

NuStar Energy L.P.  
 Form 424B3  
 March 28, 2008  
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**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of</b>	<b>Amount to be</b>	<b>Maximum</b>	<b>Maximum</b>	<b>Amount of</b>
<b>Securities to be Registered</b>	<b>Registered<sup>(1)</sup></b>	<b>Offering</b>	<b>Aggregate</b>	<b>Registration</b>
		<b>Price per Unit</b>	<b>Offering Price</b>	<b>Fee<sup>(2)</sup></b>
Common Units representing limited partner interests	5,117,500	\$48.75	\$249,478,125	\$9,805

(1) Includes 667,500 common units which the underwriters have the option to purchase if the underwriters sell more than 4,450,000 common units.

(2) Calculated in accordance with Rule 457(r) under the Securities Act. Payment of the registration fee at the time of filing of the registrant's registration statement on Form S-3 filed with the Securities and Exchange Commission on May 18, 2007 (File No. 333-143095), was deferred pursuant to Rules 456(b) and 457(r) of the Securities Act, and is paid herewith. This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in such registration statement.

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Filed pursuant to Rule 424(b)(3)

SEC File No. 333-143095

**PROSPECTUS SUPPLEMENT**

**(To Prospectus dated May 18, 2007)**

**4,450,000 Common Units  
Representing Limited Partner Interests**

We are selling 4,450,000 common units representing limited partner interests in NuStar Energy L.P.

Our common units are listed on the New York Stock Exchange under the symbol NS. The last reported sales price of our common units on the New York Stock Exchange on March 27, 2008 was \$48.75 per common unit.

*Investing in our common units involves risks. Please see Risk Factors beginning on page S-10 of this prospectus supplement and page 3 of the accompanying base prospectus to read about risks you should consider before investing in our common units.*

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

	Per Common Unit	Total
Public offering price	\$ 48.75	\$ 216,937,500
Underwriting discount	\$ 1.95	\$ 8,677,500

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Proceeds to NuStar Energy L.P. (before expenses) \$ 46.80 \$ 208,260,000  
We have granted the underwriters a 30-day option to purchase up to an additional 667,500 common units from us on the same terms and conditions as set forth above if the underwriters sell more than 4,450,000 common units in this offering.

The underwriters expect to deliver the common units on or about April 2, 2008.

**Goldman, Sachs & Co.**

**Wachovia Securities**

**Citi  
Morgan Stanley**

**Lehman Brothers  
UBS Investment Bank**

**Credit Suisse**

**Deutsche Bank Securities**

**JPMorgan**

Prospectus Supplement dated March 27, 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 of common units. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering of common units. Generally, when we refer only to the prospectus, we are referring to both parts combined. If the information about the common unit offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

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. We are offering to sell the common units, and seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus supplement or the accompanying base prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference herein is accurate as of any date other than the date of the document incorporated by reference.

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**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying base prospectus and the documents incorporated by reference for a more complete understanding of this offering of common units. Please read Risk Factors beginning on page S-10 of this prospectus supplement, page 3 of the accompanying base prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2007 for information regarding risks you should consider before investing in our common units. Unless the context otherwise indicates, the information included in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional common units.*

*For purposes of this prospectus supplement and the accompanying base prospectus, unless otherwise indicated, the terms the Partnership, NuStar Energy, we, our, us or like terms, refer to NuStar Energy L.P. and its subsidiaries. Unless the context clearly indicates otherwise, references to NuStar Energy L.P., NuStar Energy, we, our, us or like terms generally include the operations of our wholly owned subsidiaries NuStar Logistics, L.P., or NuStar Logistics, and Kaneb Pipe Line Operating Partnership, L.P. or KPOP.*

**NuStar Energy L.P.**

NuStar Energy is a publicly traded master limited partnership organized in 1999 under the laws of the State of Delaware. We are primarily 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. Our operations are managed by NuStar GP, LLC, an indirect wholly owned subsidiary of NuStar GP Holdings, LLC (NuStar GP Holdings), which is a publicly traded Delaware limited liability company that indirectly owns our 2% general partner interest, an approximate 18.59% limited partner interest and 100% of the incentive distribution rights.

On March 20, 2008, we closed the acquisition of CITGO Asphalt Refining Company's asphalt operations and assets (the 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, Mexico;

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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 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 that 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



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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.

## **Recent Developments**

### ***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

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acquisition of the East Coast Asphalt Operations. We intend to repay an additional portion of the borrowings through the issuance of senior notes or other long-term financing. Our ability to complete, and the timing of, these long-term financing transactions will depend on market conditions and other factors. See Risk Factors.

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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 Petr leo S.A. (PDVSA), an affiliate of Petr leos 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 Bosc n crude oil and 25,000 barrels per day of Bachaquero BCF 13 crude oil. Annual deliveries of Bosc n 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.

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 Operations 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



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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. We will repay all of the \$124 million outstanding under the new term credit facility with a portion of the proceeds from this offering. Our obligations under the new term credit facility are guaranteed by NuStar Energy and KPOP. The terms of the new 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 securities, 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 new 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 new five-year revolving credit facility.

### **Partnership Structure and Management**

#### **Management of NuStar Energy L.P.**

Our operations are conducted through our wholly owned subsidiaries, NuStar Logistics and KPOP. Our general partner manages our operations and activities. The executive officers of our general partner manage our business.

Unlike shareholders in a publicly traded corporation, our unitholders are not entitled to elect our general partner or its directors.

#### **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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**Ownership Chart**

The following chart depicts our ownership structure after the closing of this offering, assuming the underwriters do not exercise their option to purchase additional common units.

- <sup>1</sup> Includes 6,256,828 units owned by officers and directors (excluding our chairman, Mr. Greehey).
- <sup>2</sup> 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**

Common units offered by us 4,450,000 common units.  
 5,117,500 common units if the underwriters exercise their option to purchase an additional 667,500 common units in full.

Units outstanding before this offering 49,409,749 common units.

Units outstanding after this offering 53,859,749 common units, or 54,527,249 if the underwriters exercise their option to purchase additional units in full.

Use of proceeds We will receive net proceeds from this offering of approximately \$208.1 million (after deducting underwriting discounts and commissions and estimated offering expenses). We plan to use the net proceeds from this offering, together with the related capital contribution of our general partner, to repay all of the \$124 million outstanding under our new term credit facility and a portion of the indebtedness outstanding under our revolving credit facility. Please read *Use of Proceeds* in this prospectus supplement.

If the underwriters exercise their option to purchase additional common units, we will use the net proceeds, together with the related capital contribution of our general partner, to repay additional indebtedness outstanding under our revolving credit facility.

Estimated ratio of taxable income to distributions We estimate that if you own the common units you purchase in this offering through the record date for distributions for the period ending December 31, 2010, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the cash distributed to you with respect to that period. Please read *Tax Considerations* appearing elsewhere in this prospectus supplement for the basis of this estimate.

Material tax considerations For a discussion of other material federal income tax considerations that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read *Material Tax Consequences* in the accompanying base prospectus.

New York Stock Exchange symbol NS.

Risk factors You should read the risk factors beginning on page S-10 of this prospectus supplement, and found in the documents incorporated by reference herein, as well as the other cautionary statements throughout this prospectus supplement, to ensure you understand the risks associated with an investment in our common units.



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The following table sets 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.

	<b>NuStar Energy Historical For the Year Ended December 31, 2005                      2006                      2007 (Dollars in thousands, except per unit amounts)</b>		
<b>Statement of Income Data:</b>			
<b>Revenues:</b>			
Service revenues	\$ 423,057	\$ 636,154	\$ 696,623
Product sales	236,500	501,107	778,391
<b>Total revenues</b>	<b>659,557</b>	<b>1,137,261</b>	<b>1,475,014</b>
<b>Costs and expenses:</b>			
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
<b>Total costs and expenses</b>	<b>506,605</b>	<b>924,362</b>	<b>1,282,415</b>
<b>Operating income</b>	<b>152,952</b>	<b>212,899</b>	<b>192,599</b>
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
<b>Income from continuing operations before income tax expense</b>	<b>112,388</b>	<b>155,767</b>	<b>161,746</b>
Income tax expense	4,713	5,861	11,448
<b>Income from continuing operations</b>	<b>107,675</b>	<b>149,906</b>	<b>150,298</b>
<b>Income (loss) from discontinued operations, net of income tax expense</b>	<b>3,398</b>	<b>(376)</b>	
<b>Net income</b>	<b>111,073</b>	<b>149,530</b>	<b>150,298</b>
Less net income applicable to general partner	(10,758)	(16,910)	(21,063)
<b>Net income applicable to limited partners</b>	<b>\$ 100,315</b>	<b>\$ 132,620</b>	<b>\$ 129,235</b>
<b>Weighted average number of basic and diluted units outstanding</b>	<b>35,023,250</b>	<b>46,809,749</b>	<b>47,158,790</b>
<b>Net income (loss) per unit applicable to limited partners:</b>			
Continuing operations	\$ 2.76	\$ 2.84	\$ 2.74
Discontinued operations	0.10	(0.01)	
<b>Net income</b>	<b>\$ 2.86</b>	<b>\$ 2.83</b>	<b>\$ 2.74</b>
<b>Balance sheet data:</b>			
Total assets	\$ 3,366,992	\$ 3,494,208	\$ 3,783,087
Total debt	1,170,705	1,354,367	1,446,289
Total partners' equity	1,900,779	1,875,681	1,994,832
<b>Other financial data:</b>			

