NuStar Logistics, L.P.
Form 424B3
April 01, 2008
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The information in this preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933 but is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

(SUBJECT TO COMPLETION) DATED MARCH 31, 2008

PRELIMINARY PROSPECTUS SUPPLEMENT

(to Prospectus dated May 18, 2007)

$

NuStar Logistics, L.P.

% Senior Notes due 2018

Fully and Unconditionally Guaranteed by

NuStar Energy L.P. and Kaneb Pipe Line Operating Partnership, L.P.

We are offering $ aggregate principal amount of our % senior notes due 2018. We will pay interest on the notes on and of each year, beginning , 2008. Interest on the notes will accrue from , 2008. The notes will mature on , 2018.

We may redeem some or all of the notes at any time at a redemption price that includes a make-whole premium, as described under the caption Description of the Notes Optional Redemption.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future unsecured senior indebtedness. The notes are irrevocably and unconditionally guaranteed on a senior unsecured basis by our parent, NuStar Energy L.P., and one of our affiliates, Kaneb Pipe Line Operating Partnership, L.P., or KPOP, jointly and severally. KPOP will be released from its guarantee when it no longer guarantees any obligations of NuStar Energy L.P. or any of its subsidiaries, including NuStar Logistics, under any bank credit facility or public debt instrument. The guarantee by our parent will rank equally in right of payment to all of NuStar Energy L.P. s existing and future unsecured and unsubordinated indebtedness. The guarantee by KPOP will rank equally in right of payment to all of KPOP s existing and future unsecured and unsubordinated indebtedness.

We will not make application to list the notes on any securities exchange or to include them in any automated quotation system.

Investing in the notes involves risks. Please read <u>Risk Factors</u> beginning on page S-12 of this prospectus supplement and on page 3 of the accompanying base prospectus for information regarding risks you should consider before investing in the notes.

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

	Initial Public Offering Price(1)	Underwriting Discounts	Proceeds, before Expenses, to NuStar Logistics, L.P.
Per note	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from the date of original issuance.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company against payment in New York, New York on or about , 2008.

Joint Book-Running Managers

BARCLAYS CAPITAL **JPMORGAN** **SUNTRUST ROBINSON HUMPHREY**

The date of this prospectus supplement is , 2008

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering of notes. Generally, when we refer only to the prospectus, we are referring to both parts combined. If information varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference into this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference into this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. Please read Where You Can Find More Information on page S-38 of this prospectus supplement and Where You Can Find More Information and Incorporation by Reference in the accompanying base prospectus.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying base prospectus and any free writing prospectus relating to this offering. We have not authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus, any free writing prospectus or the information we have previously filed with the Securities and Exchange Commission that is incorporated by reference herein is accurate as of any date other than its respective date. This prospectus supplement, the accompanying base prospectus and any free writing prospectus do not constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

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SUMMARY

This summary highlights information from this prospectus supplement and the accompanying prospectus. It is not complete and does not contain all the information that you should consider before investing in the notes. This prospectus supplement and the accompanying prospectus include specific terms of the offering of the notes, information about our business and our financial data. We urge you to read carefully the entire prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference, and our financial statements and the notes to those statements, before making an investment decision. You should also read the risk factors on page S-12 of this prospectus supplement and on page 3 of the accompanying prospectus for more information about important risks you should consider before making a decision to purchase notes in this offering. Additionally, you should read the Risk Factors and our discussions of other risks and uncertainties in our periodic filings with the SEC under the Exchange Act, particularly in our Annual Report on Form 10-K for our fiscal year ended December 31, 2007, which is incorporated herein by reference.

NuStar Energy L.P. (NuStar Energy) conducts substantially all of its business through its operating subsidiaries NuStar Logistics, L.P. (NuStar Logistics) and KPOP and their respective subsidiaries. Accordingly, in the sections of this prospectus supplement that describe the business of NuStar Energy and its subsidiaries, unless the context otherwise indicates, references to NuStar Energy, us, we, our, and like terms refer to NuStar Energy, together with its subsidiaries, including NuStar Logistics and KPOP. NuStar Logistics is the borrower on substantially all of the consolidated company s credit facilities and is the issuer of an aggregate of $330 million of senior notes, all of which are fully and unconditionally guaranteed by each of NuStar Energy and KPOP, and KPOP is the issuer of an aggregate of $500 million of senior notes, all of which are fully and unconditionally guaranteed by each of NuStar Energy and NuStar Logistics. All financial results presented in this prospectus supplement are those of NuStar Energy and its subsidiaries, including NuStar Logistics and KPOP, on a consolidated basis.

