. In 2012, Mr. J. Greehey did not attend any Board or Committee meetings. The aggregate value of compensation paid by NuStar to Mr. J. Greehey in 2012 was less than \$500,000. There were no material differences between the compensation paid to Mr. J. Greehey and the compensation paid to any other employees who hold analogous positions.

Michael T. Stone, a NuStar employee, is the brother-in-law of Mary Rose Brown, one of our NEOs. As such, he is deemed to a “related person” under Item 404(a) of the SEC’s Regulation S-K. Mr. Stone is a Vice President of a subsidiary of NuStar Energy L.P., NuStar Marketing LLC. In 2012, Mr. Stone did not attend any Board or Committee meetings. The aggregate value of compensation paid by NuStar to Mr. Stone in 2012 was less than \$500,000. There were no material differences between the compensation paid to Mr. Stone and the compensation paid to any other employees who hold analogous positions.

RIGHTS OF NUSTAR GP HOLDINGS

Due to its ownership of NuStar GP, LLC and Riverwalk Holdings, LLC, as of December 31, 2012, NuStar GP Holdings

indirectly owned:

- the 2% general partner interest in NuStar Energy, through its indirect 100% ownership interest in Riverwalk Logistics, L.P.;
- 100% of the incentive distribution rights issued by us, which entitle NuStar GP Holdings to receive increasing percentages of the cash we distribute, currently at the maximum percentage of 23%; and
- 10,351,491 NuStar Energy L.P. units representing 13% of the issued and outstanding NuStar Energy common units.

Certain of our officers are also officers of NuStar GP Holdings. Our Chairman, William E. Greehey, is also the Chairman of Board and owns 18.7% of NuStar GP Holdings. NuStar GP Holdings appoints NuStar GP, LLC's directors. NuStar GP, LLC's board is responsible for overseeing NuStar GP, LLC's role as the owner of the general partner of NuStar Energy. NuStar GP Holdings must also approve matters that have or would have reasonably expected to have a material effect on NuStar GP Holdings' interests as one of our major unitholders.

NuStar Energy's partnership agreement requires that NuStar GP, LLC maintain a Conflicts Committee, composed entirely of independent directors, to review and resolve certain potential conflicts of interest between Riverwalk Logistics, L.P. and its affiliates, on one hand, and NuStar Energy, on the other hand.

DIRECTOR INDEPENDENCE

Our business is managed under the direction of the Board of NuStar GP, LLC, the general partner of Riverwalk Logistics, L.P., the general partner of NuStar Energy. The Board conducts its business through meetings of the Board and its committees. During 2012, the Board held seven meetings. No member of the Board attended less than 75% of the meetings of the Board and committees of which he was a member.

In 2012, the Board had standing Audit and Compensation Committees. In 2013, the Board established a standing Nominating/Governance & Conflicts Committee. Each committee has a written charter. The committees of the Board and the number of meetings held by the committees in 2012 are described below.

Independent Directors

The Board has one member of management, Curtis V. Anastasio, President and CEO, and five non-management directors. The Board has determined that three of five of its non-management directors meet the independence requirements of the NYSE listing standards as set forth in the NYSE Listed Company Manual. As a limited partnership, NuStar Energy is not required to have a majority of independent directors. The independent directors are: J. Dan Bates, Dan J. Hill and Rodman D. Patton.

William E. Greehey, Chairman of the Board, retired as CEO of Valero Energy at the end of 2005. He remained Chairman of Valero Energy's board of directors until January 2007. Mr. Greehey also serves as the Chairman of the NuStar GP Holdings board of directors and owns 18.7% of NuStar GP Holdings.

Curtis V. Anastasio has been President of NuStar GP, LLC since December 1999 and CEO since June 2000. As a member of management, Mr. Anastasio is not an independent director under the NYSE's listing standards. Mr. Anastasio also serves as President and CEO of NuStar GP Holdings.