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Net cash provided by operating activities	\$ 186,430	\$ 250,811	\$ 222,672
Net cash used in investing activities	(89,000)	(213,234)	(238,396)
Net cash provided by (used in) financing activities	(77,178)	(3,899)	37,060
<b>Selected operating income (loss) by segment<sup>1</sup>:</b>			
Refined product terminals	\$ 51,377	\$ 79,315	\$ 88,865
Refined product pipelines	56,621	85,946	93,812
Crude oil pipelines	30,439	36,768	32,696
Crude oil storage tanks	29,751	29,171	25,770
Marketing	11,317	26,915	21,111
Consolidation and intersegment eliminations			(1,740)
<b>Total segment operating income</b>	<b>179,505</b>	<b>258,115</b>	<b>260,514</b>
Less general and administrative expenses	26,553	45,216	67,915
<b>Total operating income</b>	<b>\$ 152,952</b>	<b>\$ 212,899</b>	<b>\$ 192,599</b>

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- <sup>1</sup> 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.

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**RISK FACTORS**

*Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. Before you invest in our securities, you should carefully consider those risk factors set forth below and those included in our Annual Report on Form 10-K for the year ended December 31, 2007 that are incorporated herein by reference, together with all of the other information included in this prospectus supplement, the accompanying base prospectus and the documents incorporated herein by reference in evaluating an investment in our common units.*

*If any of the risks discussed below or in the foregoing documents were actually to occur, our business, financial condition, results of operations, or cash flow could be materially adversely affected. In that case, our ability to make distributions to our unitholders may be reduced, the trading price of our common units could decline and you could lose all or part of your investment.*

**Risk Related to the Acquisition of the East Coast Asphalt Operations**

***We may not realize the anticipated benefits from the acquisition of the East Coast Asphalt Operations.***

Our acquisition of the East Coast Asphalt Operations may pose risks to our business. In addition to the risks ordinarily associated with an acquisition, we will also be exposed to risks specific to the East Coast Asphalt Operations, such as:

earnings volatility;

additional working capital requirements;

dependence on PDVSA as supplier of crude oil; and

the asphalt operations exposure to the volatility of the cost of crude oil and the price and volumes at which asphalt may be sold.

Accordingly, we may not be able to realize strategic, operational and financial benefits as a result of the East Coast Asphalt Operations acquisition, which could adversely affect our operating and financial results.

In addition, we will face certain challenges as we work to integrate the asphalt operations into our business. In particular, the acquisition of the East Coast Asphalt Operations, by adding two refineries, expands our operations and the types of businesses in which we engage, significantly expanding our geographic scope and increasing the number of our employees, thereby presenting us with significant challenges as we work to manage the increase in scale resulting from the acquisition. We must integrate a large number of systems, both operational and administrative, which we have not historically used in our operations. Delays in this process could have a material adverse effect on our revenues, expenses, operating results and financial condition. In addition, events outside of our control, including changes in state and federal regulation and laws as well as economic trends, also could adversely affect our ability to realize the anticipated benefits from the acquisition of the East Coast Asphalt Operations.

Further, the asphalt operations may not perform in accordance with our expectations, we may lose customers or key employees, and our expectations with regards to integration and synergies may not be fully realized. Our failure to successfully integrate and operate the asphalt refineries, and to realize the anticipated benefits of the acquisition, could adversely affect our operating and financial results.

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### ***Our future financial and operating flexibility may be adversely affected by our significant leverage and by restrictions in our debt agreements.***

As of March 25, 2008, our consolidated debt was \$2.2 billion, not reflecting the use of the proceeds from this offering to repay a portion of such debt or the additional inventory payment in the amount of \$165 million we expect to make in connection with the acquisition of the East Coast Asphalt Operations. Since our borrowing capacity under our five-year revolving credit facility is \$1.25 billion, we will seek additional long-term or short term debt financing in the near future. If we are not able to obtain such financing, on economically attractive terms or at all, our liquidity and therefore our ability to make distributions to our unitholders will be adversely impacted.

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. NuStar Logistics and KPOP have senior unsecured ratings of Baa3 with Moody's Investor Service and BBB minus with Standard & Poors and Fitch, all with a negative outlook. The negative outlook was assigned by the credit rating agencies as a result of our acquisition of the East Coast Asphalt Operations. Any future downgrade of the debt issued by these wholly owned subsidiaries could significantly increase our capital costs or adversely affect our ability to raise capital in the future.

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 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.

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.

### ***The East Coast Asphalt Operations are dependent upon a steady supply of crude oil from PDVSA, the national oil company of Venezuela, and the Venezuelan economic and political environment may disrupt our supply of crude oil.***

The terms of the acquisition of the East Coast Asphalt Operations include commitments, over a minimum seven year period, to purchase from PDVSA an annual average of 75,000 barrels per day of crude oil and 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 each year for marketing and sale.

Venezuela has been experiencing political, economic and social turmoil, including labor strikes and demonstrations. Such instability could severely affect PDVSA's production or delivery of crude oil or asphalt. Further, we may be forced to replace a portion of the crude oil we would normally have purchased under our PDVSA crude oil supply contract with purchases of crude oil on the spot market on pricing and credit terms that are less favorable than we would have obtained under the PDVSA crude oil supply contract. The pricing terms of our crude oil supply contract with PDVSA will be designed to provide a measure of stability to our refining margins. If we are required to make purchases on the spot market instead of under our contract we will lose this protection. As a result, if we experience disruption to our purchases of crude oil under the PDVSA crude oil supply contract, we could experience additional volatility in our earnings and cash flow.

Additionally, the Paulsboro refinery and the Savannah refinery are optimized to process specific types of crude oil that are only produced in Venezuela. Processing alternate crudes would result in

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reduced refinery run rates, significantly reduced production and additional capital expenditures, which could be material. Accordingly, any disruption of our supply of crude oil from Venezuela would result in substantially lower revenues and additional volatility in our earnings and cash flow.

### ***A significant interruption or casualty loss at one of our refineries could reduce our production, particularly if not fully covered by our insurance.***

As a result of the acquisition of the East Coast Asphalt Operations, our business includes owning and operating refineries. Our operations could be subject to significant interruption if one of our refineries were to experience a major accident or fire, be damaged by severe weather or other natural disaster, or otherwise be forced to shut down. These hazards could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of our related operations. We also face risks of mechanical failure and equipment shutdowns. If any of these situations occur, undamaged refinery processing units may be dependent on or interact with damaged sections of our refineries and, accordingly, are also subject to being shut down. In the event any of our refining facilities is forced to shut down for a significant period of time, it would have a material adverse effect on our earnings, our other results of operations and our financial condition as a whole.

We carry property and casualty insurance policies which contain limits, terms, conditions, exclusions and deductibles that will impact the amount of any recovery from a loss. As a result of market conditions, premiums and deductibles for certain insurance policies could increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could affect our financial condition.

### ***The price volatility of hydrocarbon products and by-products can reduce our revenues.***

Expected revenues from the acquisition of the East Coast Asphalt Operations will be mostly generated by the refining of crude oil into asphalt products and other products and the marketing thereof. The price and market value of hydrocarbon products and by-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. Future price volatility could have an adverse impact on our results of operations, cash flow and ability to make distributions to our unitholders.

### ***The operating results for the East Coast Asphalt Operations will be seasonal and generally lower in the first and fourth quarters of the year.***

The operating results and selling prices of asphalt products we will produce can be seasonal. Asphalt demand is generally lower in the first and fourth quarters of the year as compared to the second and third quarters due to the seasonality of road construction. In addition, our natural gas costs can be higher during the winter months. Our operating results for the first and fourth calendar quarters may be lower than those for the second and third calendar quarters of each year as a result of this seasonality.

### ***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.***

The specialty asphalt products produced at the refineries of the East Coast Asphalt Operations provide precise performance attributes to our customers' products. If a product fails to perform in a manner consistent with the detailed quality specifications required by the customer, the customer could

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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 and adversely affect our financial condition.

***We may incur liabilities from refining assets acquired in the acquisition of the East Coast Asphalt Operations. These costs and liabilities may not be covered by indemnification rights we will have against the sellers of the assets.***

Some of the assets included in the East Coast Asphalt Operations have been used for many years to refine and store asphalt products. Releases may have occurred prior to our acquisition that require remediation. In addition, releases may have occurred in the past that have not yet been discovered, which 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 from the seller is not available, it could adversely affect our financial position and results of operations.