The notes are solely obligations of NuStar Logistics and, to the extent described in this prospectus supplement, are guaranteed by each of NuStar Energy and KPOP. Accordingly, in the other sections of this prospectus supplement, including The Offering and Description of the Notes, unless the context otherwise indicates, references to NuStar Logistics, the Partnership, us, we, our, and like terms refer to NuStar Logistics and do not include any of its subsidiaries or its affiliates. Likewise, in such sections, unless the context otherwise indicates, NuStar Energy refers to NuStar Energy and not its subsidiaries and KPOP refers to KPOP and not its subsidiaries or affiliates.

NuStar Logistics, L.P.

NuStar Logistics, L.P. is a wholly owned subsidiary of NuStar Energy L.P. (NYSE: NS), a publicly traded master limited partnership organized in 1999 under the laws of the State of Delaware. The notes issued by NuStar Logistics will be guaranteed by each of NuStar Energy and KPOP, NuStar Energy s other operating subsidiary partnership. KPOP will be released from its guarantee when it no longer guarantees any obligations of NuStar Energy or any of its subsidiaries, including NuStar Logistics, under any bank credit facility or public debt instrument. NuStar Energy and its subsidiaries are engaged in the crude oil and refined product transportation, terminalling and storage business and have terminal facilities in 28 U.S. states, the Netherlands Antilles, Canada, Mexico, the Netherlands and the United Kingdom. NuStar Energy also purchases certain petroleum products for sale to third parties. NuStar Energy s operations are managed by NuStar GP, LLC, a wholly owned subsidiary of NuStar GP Holdings, LLC (NYSE: NSH), a publicly traded Delaware limited liability company that indirectly owns NuStar Energy s 2% general partner interest, an approximate 18.59% limited partner interest and 100% of the incentive distribution rights of NuStar Energy.

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On March 20, 2008, we closed the acquisition of CITGO Asphalt Refining Company s asphalt operations and assets (East Coast Asphalt Operations) for $450 million, plus inventory of approximately $370 million subject to post-closing adjustment. The East Coast Asphalt Operations include a 74,000 barrels per day asphalt refinery in Paulsboro, New Jersey, a 30,000 barrels per day asphalt refinery in Savannah, Georgia and three asphalt terminals on the East Coast with a combined storage capacity of 4.8 million barrels. With this acquisition, we became one of the largest asphalt refiners and marketers on the U.S. East Coast and strengthened our position as the third largest independent liquids terminal operator in the world. See Recent Developments Acquisition of the East Coast Asphalt Operations.

Our asset portfolio following the acquisition of the East Coast Asphalt Operations consists of:

- two asphalt refineries with a combined throughput capacity of 104,000 barrels per day, three owned terminals with a combined capacity of 4.8 million barrels and terminal storage agreements for 15 terminals owned by third parties at which we market asphalt;
- 51 refined product terminals and one crude oil terminal in the United States and ten international terminals on the island of St. Eustatius in the Caribbean, Point Tupper in Nova Scotia, Canada, the United Kingdom, the Netherlands and Nuevo Laredo in Mexico;
- common carrier refined product pipelines that cover approximately 6,251 miles in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota and a 2,000 mile anhydrous ammonia pipeline located in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska;
- crude oil pipelines that cover 755 miles and transport crude oil and other feedstocks, such as gas oil, from various points in Texas, Oklahoma, Kansas and Colorado to Valero Energy Corporation s McKee, Three Rivers and Ardmore refineries, as well as associated crude oil storage facilities located along the crude oil pipelines. We also own an interest in 57 miles of crude oil pipelines in Illinois, which serve ConocoPhillips Wood River refinery; and
- 60 crude oil and intermediate feedstock storage tanks that store and deliver crude oil and intermediate feedstock to Valero Energy Corporation s refineries in Benicia, California, Corpus Christi, Texas, Texas City, Texas, and Three Rivers, Texas.