Stan L. McLelland has been a member of the Board since October 2005. In July 2006, Mr. McLelland also became a member of the board of directors of NuStar GP Holdings. Mr. McLelland stepped down from the Audit and Compensation Committees of NuStar GP, LLC when he joined the NuStar GP Holdings board of directors.

The Audit and Compensation committees of the Board are each composed entirely of directors who meet the independence requirements of the NYSE listing standards. Each member of the Audit Committee also meets the additional independence standards for Audit Committee members set forth in the regulations of the SEC. For further information about the committees, see also Item 10 and Item 11 above.

Independence Determinations

Under the NYSE's listing standards, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with NuStar Energy. Based upon information requested from and provided by each director concerning their background, employment and affiliations, including commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, the Board has determined that, other than being a director of NuStar GP, LLC and/or unitholder of NuStar Energy, each of the independent directors named above has either no relationship with NuStar Energy, either directly or as a partner, unitholder or officer of an organization that has a relationship with NuStar Energy, or has

only immaterial relationships with NuStar Energy, and is therefore independent under the NYSE's listing standards.

As provided for under the NYSE listing standards, the Board has adopted categorical standards or guidelines to assist the Board in making its independence determinations with respect to each director. Under the NYSE listing standards, immaterial relationships that fall within the guidelines are not required to be disclosed in this annual report on Form 10-K.

A relationship falls within the guidelines adopted by the Board if it:

- is not a relationship that would preclude a determination of independence under Section 303A.02(b) of the NYSE Listed Company Manual;
- consists of charitable contributions by NuStar GP, LLC to an organization where a director is an executive officer and does not exceed the greater of \$1 million or 2% of the organization's gross revenue in any of the last three years;
- consists of charitable contributions to any organization with which a director, or any member of a director's immediate family, is affiliated as an officer, director or trustee pursuant to a matching gift program of NuStar GP, LLC and made on terms applicable to employees and directors; or is in amounts that do not exceed \$250,000 per year; and
- is not required to be, and it is not otherwise, disclosed in this annual report on Form 10-K.

NuStar GP, LLC's Corporate Governance Guidelines contain the director qualification standards, including the guidelines listed above, and are available on NuStar Energy's internet website at <http://www.nustarenergy.com> (in the "Investor Relations" section) or are available in print upon request to NuStar GP, LLC's Corporate Secretary at the address indicated on the cover page of this annual report on Form 10-K.

Presiding Director/Meetings of Non-Management Directors

The Board has designated Mr. Patton to serve as the Presiding Director for meetings of the non-management Board members outside the presence of management.

Communications with the Board, Non-Management Directors or Presiding Director

Unitholders and other interested parties may communicate with the Board, the non-management directors or the Presiding Director by sending a written communication in an envelope addressed to "Board of Directors," "Non-Management Directors," or "Presiding Director" in care of NuStar GP, LLC's Corporate Secretary at the address indicated on the cover page of this annual report on Form 10-K.

Availability of Governance Documents

NuStar Energy has posted its Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics of Senior Financial Officers, the Audit Committee Charter and other governance documents on NuStar Energy's internet website at <http://www.nustarenergy.com> (in the "Investor Relations" section). NuStar Energy's governance documents are available in print to any unitholder of record who makes a written request to NuStar Energy. Requests must be directed to NuStar GP, LLC's Corporate Secretary at the address indicated on the cover page of this annual report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG FEES FOR FISCAL YEAR 2012

Audit Fees

The aggregate fees for fiscal year 2012 for professional services rendered by KPMG for the audit of the annual financial statements for the year ended December 31, 2012 included in this Form 10-K, review of NuStar Energy's interim financial statements included in NuStar Energy's 2012 Forms 10-Q, the audit of the effectiveness of NuStar Energy's internal control over financial reporting as of December 31, 2012 and related services that are normally provided by the principal auditor (*e.g.*, comfort letters and assistance with review of documents filed with the SEC) were \$2,509,000.

Audit-related Fees

The aggregate fees for the fiscal year 2012 for assurance and related services rendered by KPMG that are reasonably related to the performance of the audit or review of NuStar Energy's financial statements and not reported in the preceding caption were \$98,000.