***The obligations of several of the East Coast Asphalt Operations key customers under their terminalling services agreements, as evidenced through Key Customer supply contracts, may be reduced or suspended in some circumstances, which would adversely affect our financial condition and results of operations.***

The East Coast Asphalt Operations outstanding agreements with several of its significant customers provide that, if any of a number of events occur, which are referred to as events of force majeure, and the event renders performance impossible with respect to a facility, usually for a specified minimum period of days, the customer's obligations would be temporarily suspended with respect to that facility. In that case, a significant customer's minimum revenue commitment may be reduced or the contract may be subject to termination. As a result, our revenues and results of operations could be materially adversely affected.

***Competition in the asphalt industry is intense, and such competition in the markets in which we sell our asphalt products could adversely affect our earnings and ability to make distributions to our unitholders.***

The East Coast Asphalt Operations compete with other refiners and with regional and national asphalt marketing companies. Many of these competitors are larger, more diverse companies with greater resources, providing them advantages in obtaining crude oil and other blendstocks and in competing through bidding process for asphalt supply contracts.

***The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.***

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, in response to certain recent developments, members of Congress are considering substantive changes to the definition of qualifying income under Section 7704(d) of the Internal Revenue Code. It is possible that these efforts could result in changes to the existing U.S. tax laws that affect publicly traded partnerships, including us. Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be applied retroactively. We are unable to predict whether any of these changes, or other proposals, will ultimately be enacted. Any such changes could negatively impact the value of an investment in our common units.

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***We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.***

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations, and, accordingly, our counsel is unable to opine as to the validity of this method. If the IRS were to challenge this method or new Treasury Regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders. Please read **Material Tax Consequences** **Disposition of Common Units** **Allocations Between Transferors and Transferees** in the accompanying base prospectus.

**USE OF PROCEEDS**

We will use the net proceeds from this offering (after payment of offering expenses) of approximately \$208.1 million and the approximately \$4.4 million contribution from our general partner to maintain its general partner interest in us to repay all of the \$124 million of borrowings outstanding under our new term credit facility and approximately \$88.5 million of the outstanding principal balance under our revolving credit facility.

We used the \$124 million of borrowings under the new term credit facility and \$530.5 million of borrowings under our revolving credit facility to pay the purchase price of the acquisition of the East Coast Asphalt Operations. For a description of the acquisition of the East Coast Asphalt Operations, please read **Summary** **Recent Developments**.

As of March 25, 2008, the outstanding balance of borrowings under the revolving credit facility is \$1.1 billion and the weighted average interest rate under the revolving credit facility is 4.43%. Our revolving credit facility is currently scheduled to mature on December 10, 2012. Our new term credit facility matures on June 15, 2008 and the interest rate under the new term credit facility is 3.375%. Affiliates of certain of the underwriters in this offering are lenders under our new term credit facility and our revolving credit facility and, accordingly, will receive a substantial portion of the proceeds of the offering. Please read the **Underwriting** section in this prospectus supplement.

**Table of Contents****CAPITALIZATION**

The following table shows:

NuStar Energy's historical capitalization as of December 31, 2007;

NuStar Energy's pro forma capitalization as of December 31, 2007, as adjusted to reflect the acquisition of the East Coast Asphalt Operations and the new \$124.0 million term credit facility on March 20, 2008; and

NuStar Energy's pro forma capitalization as further adjusted to show the application of the net proceeds we expect to receive in this offering in the manner described under Use of Proceeds.

On March 20, 2008, at the closing of the purchase of the East Coast Asphalt Operations, we paid to CITGO approximately \$654.5 million, which amount reflects the purchase price of \$450 million plus a preliminary inventory value of approximately \$204.5 million. We expect to pay an inventory value adjustment of approximately \$165 million. Such inventory value adjustment is not reflected in the table below.

This table should be read together with the consolidated financial statements and the accompanying notes incorporated by reference in this prospectus supplement.

	Actual	As of December 31, 2007 (unaudited) As Adjusted for the Acquisition and the Term Credit Facility (Dollars in millions)	As Further Adjusted for this Offering
Cash	\$ 89.8	\$ 89.8	\$ 89.8
Long term debt:			
NuStar Logistics 6.05% senior notes due 2013	231.2	231.2	231.2
NuStar Logistics 6.875% senior notes due 2012	100.5	100.5	100.5
KPOP 7.75% senior notes due 2012	278.2	278.2	278.2
KPOP 5.875% senior notes due 2013	260.7	260.7	260.7
NuStar Logistics \$124 million term credit agreement		124.0	
NuStar Logistics \$1.25 billion revolving credit agreement	528.0	1,058.5	970.0
UK term loan	41.6	41.6	41.6
Port Authority of Corpus Christi note payable	6.1	6.1	6.1
<b>Total long-term debt</b>	<b>1,446.3</b>	<b>2,100.8</b>	<b>1,888.3</b>
Less current portion	(0.7)	(0.7)	(0.7)
<b>Long-term debt, less current portion</b>	<b>1,445.6</b>	<b>2,100.1</b>	<b>1,887.6</b>
Partners' equity:			
Common units	1,926.1	1,926.1	2,134.2
General partner's equity	41.8	41.8	46.2
Accumulated other comprehensive income	26.9	26.9	26.9
<b>Total partner's equity</b>	<b>1,994.8</b>	<b>1,994.8</b>	<b>2,207.3</b>

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Total capitalization	\$ 3,441.1	\$ 4,095.6	\$ 4,095.6
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**Table of Contents****PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS**

Our common units are listed on the NYSE under the symbol NS. Prior to May 8, 2006, we had 9,599,322 subordinated units outstanding, all of which were held by Riverwalk Holdings, LLC, the limited partner of Riverwalk Logistics, L.P., our general partner. Effective April 1, 2006, we satisfied all the conditions included in our partnership agreement for the subordination period to end. Accordingly, all 9,599,322 subordinated units converted into common units on a one-for-one basis on May 8, 2006, the first business day after the record date for the distribution related to the first quarter earnings of 2006.

The following table sets forth, for the periods indicated, the high and low sales prices for our common units, as reported on the New York Stock Exchange Composite Transactions Tape, and quarterly cash distributions paid or to be paid to our unitholders. The last reported sales price of our common units on the NYSE on March 27, 2008 was \$48.75 per common unit.

	High	Low	Cash Distribution per Unit(1)
<b>2006</b>			
First Quarter	\$ 54.70	\$ 49.75	\$ 0.885
Second Quarter	54.00	48.82	0.885
Third Quarter	52.50	48.75	0.915
Fourth Quarter	57.75	49.05	0.915
<b>2007</b>			
First Quarter	\$ 68.00	\$ 54.11	\$ 0.915
Second Quarter	71.50	61.83	0.950
Third Quarter	70.09	52.31	0.985
Fourth Quarter	63.89	57.51	0.985
<b>2008</b>			
First Quarter (through March 27, 2008)	\$ 57.15	\$ 48.51	N/A

(1) Represents the distribution with respect to such quarter but payable in the following quarter.

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**TAX CONSIDERATIONS**

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of common units, please read **Material Tax Consequences** in the accompanying base prospectus. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

We estimate that a purchaser of common units in this offering who owns those common units from the date of closing of this offering through the record date for distributions for the period ending December 31, 2010, will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the cash distributed with respect to that period. Thereafter, we anticipate that the ratio of allocable taxable income to cash distributions to the unitholders will increase. These estimates are based upon many assumptions regarding our business and operations, including assumptions with respect to our capital expenditures, cash flow, net working capital and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we have adopted and with which the IRS could disagree. Accordingly, we cannot assure you that these estimates will prove to be correct. The actual percentage of distributions that will constitute taxable income could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units. For example, the percentage of distributions that will constitute taxable income to a purchaser of common units in this offering will be greater, and perhaps substantially greater, than our estimate with respect to the period described above if:

gross income from operations exceeds the amount required to make minimum quarterly distributions on all units, yet we only distribute the minimum quarterly distributions on all units; or

we make a future offering of common units and use the proceeds of the offering in a manner that does not produce substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of the offering or to acquire property that is not eligible for depreciation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate applicable to our assets at the time of this offering.

Please read **Material Tax Consequences** in the accompanying base prospectus.

Ownership of common units by tax-exempt entities, including employee benefit plans and individual retirement accounts (known as IRAs), and foreign investors raises issues unique to such persons. Please read **Material Tax Consequences Tax-Exempt Organizations and Other Investors** in the accompanying base prospectus.