During the fourth quarter of 2007, we revised the manner in which we internally evaluate our segment performance and made certain organizational changes. As a result, we changed the way we report our segmental results such that all product sales and related costs are included in the marketing segment. We now manage our operations through the following five operating segments: refined product terminals, refined product pipelines, crude oil pipelines, crude oil storage tanks and marketing. As of December 31, 2007, our assets included:

- ***Refined Product Terminals.*** Our terminal facilities provide storage and handling services on a fee basis for petroleum products, specialty chemicals, and other liquids, including crude oil and other feedstocks. In addition, our international terminal operations located on the island of St. Eustatius in the Caribbean and Point Tupper in Nova Scotia provide services, such as pilotage, tug assistance, line handling, launch service, emergency response services and other ship services. Our five largest terminal facilities are located on the island of St. Eustatius, Netherlands Antilles, in Point Tupper, Nova Scotia, in Piney Point, Maryland, in Linden, New Jersey (50% owned joint venture), and in St. James, Louisiana.
- ***Refined Product Pipelines.*** We own common carrier pipelines in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota covering approximately 6,251 miles. The Central West System is connected to Valero Energy Corporation refineries in Texas and Oklahoma, the North Pipeline is connected to Tesoro Corporation s Mandan

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refinery in North Dakota, and the East Pipeline is connected to various refineries in the Midwest. In addition, we own a 2,000 mile anhydrous ammonia pipeline located in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska.

***Crude Oil Pipelines*.** We own 755 miles of crude oil pipelines which transport crude oil and other feedstocks, such as gas oil, from various points in Texas, Oklahoma, Kansas and Colorado to Valero Energy Corporation s McKee, Three Rivers and Ardmore refineries as well as four associated crude oil storage facilities in Texas and Oklahoma that are located along crude oil pipelines. We also own an interest in 57 miles of crude oil pipelines in Illinois, which serve ConocoPhillips Wood River refinery.

***Crude Oil Storage Tanks*.** We own 60 crude oil and intermediate feedstock storage tanks and related assets with aggregate storage capacity of approximately 12.5 million barrels that store and deliver crude oil and intermediate feedstock to Valero Energy Corporation s refineries in Benicia, California, Corpus Christi, Texas, Texas City, Texas and Three Rivers, Texas.

***Marketing*.** The marketing segment consists primarily of purchasing petroleum products for resale to third parties. We primarily market heavy fuels, including bunker fuel used to supply marine vessels and refinery feed stocks, refined products consisting primarily of gasoline and distillates and asphalt. Revenues for our marketing segment include the mark-to-market results for our limited trading program.

Business Strategies

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

- 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; and
- consummating strategic acquisitions complementary to our existing business when we can leverage our expertise and experience.

Competitive Strengths

We believe we are well positioned to execute our business strategies successfully because of the following competitive strengths:

- our ability to grow and expand our customer base through acquisitions, such as our acquisition of the East Coast Asphalt Operations;
- the strategic location of our assets in areas with high demand for our services;
- the geographic diversity of our assets, which encompass important aspects of the crude oil and refined product transportation, terminalling and storage businesses;

the extensive industry experience of our senior management team and board of directors of our general partner; and

our established reputation in the petroleum industry as a reliable and cost effective operator, and the expected benefits we and our customers will receive from our scale and operational expertise.

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Recent Developments

Common Unit Offering

On March 27, 2008, NuStar Energy priced an offering of 4,450,000 common units at a public offering price of $48.75 per common unit. The underwriters have been granted a 30-day option to purchase up to 667,500 additional common units. The offering is scheduled to close on April 2, 2008. NuStar Energy will use the net proceeds from the offering in the amount of $212.5 million (including the $4.4 million contribution of NuStar Energy s general partner) to repay all of the $124 million of borrowings outstanding under our new term credit facility and a portion of the outstanding principal balance under our revolving credit facility.