Tax Fees

The aggregate fees for the fiscal year 2012 for professional services rendered by KPMG for tax compliance, tax advice and tax planning were \$0.

All Other Fees

The aggregate fees for the fiscal year 2012 for services rendered by KPMG, other than the services reported under the preceding captions, were \$0.

KPMG FEES FOR FISCAL YEAR 2011

Audit Fees

The aggregate fees for fiscal year 2011 for professional services rendered by KPMG for the audit of the annual financial statements for the year ended December 31, 2011 included in this Form 10-K, review of NuStar Energy's interim financial statements included in NuStar Energy's 2010 Forms 10-Q, the audit of the effectiveness of NuStar Energy's internal control over financial reporting as of December 31, 2011 and related services that are normally provided by the principal auditor (*e.g.*, comfort letters and assistance with review of documents filed with the SEC) were \$2,366,000.

Audit-related Fees

The aggregate fees for the fiscal year 2011 for assurance and related services rendered by KPMG that are reasonably related to the performance of the audit or review of NuStar Energy's financial statements and not reported in the preceding caption were \$164,118.

Tax Fees

The aggregate fees for the fiscal year 2011 for professional services rendered by KPMG for tax compliance, tax advice and tax planning were \$0.

All Other Fees

The aggregate fees for the fiscal year 2011 for services rendered by KPMG, other than the services reported under the preceding captions, were \$0.

AUDIT COMMITTEE PRE-APPROVAL POLICY

The audit committee has adopted a pre-approval policy to address the approval of services rendered to NuStar Energy by its independent auditors, which is filed herewith as Exhibit 99.01.

None of the services (described above) for 2011 or 2012 provided by KPMG were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) **Financial Statements.** The following consolidated financial statements of NuStar Energy L.P. and its subsidiaries are included in Part II, Item 8 of this Form 10-K:

Management's Report on Internal Control over Financial Reporting
 Reports of independent registered public accounting firm (KPMG LLP)
 Consolidated Balance Sheets as of December 31, 2012 and 2011
 Consolidated Statements of Income for the Years Ended December 31, 2012, 2011 and 2010
 Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2012, 2011 and 2010
 Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010
 Consolidated Statements of Partners' Equity for the Years Ended December 31, 2012, 2011 and 2010
 Notes to Consolidated Financial Statements

- (2) **Financial Statement Schedules and Other Financial Information.** No financial statement schedules are submitted because either they are inapplicable or because the required information is included in the consolidated financial statements or notes thereto.

(3) **Exhibits**

Filed as part of this Form 10-K are the following:

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

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

Exhibit Number	Description	Incorporated by Reference to the Following Document
4.04	Third Supplemental Indenture, dated as of July 1, 2005, to Indenture dated as of July 15, 2002, as amended and supplemented, among Valero Logistics Operations, L.P., Valero L.P., Kaneb Pipe Line Operating Partnership, L.P., and The Bank of New York Trust Company, N.A.	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.02
4.05	Instrument of Resignation, Appointment and Acceptance, dated March 31, 2008, among NuStar Logistics, L.P., NuStar Energy L.P., Kaneb Pipeline Operating Partnership, L.P., The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2008 (File No. 001-16417), Exhibit 4.05
4.06	Fourth Supplemental Indenture, dated as of April 4, 2008, to Indenture dated as of July 15, 2002, among NuStar Logistics L.P., as issuer, NuStar Energy L.P., as guarantor, NuStar Pipeline Operating Partnership L.P., as affiliate guarantor, and Wells Fargo Bank, National Association, as Successor Trustee	NuStar Energy L.P.'s Current Report on Form 8-K filed April 4, 2008 (File No. 001-16417), Exhibit 4.2
4.07	Fifth Supplemental Indenture, dated as of August 12, 2010, to Indenture dated as of July 15, 2002, among NuStar Logistics, L.P., as Issuer, NuStar Energy L.P., as Guarantor, NuStar Pipeline Operating Partnership L.P., as Affiliate Guarantor and Wells Fargo Bank, National Association, as Successor Trustee	NuStar Energy L.P.'s Current Report on Form 8-K filed August 16, 2010 (File No. 001-16417), Exhibit 4.3
4.08	Sixth Supplemental Indenture, dated as of February 2, 2012, to Indenture dated as of July 15, 2002, among NuStar Logistics, L.P., as Issuer, NuStar Energy L.P., as Guarantor, NuStar Pipeline Operating Partnership L.P., as Affiliate Guarantor and Wells Fargo Bank, National Association, as Successor Trustee	NuStar Energy L.P.'s Current Report on Form 8-K filed February 7, 2012 (File No. 001-16417), Exhibit 4.3
4.09	Indenture, dated as of February 21, 2002, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (Senior Debt Securities)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.03
4.10	First Supplemental Indenture, dated as of February 21, 2002, to Indenture dated as of February 21, 2002, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (including form of 7.750% Senior Unsecured Notes due 2012)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.04
4.11	Second Supplemental Indenture, dated as of August 9, 2002 and effective as of April 4, 2002, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P., Statia Terminals Canada Partnership, and JPMorgan Chase Bank	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.05
4.12	Third Supplemental Indenture, dated and effective as of May 16, 2003, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P., Statia Terminals Canada Partnership, and JPMorgan Chase Bank	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.06

Exhibit Number	Description	Incorporated by Reference to the Following Document
4.13	Fourth Supplemental Indenture, dated and effective as of May 27, 2003, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (including form of 5.875% Senior Unsecured Notes due 2013)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.07
4.14	Fifth Supplemental Indenture, dated and effective as of July 1, 2005, to Indenture dated as of February 21, 2002, as amended and supplemented, among Kaneb Pipe Line Operating Partnership, L.P., Valero L.P., Valero Logistics Operations, L.P., and JPMorgan Chase Bank	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.08
4.15	Instrument of Resignation, Appointment and Acceptance, dated June 30, 2008, among NuStar Pipeline Operating Partnership L.P., NuStar Energy L.P., NuStar Logistics, L.P., The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2008 (File No. 001-16417), Exhibit 4.12
4.16	Indenture, dated as of January 22, 2013, among NuStar Logistics, L.P., as Issuer, NuStar Energy L.P., as Guarantor, and Wells Fargo Bank, National Association, as Trustee, relating to Subordinated Debt Securities	NuStar Energy L.P.'s Current Report on Form 8-K filed January 22, 2013 (File No. 001-16417), Exhibit 4.1
4.17	First Supplemental Indenture, dated as of January 22, 2013, among NuStar Logistics, L.P., as Issuer, NuStar Energy L.P., as Parent Guarantor, NuStar Pipeline Operating Partnership L.P., as Affiliate Guarantor, and Wells Fargo Bank, National Association, as Trustee	NuStar Energy L.P.'s Current Report on Form 8-K filed January 22, 2013 (File No. 001-16417), Exhibit 4.2
10.01	5-Year Revolving Credit Agreement, dated as of May 2, 2012, among NuStar Logistics, L.P., NuStar Energy L.P., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, Suntrust Bank, Mizuho Corporate Bank, Ltd., as Co-Syndication Agents, and Wells Fargo Bank, National Association, Barclays Bank PLC, as Co-Documentation Agents, and J.P. Morgan Securities Inc., Suntrust Robinson Humphrey, Inc., Mizuho Corporate Bank, Ltd., Wells Fargo Securities, LLC and Barclays Bank PLC as Joint Bookrunners and Joint Lead Arrangers	NuStar Energy L.P.'s Current Report on Form 8-K filed May 8, 2012 (File No. 001-16417), Exhibit 10.01
10.02	First Amendment to 5-Year Revolving Credit Agreement, dated as of June 29, 2012, among NuStar Logistics, L.P., NuStar Energy L.P., JPMorgan Chase Bank, N.A., as Administrative Agent, and the Lenders party thereto	NuStar Energy L.P.'s Current Report on Form 8-K filed July 6, 2012 (File No. 001-16417), Exhibit 10.01
10.03	Second Amendment to 5-Year Revolving Credit Agreement, dated as of November 30, 2012, among NuStar Logistics, L.P., NuStar Energy L.P., JPMorgan Chase Bank, N.A., as Administrative Agent, and the Lenders party thereto	*
10.04	Third Amendment to 5-Year Revolving Credit Agreement, dated as of January 11, 2013, among NuStar Logistics, L.P., NuStar Energy L.P., JPMorgan Chase Bank, N.A., as Administrative Agent, and the Lenders party thereto	*