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**UNDERWRITING**

Goldman, Sachs & Co. and Wachovia Capital Markets, LLC are acting as the representatives of the underwriters and joint book-running managers in this offering. Under the terms of an underwriting agreement, which we will file as an exhibit to a Current Report on Form 8-K, each of the underwriters named below has severally agreed to purchase from us the respective number of common units shown opposite their names below:

<b>Underwriters</b>	<b>Number of Common Units</b>
Goldman, Sachs & Co.	1,223,750
Wachovia Capital Markets, LLC	1,223,750
Citigroup Global Markets Inc.	400,500
Lehman Brothers Inc.	400,500
Morgan Stanley & Co. Incorporated	400,500
UBS Securities LLC	400,500
Credit Suisse Securities (USA) LLC	133,500
Deutsche Bank Securities Inc.	133,500
J.P. Morgan Securities Inc.	133,500
 Total	 4,450,000

The underwriting agreement provides that the underwriters' obligation to purchase the common units depends on the satisfaction of the conditions contained in the underwriting agreement including:

the obligation to purchase all of the common units offered hereby (other than the common units covered by their option to purchase additional common units as described below) if any of the common units are purchased;

the representations and warranties made by us to the underwriters are true;

there has been no material change in our financial condition or in the financial markets; and

we deliver customary closing documents to the underwriters.

**Commissions and Expenses**

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional common units. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the common units.

	<b>No Exercise</b>	<b>Full Exercise</b>
Per unit	\$ 1.95	\$ 1.95
Total	\$ 8,677,500	\$ 9,979,125

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The representatives of the underwriters have advised us that the underwriters propose to offer the common units directly to the public at the public offering price on the cover of this prospectus supplement and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of \$1.17 per common unit. After the offering, the representatives may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be approximately \$0.15 million (excluding underwriting discounts and commissions).

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### **Option to Purchase Additional Common Units**

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus supplement to purchase, from time to time, in whole or in part, up to an aggregate of 667,500 additional common units at the public offering price less underwriting discounts and commissions. This option may be exercised if the underwriters sell more than 4,450,000 common units in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional common units based on the underwriter's percentage underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

### **Lock-Up Agreements**

We, our general partner and certain of its affiliates, including the directors and executive officers of our general partner, have agreed, without the prior written consent of Goldman, Sachs & Co. and Wachovia Capital Markets, LLC, not to (1) directly or indirectly, offer, pledge, sell, contract to sell, sell an option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any common units or any securities which may be converted into or exchanged for any common units, other than common units issued pursuant to existing employee benefit plans, option plans or other employee compensation plans, (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common units, (3) file or cause to be filed a registration statement, including any amendments with respect to the registration of any common units or securities convertible or exchangeable into common units or (4) publicly disclose the intention to do any of the foregoing for a period of 90 days from the date of this prospectus supplement.

Goldman, Sachs & Co. and Wachovia Capital Markets, LLC, and in their discretion, may release the common units and the other securities subject to the lock-up agreements described above in whole or in part at anytime with or without notice. When determining whether or not to release common units and the other securities from lock-up agreements, Goldman, Sachs & Co. and Wachovia Capital Markets, LLC will consider, among other factors, the unitholder's reasons for requesting the release, the number of common units and other securities for which the release is being requested and the market conditions at the time.

### **Indemnification**

We, our general partner and certain of its affiliates have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

### **Stabilization, Short Positions and Penalty Bids**

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common units, in accordance with Regulation M under the Securities Exchange Act of 1934:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

A short position involves a sale by the underwriters of the common units in excess of the number of common units the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position

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or a naked short position. In a covered short position, the number of common units involved in the sales made by the underwriters in excess of the number of common units they are obligated to purchase is not greater than the number of common units that they may purchase by exercising their option to purchase additional common units. In a naked short position, the number of common units involved is greater than the number of common units in their option to purchase additional common units. The underwriters may close out any short position by either exercising their option to purchase additional common units and/or purchasing common units in the open market. In determining the source of common units to close out the short position, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase common units through their option to purchase additional common units. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering.

Syndicate covering transactions involve purchases of the common units in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common units or preventing or retarding a decline in the market price of the common units. As a result, the price of the common units may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common units. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

## **New York Stock Exchange**

The common units are listed on the New York Stock Exchange under the symbol NS.

## **Relationships**

Certain of the underwriters and their affiliates have performed, and may in the future perform, investment banking, commercial banking and advisory services for us and our affiliates from time to time for which they have received or will receive customary fees and commissions. The underwriters and their affiliates may also, from time to time, engage in transactions with or perform services for us and our affiliates in the ordinary course of their business. Affiliates of certain of the underwriters in this offering are lenders under our new term credit facility and our revolving credit facility and, accordingly, will receive a substantial portion of the proceeds of the offering. Because they will be receiving more than 10% of such proceeds, this offering is being conducted in accordance with the applicable provisions of NASD Conduct Rules 2710(h) and 2720.

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### **NASD Conduct Rules**

Because the Financial Industry Regulatory Authority views the common units offered hereby as interests in a direct participation program, the offering is being made in compliance with NASD Conduct Rule 2810. Investor suitability with respect to the common units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

### **Selling Restrictions**

#### ***United Kingdom***

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended) (FSMA)) received by it in connection with the issue or sale of the common units in circumstances in which Section 21(1) of the FSMA does not apply to NuStar Energy; and

(b) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the common units in, from or otherwise involving the United Kingdom.

#### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of common units to the public in that Relevant Member State prior to the publication of a prospectus in relation to the common units which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of common units to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of common units to the public in relation to any common units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the common units to be offered so as to enable an investor to decide to purchase or subscribe the common units, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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### ***Hong Kong***

The common units may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the common units may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to common units which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### ***Singapore***

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the common units may not be circulated or distributed, nor may the common units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA ), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the common units are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the common units under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

### ***Japan***

The common units have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and each underwriter has agreed that it will not offer or sell any common units, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

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**LEGAL**

The validity of the common units will be passed upon for us by Andrews Kurth LLP, Houston, Texas. Certain legal matters in connection with the common units offered hereby will be passed upon for the underwriters by Baker Botts L.L.P., Houston, Texas.

**EXPERTS**

The consolidated financial statements of NuStar Energy L.P. (formerly Valero L.P.) as of December 31, 2007, 2006 and 2005, and for each of the years in the three-year period ended December 31, 2007, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2007 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

**FORWARD-LOOKING STATEMENTS**

Certain matters discussed in this prospectus and the documents incorporated herein by reference, excluding historical information, include forward-looking statements—statements that discuss our expected future results based on current and pending business operations.

Forward-looking statements can be identified by words such as anticipates, believes, expects, planned, scheduled, could, continues, estimates, forecasts, might, potential, projects or similar expressions. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements.

Although we believe these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks that may cause future results to be materially different from the results stated or implied in this prospectus or the documents incorporated herein by reference. These risks and uncertainties include, among other things:

Our inability to successfully integrate the acquisition of the East Coast Asphalt Operations;

Any reduction in the quantities of crude oil and refined products transported in our pipelines or handled at our terminals and storage tanks;

Any significant decrease in the demand for refined products in the markets served by our pipelines and terminals;

Any material decline in production by any of Valero Energy Corporation's McKee, Three Rivers, Corpus Christi, Texas City, Paulsboro, Benicia and Ardmore refineries or Tesoro Corporation's Mandan, North Dakota refinery;

Any downward pressure on market prices caused by new competing refined product pipelines that could cause our customers to decrease the volumes transported in our pipelines;

Any challenges to our tariffs or changes in state or federal ratemaking methodology;

Any changes in laws and regulations to which we are subject, including federal, state and local tax laws, safety, environmental and employment laws;

Any material decrease in the supply of or material increase in the price of crude oil available for transport through our pipelines and storage in our storage tanks;

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Inability to expand our business and acquire new assets as well as to attract third-party shippers;

The loss of Valero Energy Corporation as a customer or a significant reduction in its current level of throughput and storage in our facilities;

Any inability to borrow additional funds;

Any substantial costs related to environmental risks, including increased costs of compliance;

Any reductions in space allocated to us in interconnecting third-party pipelines;

Any material increase in the price of natural gas;

Terrorist attacks, threat of war or terrorist attacks or political or other disruptions that limit crude oil production; and

Accidents or unscheduled shutdowns affecting our pipelines, terminals, machinery, or equipment.

Additional information about risks and uncertainties that could cause actual results to differ materially from those contained in any forward-looking statements is contained under the caption "Risk Factors" in this prospectus supplement and in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2007 which is incorporated herein by reference. The forward looking statements included in this prospectus supplement and the documents incorporated herein by reference are only made as of the date of such documents and, except as required by securities laws, we undertake no obligation to publicly update forward-looking statements to reflect subsequent events or circumstances.

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**WHERE YOU CAN FIND MORE INFORMATION**

We have filed a registration statement with the SEC under the Securities Act of 1933, as amended, that registers the offer and sale of the common units covered by this prospectus supplement. The registration statement, including the attached exhibits, contains additional relevant information about us. In addition, we file annual, quarterly and other reports and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the SEC's Public Reference Room. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Our SEC filings are available on the SEC's web site at <http://www.sec.gov>. You also can obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference information into this document. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supercede the previously filed information. We incorporate by reference the documents listed below and any future filings made by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, other than any portions of the respective filings that were furnished, pursuant to Item 2.02 or Item 7.01 of Current Reports on Form 8-K (including exhibits related thereto) or other applicable SEC rules rather than filed, prior to the termination of the offerings under this prospectus.