Acquisition of the East Coast Asphalt Operations

On March 20, 2008, we completed the acquisition of the East Coast Asphalt Operations. The purchase price was $450 million, plus the market value of inventory, which will be determined post-closing and is currently estimated to be $370 million. We made an initial payment at closing of $654.5 million, which consisted of the $450 million purchase price plus $204.5 million as an initial payment for inventory. We borrowed $124 million under our new term credit facility and $530.5 million under our revolving credit facility to fund the initial payment. We expect to fund the final inventory payment of $165 million with borrowings under our revolving credit facility. We will use the proceeds from this offering to repay a portion of the borrowings we incurred in connection with the acquisition of the East Coast Asphalt Operations. On April 2, 2008, at the closing of our common unit offering, we will repay all of the $124 million outstanding under our new term credit facility and $88.5 million of borrowings under our revolving credit facility.

The East Coast Asphalt Operations consist of two asphalt refineries, one located in Paulsboro, New Jersey and the other in Savannah, Georgia, which supply a network of 22 terminals throughout the U.S. East Coast with asphalt cement and related products. In addition to the refineries, we acquired three terminals capable of storing 4.8 million barrels of asphalt and terminal storage agreements for storage in 15 third-party terminals.

The East Coast Asphalt Operations facilities are located in the largest asphalt demand hub in the United States. The Paulsboro, New Jersey refinery and terminal is capable of processing 74,000 barrels per day of Venezuelan crude oil and has a total storage capacity of 3.4 million barrels. Asphalt production is sold via the on-site rack system. The Savannah, Georgia refinery and terminal is the only refinery and asphalt producer in the Southeast United States and is capable of processing 30,000 barrels per day of Venezuelan crude oil with a total storage capacity of 1.2 million barrels. Asphalt production is sold via the on-site rack system. The Wilmington, North Carolina terminal has a total storage capacity of 240,000 barrels. In 2006, the East Coast Asphalt Operations produced and marketed over 27 million barrels of asphalt and 9 million barrels of light products.

Simultaneously with the closing of the acquisition of the East Coast Asphalt Operations, we entered into a Crude Oil Sales Agreement and an Asphalt Sales Agreement with PDVSA-Petróleo S.A. (PDVSA), an affiliate of Petróleos de Venezuela S.A., the national oil company of the Bolivarian Republic of Venezuela.

The Crude Oil Sales Agreement requires PDVSA to supply and requires us to purchase an average of 50,000 barrels per day of Boscán crude oil and 25,000 barrels per day of Bachaquero BCF 13 crude oil. Annual deliveries of Boscán and BCF 13 oil are seasonally adjusted, with a larger volume between May and August when the demand for asphalt is higher. Pricing of each grade of crude is determined by a market based pricing formula using published market indices, subject to adjustment based on the price of Mexican Maya crude.

The Asphalt Sales Agreement requires PDVSA to provide us with a right of first offer to purchase up to 4,000,000 barrels of paving grade asphalt and 4,750,000 barrels of roofing flux asphalt of any asphalt exports by PDVSA during each year for marketing and sale (although no barrels of asphalt are guaranteed). Pricing for each grade of asphalt is based on prices published by Poten & Partners less an adjustment for deemed freight costs.

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Both agreements have an initial term of seven years, and will automatically renew thereafter for successive two year terms until terminated by either party.

The East Coast Asphalt Operations products include:

- asphalt cement, which supplies U.S. customers with 4.8 million tons on an annual basis and of which, in 2006, 4.2 million tons was paving asphalt and 0.6 million tons was roofing flux, a specialty asphalt grade utilized in the manufacture of construction roofing materials;

- polymer modified asphalt produced at both refineries, which is sold out of eight terminals and is predominantly used for high performance pavements at major international airports on the East Coast as well as NASCAR tracks and the New York City Port Authority; and

- light products, including naphtha, vacuum gas oil and marine diesel oil, which are marketed as feedstock to complex refineries in the East Coast and Gulf Coast regions and represent approximately 33% of the East Coast Asphalt Operation s refinery production.