Exhibit Number	Description	Incorporated by Reference to the Following Document
+10.05	NuStar GP, LLC Amended and Restated 2003 Employee Unit Incentive Plan, amended and restated as of April 1, 2007	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-16417), Exhibit 10.03
+10.06	Form of Unit Option Agreement under the Valero GP, LLC Amended and Restated 2003 Employee Unit Incentive Plan. as amended	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2006 (File No. 001-16417), Exhibit 10.11
+10.07	NuStar GP, LLC Amended and Restated 2002 Unit Option Plan, amended and restated as of April 1, 2007	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-16417), Exhibit 10.02
+10.08	NuStar GP, LLC Third Amended and Restated 2000 Long-Term Incentive Plan, amended and restated as of May 1, 2011	NuStar Energy L.P.'s Current Report on Form 8-K filed May 10, 2011 (File No. 001-16417), Exhibit 10.01
+10.09	Form of Restricted Unit Award Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed November 10, 2008 (File No. 001-16417), Exhibit 10.03
+10.10	Form of Unit Option Award Agreement under the Valero GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed November 3, 2006 (File No. 001-16417), Exhibit 10.02
+10.11	Form of Restricted Unit Award Agreement under the Valero GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed November 3, 2006 (File No. 001-16417), Exhibit 10.03
+10.12	Form of Restricted Unit Award Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed October 29, 2007 (File No. 001-16417), Exhibit 10.03
+10.13	Form of 2010 Restricted Unit Award Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed January 5, 2011 (File No. 001-16417), Exhibit 10.03
+10.14	Form of Restricted Unit Award Agreement under the NuStar GP, LLC Third Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed January 31, 2012 (File No. 001-16417), Exhibit 10.2
+10.15	Form of Performance Unit Agreement under the Valero GP, LLC 2000 Amended and Restated Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed January 27, 2006 (File No. 001-16417), Exhibit 10.02
+10.16	Form of Amended and Restated Performance Unit Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed December 8, 2009 (File No. 001-16417), Exhibit 10.02
+10.17	Omnibus Amendment to Form of Amended and Restated Performance Unit Agreements under the NuStar GP LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed February 2, 2010 (File No. 001-16417), Exhibit 10.03
+10.18	Form of Performance Unit Agreement under the Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2009 (File No. 001-16417), Exhibit 10.11
+10.19	Form of Waiver Related to Certain Performance Units under the NuStar GP, LLC Third Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed January 31, 2012 (File No. 001-16417), Exhibit 10.3
+10.20	Form of Non-employee Director Restricted Unit Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed October 29, 2007 (File No. 001-16417), Exhibit 10.02