Registration Statement on Form S-3 (File No. 333-143095) filed on May 18, 2007;

Annual Report on Form 10-K (File No. 001-16417) for the year ended December 31, 2007, filed on February 29, 2007;  
and

Current Reports on Form 8-K (File No. 001-16417) filed on January 25, 2008, January 28, 2008 and March 25, 2008. Each of these documents is available from the SEC's website and public reference rooms described above. Through our website <http://www.nustarenergy.com>, you can access electronic copies of documents we file with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments to those reports. Information on our website is not incorporated by reference in this prospectus. Access to those electronic filings is available as soon as practical after filing with the SEC. You may also request a copy of those filings, excluding exhibits, at no cost by writing or telephoning Investor Relations, NuStar Energy L.P., at our principal executive office, which is: 2330 North Loop 1604 West, San Antonio, Texas 78248; Telephone (210) 918-2000.

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**PROSPECTUS**

**\$3,000,000,000**

**NUSTAR ENERGY L.P.**

**Common Units Representing Limited Partner Interests**

**NUSTAR LOGISTICS, L.P.**

**Debt Securities**

**KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.**

**Debt Securities**

We may from time to time offer and sell common units representing limited partner interests in NuStar Energy L.P. and debt securities of each of NuStar Logistics, L.P. and Kaneb Pipe Line Operating Partnership, L.P. NuStar Energy L.P. may guarantee the debt securities of each of NuStar Logistics, L.P. and Kaneb Pipe Line Operating Partnership, L.P. The Securities will have a maximum aggregate offering price of \$3,000,000,000. We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. This prospectus describes the general terms of these securities. The specific terms of any securities and the specific manner in which we will offer them will be included in a supplement to this prospectus relating to that offering.

You should read this prospectus and the applicable prospectus supplement and the documents incorporated by reference herein and therein carefully before you invest in our securities. This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

Our common units are traded on the New York Stock Exchange under the symbol NS.

*Investing in these securities involves a high degree of risk. Limited partnerships are inherently different from corporations. For a discussion of the factors you should consider before deciding to purchase these securities, please see **Risk Factors**, beginning on page 3 of this prospectus.*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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The date of this prospectus is May 18, 2007

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus or any prospectus supplement, as well as the information we 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.

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**ABOUT THIS PROSPECTUS**

The information contained in this prospectus is not complete and may be changed. You should rely only on the information provided in or incorporated by reference in this prospectus, any prospectus supplement, or documents to which we otherwise refer you. We have not authorized anyone else to provide you with different information. We are not making an offer of any securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus, any prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of the document in which such information is contained or such other date referred to in such document, regardless of the time of any sale or issuance of a security.

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. Under this shelf process, we may sell up to an aggregate of \$3,000,000,000 of the different types of securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering and the securities offered by us in that offering. The prospectus supplement may also add, update or change information in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the headings *Where You Can Find More Information* and *Incorporation by Reference*.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by reference to the actual documents. Copies of some of the documents referred to herein have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below in the section entitled *Where You Can Find More Information*.

In this prospectus, references to *NuStar Energy*, *we*, *us* and *our* mean NuStar Energy L.P. and its consolidated subsidiaries, unless otherwise noted. References to *NuStar Logistics* mean NuStar Logistics, L.P. References to *KPOP* mean Kaneb Pipe Line Operating Partnership, L.P.

**ABOUT NUSTAR ENERGY L.P.**

NuStar Energy is a publicly traded Delaware limited partnership based in San Antonio, Texas engaged in the crude oil and refined product transportation, terminaling and storage business.

Our principal executive offices are located at 2330 N. Loop 1604 West, San Antonio, Texas 78248, and our telephone number is (210) 918-2000. Our website is located at <http://www.nustarenergy.com>.

Our operations are managed by NuStar GP, LLC, the general partner of Riverwalk Logistics, L.P., our general partner. NuStar GP, LLC is a wholly owned subsidiary of NuStar GP Holdings, LLC, a publicly traded limited liability company (NYSE: NSH).

**ABOUT NUSTAR LOGISTICS, L.P. AND**

**KANE PIPE LINE OPERATING PARTNERSHIP, L.P.**

We conduct our operations through our wholly owned subsidiaries, primarily NuStar Logistics and KPOP.

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**WHERE YOU CAN FIND MORE INFORMATION**

We have filed a registration statement on Form S-3 with the SEC under the Securities Act of 1933, as amended (the Securities Act), that registers the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit from this prospectus some information included in the registration statement.

We file annual, quarterly, and other reports and other information with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC maintains an Internet website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. General information about us, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, is available free of charge through our website at <http://www.nustarenergy.com> as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. Information on our website is not incorporated into this prospectus or our other securities filings and is not a part of these filings.

**INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference information into this document. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede the previously filed information. We incorporate by reference the documents listed below and any future filings made by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, other than any portions of the respective filings that were furnished, pursuant to Item 2.02 or Item 7.01 of Current Reports on Form 8-K (including exhibits related thereto) or other applicable SEC rules, rather than filed, prior to the termination of the offerings under this prospectus:

Registration Statement on Form 8-A (File No. 001-16417) filed on March 30, 2001;

Annual Report on Form 10-K (File No. 001-16417) for the year ended December 31, 2006, filed on February 28, 2007;

Quarterly Report on Form 10-Q (File No. 001-16417) for the quarter ended March 31, 2007, filed on May 9, 2007; and

Current Reports on Form 8-K (File No. 001-16417) filed on January 31, 2007, March 27, 2007 and May 14, 2007.

Each of these documents is available from the SEC's website and public reference rooms described above. Through our website, <http://www.nustarenergy.com>, you can access electronic copies of documents we file with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments to those reports. Information on our website is not incorporated by reference in this prospectus. Access to those electronic filings is available as soon as practical after filing with the SEC. You may also request a copy of those filings, excluding exhibits, at no cost by writing or telephoning Investor Relations, NuStar Energy L.P., at our principal executive office, which is: 2330 N. Loop 1604 West, San Antonio, Texas 78248; Telephone (210) 918-2000.

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**RISK FACTORS**

*Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. Before you invest in our securities, you should carefully consider the risk factors included in our most-recent annual report on Form 10-K and in our quarterly reports on Form 10-Q that are incorporated herein by reference and those that may be included in the applicable prospectus supplement, together with all of the other information included in this prospectus, any prospectus supplement and the documents we incorporate by reference.*

*If any of the risks discussed in the foregoing documents were actually to occur, our business, financial condition, results of operations, or cash flow could be materially adversely affected. In that case, our ability to make distributions to our unitholders or pay interest on, or the principal of, any debt securities, may be reduced, the trading price of our securities could decline and you could lose all or part of your investment.*

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**FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS**

Some of the information contained in or incorporated by reference in this prospectus may contain forward-looking statements. These statements can be identified by the use of forward-looking terminology including may, believe, will, expect, anticipate, estimate, continue, or other words. These statements discuss future expectations, contain projections of results of operations or of financial condition, or state other forward-looking information. These forward-looking statements involve risks and uncertainties. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus or incorporated by reference herein, including those described in the Risk Factors section of our most recent annual report on Form 10-K and, to the extent applicable, our quarterly reports on Form 10-Q and any prospectus supplement. The risk factors and other factors noted in this prospectus or incorporated by reference herein could cause our actual results to differ materially from those contained in any forward-looking statement. Investors are cautioned that certain statements contained in or incorporated by reference in this prospectus as well as some statements in periodic press releases and some oral statements made by our officials and our subsidiaries during presentations about us, are forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those anticipated or projected.

Forward-looking statements speak only as of the date of this prospectus or, in the case of forward-looking statements contained in any document incorporated by reference, the date of such document and we expressly disclaim any obligation or undertaking to update these statements to reflect any change in our expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based.

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**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratios of earnings to fixed charges for the periods indicated.

	Fiscal Years					Three Months ended
	2002	2003	2004	2005	2006	March 31, 2007
Ratio of earnings to fixed charges	11.1x	5.3x	4.6x	3.5x	3.0x	2.5x
For purposes of calculating the ratio of earnings to fixed charges:						

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

earnings represent the aggregate of pre-tax income from continuing operations (before adjustment for income from equity investees), fixed charges, amortization of capitalized interest and distributions from equity investees, less capitalized interest.

**USE OF PROCEEDS**

Unless otherwise indicated in an accompanying prospectus supplement, NuStar Energy, NuStar Logistics and KPOP expect to use the net proceeds from the sale of NuStar Energy common units and NuStar Logistics and KPOP debt securities, as the case may be, for general partnership purposes, which may include, among other things:

the repayment of outstanding indebtedness;

working capital;

capital expenditures; and

acquisitions.

The actual application of proceeds we receive from the sale of any particular offering of securities using this prospectus will be described in the applicable prospectus supplement relating to such offering.

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**DESCRIPTION OF NUSTAR ENERGY COMMON UNITS**

**Number of Units**

We currently have 46,809,749 common units outstanding, of which 36,308,566 are held by the public and 10,501,183 are held by our general partner and its affiliates. The common units represent an aggregate 98% limited partner interest in NuStar Energy and the general partner has a 2% general partner interest in NuStar Energy.