In 2006, the East Coast Asphalt Operations served over 295 customers in the road construction and building materials industries, with no single customer representing more than 8% of total volume sales. We believe that integration of the acquisition of the East Coast Asphalt Operations will be largely facilitated by a skilled asphalt team that has extensive asphalt refining and marketing experience.

New Term Credit Facility

On March 20, 2008, we entered into a new unsecured $124.0 million term credit facility and borrowed all $124.0 million in order to fund a portion of the purchase price of the acquisition of the East Coast Asphalt Operations. On April 2, 2008, we will repay all of the $124 million outstanding under the new term credit facility with a portion of the proceeds from our common unit offering. Our obligations under the term credit facility are guaranteed by NuStar Energy and KPOP. The terms of the term credit facility are substantially similar to the terms of our five-year revolving credit facility, with the exception that:

- the new term credit facility is subject to mandatory prepayment upon the issuance by us of any equity interests, hybrid equity securities, convertible securities or indebtedness,

- the interest rate margin for Eurodollar and base rate loans contained in the term credit facility is greater than that contained in our five-year revolving credit facility,

- we must pay a 0.050% fee on the principal amount of any loans outstanding under the term credit facility on April 1, 2008, and

- the term credit facility contains a cross-default provision to our five-year revolving credit facility.

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Partnership Structure and Management

Management

NuStar Energy s operations are conducted through its wholly owned subsidiaries, NuStar Logistics and KPOP. The general partner of Riverwalk Logistics, L.P., which is NuStar Energy s general partner, and its executive officers manage the operations and activities of NuStar Energy and its subsidiaries.

Principal Executive Offices and Internet Address

Our principal executive offices are located at 2330 North Loop 1604 West, San Antonio, Texas 78248, and our telephone number is (210) 918-2000. Our website is located at *http://www.nustarenergy.com*. We make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

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Organizational Structure

The following chart depicts our organizational structure giving effect to our sale of 4,450,000 common units on April 2, 2008, assuming the underwriters do not exercise their option to purchase additional common units.

(1) Includes 6,256,828 units owned by officers and directors (excluding our chairman, Mr. Greehey).

(2) Includes 595,718 common units (including 87,606 exercisable options), or a 1.18% Limited Partner Interest, owned by officers and directors of NuStar GP, LLC.

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The Offering

Issuer	NuStar Logistics, L.P.
Securities Offered	$ aggregate principal amount of % Senior Notes due 2018.
Guarantees	NuStar Energy and KPOP will fully and unconditionally guarantee the notes, jointly and severally. KPOP will be released from its guarantee when it no longer guarantees any obligations of NuStar Energy or any of its subsidiaries, including NuStar Logistics, under any bank credit facility or public debt instrument.
Interest Payment Dates	and of each year, beginning , 2008.
Maturity Date	, 2018.
Use of Proceeds	We will use the net proceeds from this offering (after payment of offering expenses) of approximately $ million to repay a portion of the outstanding principal balance under our revolving credit facility.
Ratings	We expect the notes to be rated Baa3 by Moody s Investors Service, Inc., BBB minus by Standard & Poor s Rating Services and BBB minus by Fitch Ratings Ltd., all with a negative outlook.
	A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold the notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if the rating agency decides that the circumstances warrant a revision.
Ranking	The notes will be our senior unsecured obligations and will rank equally in right of payment with all our other existing and future unsecured senior indebtedness, including indebtedness under our revolving credit facility. As of December 31, 2007, on a pro forma basis giving effect to the application of the proceeds of the common unit offering and the proceeds of this offering, NuStar Logistics aggregate indebtedness for borrowed money was approximately $ billion.
	The guarantee of our parent, NuStar Energy, will rank equally in right of payment with all of its other existing and future unsecured senior indebtedness. As of December 31, 2007, on a pro forma basis giving effect to the application of the proceeds of the common unit offering and the proceeds of this offering, NuStar Energy s aggregate indebtedness for borrowed money was approximately $ billion.

The guarantee of our affiliate, KPOP, will rank equally in right of payment to all of its existing and future unsecured and unsubordinated indebtedness. As of December 31, 2007, KPOP s aggregate indebtedness for borrowed money was approximately $580.5 million.