Exhibit Number	Description	Incorporated by Reference to the Following Document
+10.21	Form of Non-employee Director Restricted Unit Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed November 10, 2008 (File No. 001-16417), Exhibit 10.02
+10.22	Form of 2010 Non-employee Director Restricted Unit Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed January 5, 2011 (File No. 001-16417), Exhibit 10.02
+10.23	Valero L.P. Annual Bonus Plan	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2006 (File No. 001-16417), Exhibit 10.18
+10.24	Change of Control Severance Agreement by and among Valero GP, LLC, Valero L.P. and Curtis V. Anastasio, dated November 6, 2006.	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-16417), Exhibit 10.05
+10.25	Form of Change of Control Severance Agreement by and among Valero LP, Valero GP, LLC and each of the other executive officers of Valero GP, LLC, dated as of November 6, 2006	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-16417), Exhibit 10.06
10.26	Non-Compete Agreement between Valero GP Holdings, LLC, Valero L.P., Riverwalk Logistics, L.P. and Valero GP, LLC, effective as of July 19, 2006	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended September 30, 2006 (File No. 001-16417), Exhibit 10.03
10.27	Services Agreement, effective January 1, 2008, between NuStar GP, LLC and NuStar Energy L.P.	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2008 (File No. 001-16417), Exhibit 10.01
+10.28	NuStar Excess Pension Plan, amended and restated effective as of January 1, 2008	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2008 (File No. 001-16417), Exhibit 10.29
+10.29	NuStar Excess Thrift Plan, amended and restated effective as of January 1, 2008	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2008 (File No. 001-16417), Exhibit 10.30
+10.30	NuStar Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2008	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2008 (File No. 001-16417), Exhibit 10.31
+10.31	Shamrock Logistics GP, LLC Year 2001 Annual Incentive Plan	NuStar Energy L.P.'s Amendment No. 5 to Registration Statement on Form S-1 filed March 29, 2001 (File No. 333-43668), Exhibit 10.4
+10.32	Shamrock Logistics GP, LLC Intermediate Incentive Compensation Plan	NuStar Energy L.P.'s Amendment No. 5 to Registration Statement on Form S-1 filed March 29, 2001 (File No. 333-43668), Exhibit 10.9
10.33	Amended and Restated Aircraft Time Sharing Agreement, dated as of September 4, 2009, between NuStar Logistics, L.P. and William E. Greehey	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2009 (File No. 001-16417), Exhibit 10.24
10.34	Crude Oil Sales Agreement between NuStar Marketing LLC and PDVSA-Petróleo S.A., an affiliate of Petróleos de Venezuela S.A., the national oil company of the Bolivarian Republic of Venezuela, dated effective as of March 1, 2008	NuStar Energy L.P.'s Current Report on Form 8-K filed March 25, 2008 (File No. 001-16417), Exhibit 10.1
10.35	Lease Agreement Between Parish of St. James, State of Louisiana and NuStar Logistics, L.P. dated as of July 1, 2010	NuStar Energy L.P.'s Current Report on Form 8-K filed July 21, 2010 (File No. 001-16417), Exhibit 10.01