Under our partnership agreement we may issue, without further unitholder action, an unlimited number of additional limited partner interests and other equity securities with such rights, preferences and privileges as may be established by our general partner in its sole discretion.

**Voting**

Each holder of common units is entitled to one vote for each common unit on all matters submitted to a vote of the unitholders; *provided* that, if at any time any person or group, except our general partner, owns beneficially 20% or more of all common units, the common units so owned may not be voted on any matter and may not be considered to be outstanding when sending notices of a meeting of unitholders (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under our partnership agreement.

Removal of our general partner requires:

a vote of not less than a majority of all outstanding common units, excluding the common units held by affiliates of our general partner; and

the election of a successor general partner by the holders of a majority of the outstanding common units, excluding the units held by affiliates of our general partner.

**Listing**

Our outstanding common units are listed on The New York Stock Exchange (NYSE) under the symbol NS. Any additional common units we issue will also be listed on the NYSE.

**Transfer Agent and Registrar**

Our transfer agent and registrar for the common units is Computershare, LLC.

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**CASH DISTRIBUTIONS**

**Distributions of Available Cash**

***General***

Within 45 days after the end of each quarter, NuStar Energy will distribute all of its available cash to its partners of record on the applicable record date.

***Definition of Available Cash***

Available cash is defined in NuStar Energy's partnership agreement and generally means, with respect to any fiscal quarter, the sum of all cash and cash equivalents on hand at the end of such quarter, plus any working capital borrowings made subsequent to the end of such quarter, less the amount of any cash reserves that NuStar Energy's general partner deems necessary or appropriate to:

provide for the proper conduct of NuStar Energy's business, including reserves for future capital expenditures and anticipated credit needs;

comply with applicable law or any debt instrument or other agreement or obligation; or

provide funds for distributions with respect to any one or more of the next four fiscal quarters.

***Intent to Distribute the Minimum Quarterly Distribution***

NuStar Energy's policy is, to the extent it has sufficient available cash from operating surplus, as defined below, to distribute to each common unit at least the minimum quarterly distribution of \$0.60 per quarter or \$2.40 per year. However, there is no guarantee that NuStar Energy will pay the minimum quarterly distribution on the common units in any quarter and NuStar Energy may be prohibited from making any distributions to unitholders if it would cause an event of default under the terms of NuStar Energy's indebtedness.

**Operating Surplus and Capital Surplus**

***General***

Cash distributions are characterized as distributions from either operating surplus or capital surplus. NuStar Energy distributes available cash from operating surplus differently than available cash from capital surplus.

***Definition of Operating Surplus***

Operating surplus is defined in NuStar Energy's partnership agreement and generally means, with respect to any period ending prior to the dissolution of NuStar Energy:

\$10 million plus all cash and cash equivalents on hand as of the close of business on April 16, 2001, the closing date of its initial public offering of its common units;

plus all cash receipts since April 16, 2001, other than from interim capital transactions such as borrowings that are not working capital borrowings, sales of equity and debt securities and sales or other dispositions of assets for cash, other than inventory, accounts receivable and other assets sold in the ordinary course of business or as part of normal retirements or replacements of

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assets;

*plus* all cash receipts resulting from working capital borrowings after the end of such period but on or before the date of determination of the operating surplus for such period;

*less* all operating expenditures since April 16, 2001; and

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less the amount of cash reserves that NuStar Energy's general partner deems necessary or advisable to provide funds for future operating expenditures.

***Definition of Capital Surplus***

Capital surplus of NuStar Energy will generally be generated only by:

borrowings other than working capital borrowings;

sales of debt and equity securities; and

sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or as part of normal retirements or replacements of assets.

***Characterization of Cash Distributions***

To avoid the difficulty of trying to determine whether the available cash that NuStar Energy distributes is from operating surplus or from capital surplus, all available cash that NuStar Energy distributes on any date from any source is treated as a distribution of cash from operating surplus until the sum of all available cash theretofore distributed equals the operating surplus calculated as of the end of the fiscal quarter with respect to which such distribution is being made. Any remaining amounts of available cash distributed on such date will be treated as cash from capital surplus and will be distributed accordingly.

If at any time (i) a hypothetical holder of a common unit acquired on April 16, 2001 has received distributions of available cash from capital surplus in an aggregate amount equal to the \$24.50 initial public offering price of the common units, and (ii) each common unit then outstanding has received an amount equal to any cumulative arrearage existing with respect to the common units, then the distinction between operating surplus and capital surplus will cease, and all subsequent distributions of available cash will be treated as distributions of cash from operating surplus and will be distributed accordingly. To date there have been no distributions from capital surplus, and NuStar Energy does not anticipate that there will be significant distributions from capital surplus in the future.

**Distributions of Available Cash from Operating Surplus**

NuStar Energy will make distributions of available cash from operating surplus as follows:

*First*, 98% to the unitholders, pro rata, and 2% to the general partner, until NuStar Energy has distributed for each outstanding unit an amount equal to the minimum quarterly distribution of \$0.60 for that quarter;

*Second*, 90% to all unitholders, pro rata, 8% to the holders of the incentive distribution rights, and 2% to the general partner, until NuStar Energy has distributed with respect to each unit then outstanding an amount equal to the excess of the first target distribution (\$0.66 per unit) over the minimum quarterly distribution; and

*Thereafter*, 75% to all unitholders, pro rata, 23% to the holders of the incentive distribution rights, and 2% to the general partner. If the minimum quarterly distribution and the first target distribution have been reduced to zero under the terms of the partnership agreement, then any distribution of available cash from operating surplus will be made solely in accordance with the final bullet point above.

The minimum quarterly distribution and the first target distribution are subject to adjustment as described below in **Adjustment of the Minimum Quarterly Distribution and Target Distribution Levels**.



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### **Distributions of Available Cash from Capital Surplus**

#### ***How Distributions from Capital Surplus are Made***

NuStar Energy makes distributions of available cash from capital surplus in the following manner:

*First*, 98% to all unitholders, pro rata, and 2% to the general partner, until a hypothetical holder of a common unit acquired on April 16, 2001 has received an aggregate amount equal to the \$24.50 initial public offering price of the common units;

*Second*, 98% to the common unitholders, pro rata, and 2% to the general partner, until there has been distributed with respect to each common unit then outstanding an amount equal to any cumulative arrearage existing with respect to the common units; and

*Thereafter*, all distributions of available cash from capital surplus will be distributed as if they were from operating surplus.

#### ***Effect of a Distribution from Capital Surplus***

NuStar Energy's partnership agreement treats a distribution of cash from capital surplus on a common unit as the repayment of the initial public offering price of such common unit, which is a return of capital. The initial public offering price less any distributions of cash from capital surplus per common unit is referred to as unrecovered initial unit price or unrecovered capital. Each time a distribution of cash from capital surplus is made on a common unit, the minimum quarterly distribution and the first target distribution for all units will be reduced in the same proportion as the corresponding reduction in the unrecovered capital. Because distributions of cash from capital surplus will reduce the minimum quarterly distribution, after any of these distributions are made, it may be easier for NuStar Energy's general partner to receive incentive distributions. However, any distribution by NuStar Energy of capital surplus before the unrecovered capital is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

If at any time NuStar Energy makes a distribution of cash from capital surplus in an amount equal to the then current unrecovered capital, the minimum quarterly distribution and the first target distribution will be reduced to zero. As a result, all future distributions will be made from operating surplus, with 75% being paid to all unitholders, pro rata, 23% to the general partner as the holder of incentive distribution rights, pro rata, and 2% to the general partner.

### **Incentive Distribution Rights**

Incentive distribution rights are non-voting limited partner interests that were issued to NuStar Energy's general partner in connection with the transfer of its general partnership interest in the operating partnership to NuStar Energy. Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution has been achieved. The general partner as the holder of incentive distribution rights is paid in the manner described in Distributions of Available Cash from Operating Surplus above.

Prior to March 31, 2011, the general partner may not transfer (other than to affiliates, in a merger or the sale of all assets) the incentive distribution rights without the approval of the majority of the common units (excluding the general partner's common units).

### **Adjustment of the Minimum Quarterly Distribution and Target Distribution Levels**

NuStar Energy's minimum quarterly distribution is \$0.60 per unit, subject to adjustment. NuStar Energy's first target distribution is \$0.66 per unit, subject to adjustment. NuStar Energy has no other target distribution levels.

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In addition to reductions of the minimum quarterly distribution and first target distribution level made upon a distribution of available cash from capital surplus, as described above, if NuStar Energy distributes units to its unitholders, combines its units into fewer units or subdivides its units into a greater number of units, NuStar Energy will proportionately adjust:

the minimum quarterly distribution;

the first target distribution level;

any common unit arrearage;

any cumulative common unit arrearage; and

the unrecovered capital.

For example, in the event of a two-for-one split of the common units (assuming no prior adjustments), the minimum quarterly distribution, the first target distribution level, any common unit arrearage, any cumulative common unit arrearage and the unrecovered capital of the common units would each be reduced to 50% of its initial level.