KPOP will be released from its guarantee when it no longer guarantees any obligations of NuStar Energy or any of its subsidiaries, including NuStar Logistics, under any bank credit facility or public debt instrument.

The indenture does not limit the amount of unsecured debt that we or either of the guarantors may incur. The indenture contains restrictions on the ability of NuStar Logistics and its subsidiaries to incur secured indebtedness unless the same security is also provided for the benefit of holders of the notes.

Interest Rate Adjustment	The interest rate payable on the notes will be subject to adjustments from time to time if either Moody s or S&P downgrades (or subsequently upgrades) the debt rating assigned to the notes as described under Description of the Notes Interest Rate Adjustment.
Subsidiary Guarantees	We will cause any of our future subsidiaries that guarantees or becomes a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes.
Covenants and Events of Default	We will issue the notes under an indenture with Wells Fargo Bank, National Association (as successor to The Bank of New York), as trustee. The indenture will contain limitations on, among other things, our ability to: permit to exist certain liens on our assets to secure indebtedness; and engage in certain sale and leaseback transactions. The indenture will provide for certain events of default, including default on certain other indebtedness.
Optional Redemption	We may redeem some or all of the notes at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date, as described in Description of the Notes beginning on page S-19 of this prospectus supplement.
Risk Factors	See Risk Factors beginning on page S-12 and on page 3 of the accompanying prospectus for a discussion of factors you should carefully consider before investing in the notes.
Additional Notes	We may from time to time, without the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the notes.

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Ratio of Earnings to Fixed Charges

The following table sets forth NuStar Energy s ratio of earnings to fixed charges for the periods indicated.

	For the Year Ended December 31,				
	2003	2004	2005	2006	2007
Ratio of earnings to fixed charges	5.3x	4.6x	3.5x	3.0x	2.6x

For purposes of calculating the ratio of earnings to fixed charges:

- fixed charges represent interest expense (including amounts capitalized), amortization of debt costs and the portion of rental expense representing the interest factor; and

- earnings represent the aggregate of income from continuing operations (before adjustment for minority interest, extraordinary loss and equity earnings), fixed charges and distributions from equity investment, less capitalized interest.

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NuStar Energy Summary Consolidated Historical Financial and Operating Data

The following tables set forth, for the periods and at the dates indicated, summary consolidated historical financial and operating data for NuStar Energy. The summary historical income statement and balance sheet data for the three years in the period ended December 31, 2007 are derived from and should be read in conjunction with the audited consolidated financial statements of NuStar Energy that are incorporated by reference into this prospectus supplement.

	NuStar Energy Historical For the Year Ended December 31,		
	2005	2006	2007
	(Dollars in thousands, except per unit amounts)		
Statement of Income Data:			
Revenues:			
Service revenues	$ 423,057	$ 636,154	$ 696,623
Product sales	236,500	501,107	778,391
Total revenues	659,557	1,137,261	1,475,014
Costs and expenses:			
Costs of product sales	229,806	466,276	742,972
Operating expenses	185,351	312,604	357,235
General and administrative expenses	26,553	45,216	67,915
Depreciation and amortization	64,895	100,266	114,293
Total costs and expenses	506,605	924,362	1,282,415
Operating income	152,952	212,899	192,599
Equity earnings from joint ventures	2,319	5,882	6,833
Interest expense, net	(41,388)	(66,266)	(76,516)
Other income (expense), net	(1,495)	3,252	38,830
Income from continuing operations before income tax expense	112,388	155,767	161,746
Income tax expense	4,713	5,861	11,448
Income from continuing operations	107,675	149,906	150,298
Income (loss) from discontinued operations, net of income tax expense	3,398	(376)	
Net income	111,073	149,530	150,298
Less net income applicable to general partner	(10,758)	(16,910)	(21,063)
Net income applicable to limited partners	$ 100,315	$ 132,620	$ 129,235
Weighted average number of basic and diluted units outstanding	35,023,250	46,809,749	47,158,790
Net income (loss) per unit applicable to limited partners:			
Continuing operations	$ 2.76	$ 2.84	$ 2.74
Discontinued operations	0.10	(0.01)	