Exhibit Number	Description	Incorporated by Reference to the Following Document
10.36	Letter of Credit Agreement dated June 5, 2012 among NuStar Logistics, L.P., NuStar Energy L.P., the Lenders party thereto and Mizuho Corporate Bank, Ltd., as Issuing Bank and Administrative Agent	NuStar Energy L.P.'s Current Report on Form 8-K filed June 12, 2012 (File No. 001-16417), Exhibit 10.01
10.37	First Amendment to Letter of Credit Agreement, dated as of June 29, 2012, among NuStar Logistics, L.P., NuStar Energy L.P., the Lenders party thereto and Mizuho Corporate Bank, Ltd., as Issuing Bank and Administrative Agent	NuStar Energy L.P.'s Current Report on Form 8-K filed July 6, 2012 (File No. 001-16417), Exhibit 10.02
10.38	Lease Agreement between Parish of St. James, State of Louisiana and NuStar Logistics, L.P. dated as of December 1, 2010	NuStar Energy L.P.'s Current Report on Form 8-K filed December 30, 2010 (File No. 001-16417), Exhibit 10.01
10.39	Application for Letter of Credit and Reimbursement Agreement between JPMorgan Chase Bank, N.A. and NuStar Logistics, L.P. dated as of December 29, 2010	NuStar Energy L.P.'s Current Report on Form 8-K filed December 30, 2010 (File No. 001-16417), Exhibit 10.02
10.40	Lease Agreement between Parish of St. James, State of Louisiana and NuStar Logistics, L.P. dated as of August 1, 2011	NuStar Energy L.P.'s Current Report on Form 8-K filed August 10, 2011 (File No. 001-16417), Exhibit 10.01
10.41	Application for Letter of Credit and Reimbursement Agreement between JPMorgan Chase Bank, N.A. and NuStar Logistics, L.P. dated as of August 9, 2011	NuStar Energy L.P.'s Current Report on Form 8-K filed August 10, 2011 (File No. 001-16417), Exhibit 10.02
10.42	Equity Distribution Agreement, dated May 23, 2011 by and among NuStar Energy L.P., Riverwalk Logistics, L.P., NuStar GP, LLC, and Citigroup Global Markets Inc.	NuStar Energy L.P.'s Current Report on Form 8-K filed May 23, 2011 (File No. 001-16417), Exhibit 1.1
10.43	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	NuStar Energy L.P.'s Current Report on Form 8-K filed July 6, 2012 (File No. 001-16417), Exhibit 10.01
10.44	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,	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended September 30, 2012 (File No. 001-16417), Exhibit 10.02
10.45	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	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended September 30, 2012 (File No. 001-16417), Exhibit 10.03
12.01	Statement of Computation of Ratio of Earnings to Fixed Charges	*
14.01	Code of Ethics for Senior Financial Officers	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2003 (File No. 001-16417), Exhibit 14.1
21.01	List of subsidiaries of NuStar Energy L.P.	*
23.01	Consent of KPMG LLP dated March 1, 2013	*
24.01	Powers of Attorney (included in signature page of this Form 10-K)	*

Exhibit Number	Description	Incorporated by Reference to the Following Document
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	*
99.01	Audit Committee Pre-Approval Policy	*
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.

** Submitted electronically herewith.

+ Identifies management contracts or compensatory plans or arrangements required to be filed as an exhibit hereto pursuant to Item 15(c) of Form 10-K.

Copies of exhibits filed as a part of this Form 10-K may be obtained by unitholders of record at a charge of \$0.15 per page, minimum \$5.00 each request. Direct inquiries to Corporate Secretary, NuStar Energy L.P., 19003 IH-10 West, San Antonio, Texas 78257.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, 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

March 1, 2013

By: /s/ Steven A. Blank

Steven A. Blank

Executive Vice President, Chief Financial Officer and Treasurer

March 1, 2013

By: /s/ Thomas R. Shoaf

Thomas R. Shoaf

Senior Vice President and Controller

March 1, 2013

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Curtis V. Anastasio, Steven A. Blank and Bradley C. Barron, or any of them, each with power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all subsequent amendments and supplements to this Annual Report on Form 10-K, and to file the same, or cause to be filed the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby qualifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<div style="border-bottom: 1px solid black; margin-bottom: 5px;">/s/ William E. Greehey</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">William E. Greehey</div>	Chairman of the Board	March 1, 2013
<div style="border-bottom: 1px solid black; margin-bottom: 5px;">/s/ Curtis V. Anastasio</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Curtis V. Anastasio</div>	President, Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2013
<div style="border-bottom: 1px solid black; margin-bottom: 5px;">/s/ Steven A. Blank</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Steven A. Blank</div>	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 1, 2013
<div style="border-bottom: 1px solid black; margin-bottom: 5px;">/s/ Thomas R. Shoaf</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Thomas R. Shoaf</div>	Senior Vice President and Controller (Principal Accounting Officer)	March 1, 2013
<div style="border-bottom: 1px solid black; margin-bottom: 5px;">/s/ J. Dan Bates</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">J. Dan Bates</div>	Director	March 1, 2013
<div style="border-bottom: 1px solid black; margin-bottom: 5px;">/s/ Dan J. Hill</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;">Dan J. Hill</div>	Director	March 1, 2013
<div style="border-bottom: 1px solid black; margin-bottom: 5px;">Stan McLelland</div>	Director	
<div style="border-bottom: 1px solid black; margin-bottom: 5px;">Rodman D. Patton</div>	Director	