In addition, if legislation is enacted or if existing law is modified or interpreted in a manner that causes NuStar Energy and/or the operating partnership to become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, then NuStar Energy will reduce the then-applicable minimum quarterly distribution and the first target distribution level by multiplying the same by one minus the sum of (a) the highest marginal federal corporate (or other) income tax rate that could apply plus (b) any increase in the effective overall state and local income tax rates. For example, if NuStar Energy became subject to a maximum effective federal, state and local income tax rate of 35%, then the minimum quarterly distribution and the first target distribution level would each be reduced to 65% of their previous levels.

### **Distributions of Cash upon Liquidation**

If NuStar Energy dissolves in accordance with its partnership agreement, it will sell or otherwise dispose of its assets in a process called a liquidation, and the partner's capital account balances will be adjusted to reflect any resulting gain or loss. NuStar Energy will first apply the proceeds of liquidation to the payment of its creditors (including partners) in the order of priority provided in the partnership agreement and by law and, thereafter, it will distribute any remaining proceeds to its partners in accordance with, and to the extent of, the positive balances in their respective capital accounts, as adjusted. The manner of adjustment of capital accounts is set forth in NuStar Energy's partnership agreement.

### ***Manner of Adjustments for Gain***

Upon its liquidation, NuStar Energy will allocate any net gain (or unrealized gain attributable to assets distributed in kind to the partners) in the following manner:

*first*, to each partner having a negative balance in its capital account, in the proportion that such negative balance bears to the total negative balances of all partners, until each partner has been allocated net gain equal to its negative balance;

*second*, 98% to the common unitholders, pro rata, and 2% to the general partner, until the capital account for each common unit then outstanding is equal to the sum of:

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the unrecovered capital with respect to such common unit;

the amount of any unpaid minimum quarterly distribution for the quarter during which the liquidation occurs; and

the amount of any cumulative arrearage existing with respect to the common units;

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*third*, 90% to all unitholders, pro rata, 8% to the holders of the incentive distribution rights, pro rata, and 2% to the general partner, until the capital account for each common unit then outstanding is equal to the sum of:

the unrecovered capital with respect to each common unit;

the amount of any unpaid minimum quarterly distribution for the quarter during which the liquidation occurs;

the amount of any cumulative arrearage existing with respect to the common units; and

the excess of (a) the first target distribution less the minimum quarterly distribution for each quarter of the partnership's existence, over (b) the cumulative per unit amount of any distributions of available cash from operating surplus that were distributed 90% to all unitholders, pro rata, 8% to the holders of incentive distribution rights, pro rata, and 2% to the general partner; and

*thereafter*, 75% to all unitholders, pro rata, 23% to the holders of incentive distribution rights, pro rata, and 2% to the general partner.

***Manner of Adjustments for Losses***

Upon its liquidation, NuStar Energy will allocate any loss in the following manner:

*first*, 98% to the common unitholders, pro rata, and 2% to the general partner, until the capital account for each common unit has been reduced to zero; and

*thereafter*, 100% to the general partner.

***Adjustments to Capital Accounts***

In addition, interim adjustments to capital accounts will be made at the time NuStar Energy issues additional partnership interests or makes distributions of property. Such adjustments will be based on the fair market value of the partnership interests or the property distributed and any gain or loss resulting therefrom will be allocated to the partners in the same manner as gain or loss is allocated upon liquidation. In the event that positive interim adjustments are made to the capital accounts, any subsequent negative adjustments to the capital accounts resulting from the issuance of additional partnership interests in NuStar Energy, distributions of property by NuStar Energy, or upon NuStar Energy's liquidation, will be allocated in a manner which results, to the extent possible, in the capital account balances of the general partner equaling the amount that would have been the general partner's capital account balances if no prior positive adjustments to the capital accounts had been made.

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### **THE PARTNERSHIP AGREEMENT**

The following is a summary of the material provisions of the NuStar Energy partnership agreement. NuStar Energy's partnership agreement is included as an exhibit to the registration statement of which this prospectus constitutes a part.

#### **Organization and Duration**

NuStar Energy was organized in December 1999 and will continue until dissolved under the terms of its partnership agreement.

#### **Purpose**

NuStar Energy's stated purposes under its partnership agreement are to serve as a partner of its operating partnerships and to engage in any business activities that may be engaged in by its operating partnerships or that are approved by the general partner, *provided* that the general partner must reasonably determine that such activity generates or enhances the operations of an activity that generates qualifying income, as this term is defined in Section 7704 of the Internal Revenue Code.

NuStar Energy's general partner is authorized in general to perform all acts deemed necessary to carry out NuStar Energy's purposes and to conduct NuStar Energy's business.

#### **Power of Attorney**

Each limited partner, and each person who acquires a unit from a unitholder and executes and delivers a transfer application, grants to the general partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for the qualification, continuance or dissolution of NuStar Energy. The power of attorney also grants the general partner and the liquidator the authority to amend the partnership agreement, and to make consents and waivers under the partnership agreement.

#### **Capital Contributions**

NuStar Energy's unitholders are not obligated to make additional capital contributions, except as described below under Limited Liability.

#### **Limited Liability**

Assuming that a limited partner does not participate in the control of NuStar Energy's business within the meaning of the Delaware Revised Uniform Limited Partnership Act, which we refer to in this prospectus as the Delaware law, and that he otherwise acts in conformity with the provisions of NuStar Energy's partnership agreement, his liability under the Delaware law will be limited, subject to possible exceptions, to the amount of capital he is obligated to contribute to NuStar Energy for his common units plus his share of any undistributed profits and assets. If it were determined, however, that the right or exercise of the right by the NuStar Energy limited partners as a group:

to remove or replace the general partner;

to approve some amendments to the partnership agreement; or

to take other action under the partnership agreement;

constituted participation in the control of NuStar Energy's business for the purposes of the Delaware law, then the limited partners could be held personally liable for NuStar Energy's obligations under the laws of Delaware, to the same extent as the general partner. This liability would extend to persons who transact business with NuStar Energy who reasonably believe that the limited partner is a general partner.

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Neither NuStar Energy's partnership agreement nor the Delaware law specifically provides for legal recourse against the general partner if a limited partner were to lose limited liability through any fault of the general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law.

Under the Delaware law, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware law provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware law provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware law shall be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware law, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except the assignee is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

NuStar Energy's operating subsidiaries conduct business or own assets in the United States, Canada, Mexico, the Netherland Antilles, the Netherlands and the United Kingdom. Maintenance of NuStar Energy's limited liability as a limited partner or member, respectively, of its operating subsidiaries, may require compliance with legal requirements in the jurisdictions in which the operating subsidiary conducts business. Limitations on the liability of limited partners or members for the obligations of a limited partner or member have not been clearly established in many jurisdictions. If it were determined that NuStar Energy was, by virtue of NuStar Energy's ownership interest in the operating subsidiaries or otherwise, conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right or exercise of the right by the limited partners as a group to remove or replace NuStar Energy's general partner, to approve some amendments to the partnership agreement, or to take other action under the partnership agreement constituted participation in the control of NuStar Energy's business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for NuStar Energy's obligations under the law of that jurisdiction to the same extent as the general partner under the circumstances. NuStar Energy will operate in a manner that the general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

## **Issuance of Additional Securities**

NuStar Energy's partnership agreement authorizes NuStar Energy to issue an unlimited number of additional limited partner interests and other equity securities for the consideration and on the terms and conditions established by the general partner in its sole discretion without the approval of any limited partners.

It is possible that NuStar Energy will fund acquisitions through the issuance of additional common units or other equity securities. Holders of any additional common units NuStar Energy issues will be entitled to share equally with the then-existing holders of common units in NuStar Energy's distributions of available cash. In addition, the issuance of additional partnership interests may dilute the value of the interests of the then-existing holders of common units in NuStar Energy's net assets.

There are no restrictions under the partnership agreement on the ability of the general partner to issue common units or common units junior or senior to the common units.

In accordance with Delaware law and the provisions of the partnership agreement, NuStar Energy may also issue additional partnership securities that, in the sole discretion of the general partner, may have special voting rights to which the common units are not entitled.

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Upon issuance of additional partnership securities, the general partner will be required to make additional capital contributions to the extent necessary to maintain its combined 2% general partner interest in NuStar Energy and NuStar Logistics. Moreover, the general partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or other equity securities whenever, and on the same terms that NuStar Energy issues those securities to persons other than the general partner and its affiliates, to the extent necessary to maintain its percentage interest, including its interest represented by common units, that existed immediately prior to each issuance. The holders of common units will not have preemptive rights to acquire additional common units or other partnership interests.

### **Amendment of the Partnership Agreement**

#### ***General***

Amendments to the partnership agreement may be proposed only by or with the consent of the general partner, which consent may be given or withheld in its sole discretion. In order to adopt a proposed amendment, other than the amendments discussed below, the general partner is required to seek written approval of the holders of the number of common units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as described below, an amendment must be approved by a majority of the common units.

We refer to the voting provision described above as a unit majority.

#### ***Prohibited Amendments***

No amendment may be made that would:

enlarge the obligations of any limited partner without its consent, unless approved by at least a majority of the type or class of limited partner interests so affected;

enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by NuStar Energy to the general partner or any of its affiliates without the consent of the general partner, which may be given or withheld in its sole discretion;

change the term of NuStar Energy;

provide that NuStar Energy is not dissolved upon an election to dissolve NuStar Energy by the general partner that is approved by the holders of a majority of the outstanding common units; or

give any person the right to dissolve NuStar Energy other than the general partner's right to dissolve NuStar Energy with the approval of the holders of a majority of the outstanding common units.

The provision of the partnership agreement preventing the amendments having the effects described in the five bullets above can be amended upon the approval of the holders of at least 90% of the outstanding common units voting together as a single class.

#### ***No Unitholder Approval***

The general partner may generally make amendments to the partnership agreement without the approval of any limited partner or assignee to reflect:

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a change in the name of NuStar Energy, the location of the principal place of business of NuStar Energy, the registered agent or the registered office of NuStar Energy;

the admission, substitution, withdrawal or removal of partners in accordance with the partnership agreement;

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a change that, in the sole discretion of the general partner, is necessary or advisable to qualify or continue the qualification of NuStar Energy as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that neither NuStar Energy nor NuStar Logistics will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

an amendment that is necessary, in the opinion of counsel to NuStar Energy, to prevent NuStar Energy, the general partner, NuStar GP, LLC, or any of the directors, officers, agents or trustees of NuStar GP, LLC from in any manner being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or plan asset regulations adopted under ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed;

subject to the limitations on the issuance of additional common units or other limited or general partner interests described above, an amendment that in the discretion of the general partner is necessary or advisable for the authorization of additional limited or general partner interests;

any amendment expressly permitted in the partnership agreement to be made by the general partner acting alone;

an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of the partnership agreement;

any amendment that, in the discretion of the general partner, is necessary or advisable for the formation by NuStar Energy of, or its investment in, any corporation, partnership or other entity, as otherwise permitted by the partnership agreement;

a change in the fiscal year or taxable year of NuStar Energy and related changes; and

any other amendments substantially similar to any of the matters described above.

In addition, the general partner may make amendments to the partnership agreement without the approval of any limited partner or assignee if those amendments, in the discretion of the general partner:

do not adversely affect the limited partners (or any particular class of limited partners) in any material respect;

are necessary or advisable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;

are necessary or advisable to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading, compliance with any of which the general partner deems to be in the best interests of NuStar Energy and the limited partners;

are necessary or advisable for any action taken by the general partner relating to splits or combinations of common units under the provisions of the partnership agreement; or

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are required to effect the intent expressed in this prospectus or the intent of the provisions of the partnership agreement or are otherwise contemplated by the partnership agreement.

### ***Opinion of Counsel and Unitholder Approval***

The general partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners or result in NuStar Energy being treated as an entity for federal income tax purposes if one of the amendments described above under Amendment of the Partnership Agreement should occur. No other amendments to the partnership agreement will become effective without the

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approval of holders of at least 90% of the common units unless NuStar Energy obtains an opinion of counsel to the effect that the amendment will not affect the limited liability under applicable law of any limited partner in NuStar Energy or cause NuStar Energy or its operating subsidiaries to be taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously taxed as such).

Any amendment that would have a material adverse effect on the rights or preferences of any type or class of outstanding common units in relation to other classes of common units will require the approval of at least a majority of the type or class of common units so affected. Any amendment that reduces the voting percentage required to take any action is required to be approved by the affirmative vote of limited partners constituting not less than the voting requirement sought to be reduced.

### ***Merger/Consolidation***

A merger or consolidation of NuStar Energy requires the prior approval of NuStar Energy's general partner. The general partner must also approve the merger agreement, which must include certain information as set forth in NuStar Energy's partnership agreement. Once approved by the general partner, the merger agreement must be submitted to a vote of NuStar Energy's limited partners, and the merger agreement will be approved upon receipt of the affirmative vote or consent of the holders of a unit majority (unless the affirmative vote of the holders of a greater percentage is required under the merger agreement or Delaware law).

*Unit Majority.* A unit majority consists of at least a majority of the outstanding common units.

### ***Disposal of Assets***

Except in connection with a dissolution and liquidation of the partnership or a duly approved merger, NuStar Energy's general partner may not (a) sell, exchange or otherwise dispose of all or substantially all of NuStar Energy's assets in a single transaction or a series of related transactions, or (b) approve on behalf of the partnership the sale, exchange or other disposition of all or substantially all of the assets of the operating partnership without the approval of the holders of a unit majority. However, the general partner may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the partnership or operating partnership without the approval of the unitholders. In addition, the general partner may sell any or all of the assets of the partnership or operating partnership in a forced sale pursuant to the foreclosure of, or other realization upon, any such encumbrance without the approval of the unitholders.

### **Termination and Dissolution**

NuStar Energy will continue in existence as a limited partnership until terminated under its partnership agreement. NuStar Energy will dissolve upon:

the election of the general partner to dissolve NuStar Energy, if approved by the holders of common units representing a unit majority;

the sale, exchange or other disposition of all or substantially all of the assets and properties of NuStar Energy;

the entry of a decree of judicial dissolution of NuStar Energy; or

the withdrawal or removal of the general partner or any other event that results in its ceasing to be the general partner other than by reason of a transfer of its general partner interest in accordance with the partnership agreement or withdrawal or removal following approval and admission of a successor.

Upon a dissolution under the last clause above, the holders of common units representing a unit majority may also elect, within specific time limitations, to reconstitute NuStar Energy and continue its business on the same terms and conditions described in the partnership agreement by forming a new limited partnership on terms



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identical to those in the partnership agreement and having as general partner an entity approved by the holders of common units representing a unit majority, subject to receipt by NuStar Energy of an opinion of counsel to the effect that:

the action would not result in the loss of limited liability of any limited partner; and

neither NuStar Energy, the reconstituted limited partnership, nor any operating subsidiary would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of that right to continue.

**Liquidation and Distribution of Proceeds**

Upon its dissolution, unless NuStar Energy is reconstituted and continued as a new limited partnership, the liquidator authorized to wind up NuStar Energy's affairs will, acting with all of the powers of the general partner that the liquidator deems necessary or desirable in its judgment, liquidate NuStar Energy's assets and apply the proceeds of the liquidation as provided in Cash Distribution Policy of NuStar Energy Distributions of Cash upon Liquidation. The liquidator may defer liquidation or distribution of NuStar Energy's assets for a reasonable period of time or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to the partners.

**Withdrawal or Removal of the General Partner**

Except as described below, NuStar Energy's general partner has agreed not to withdraw voluntarily as general partner of NuStar Energy or as the general partner of any operating subsidiary prior to March 31, 2011 without obtaining the approval of the holders of at least a majority of the outstanding common units, excluding common units held by the general partner and its affiliates, and furnishing an opinion of counsel regarding limited liability and tax matters. On or after March 31, 2011, NuStar Energy's general partner may withdraw as general partner without first obtaining approval of any unitholder by giving 90 days' written notice, and that withdrawal will not constitute a violation of the partnership agreement. Notwithstanding the information above, NuStar Energy's general partner may withdraw without unitholder approval upon 90 days' notice to the limited partners if at least 50% of the outstanding common units are held or controlled by one person and its affiliates other than the general partner and its affiliates. In addition, the partnership agreement permits the general partner in some instances to sell or otherwise transfer all of its general partner interest in NuStar Energy without the approval of the unitholders. Please read Transfer of General Partner Interests.

Upon the withdrawal of the general partner under any circumstances, other than as a result of a transfer of all or a part of its general partner interest in NuStar Energy, the holders of common units representing a unit majority may select a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, NuStar Energy will be dissolved, wound up and liquidated, unless within 180 days after that withdrawal, the holders of a majority of the outstanding common units agree in writing to continue the business of NuStar Energy and to appoint a successor general partner. Please read Termination and Dissolution.

If the general partner withdraws under circumstances where such withdrawal does not violate the partnership agreement, and a successor general partner is elected under the terms of the partnership agreement, the departing general partner will have the option to require the successor general partner to purchase its general partner interests and incentive distribution rights for cash. If the general partner withdraws under circumstances where such withdrawal does violate the partnership agreement, and a successor general partner is elected, the successor general partner will have the option to purchase the general partner interests and incentive distribution rights of the departing general partner. If such general partner interests and incentive distribution rights are not purchased by the successor general partner, they will be converted into common units.

The general partner may not be removed unless that removal is approved by the vote of the holders of not less than a majority of the outstanding common units, and NuStar Energy receives an opinion of counsel

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regarding limited liability and tax matters. Any removal of the general partner is also subject to the approval of a successor general partner by the vote of the holders of a majority of the outstanding common units.

If the general partner is removed under circumstances where cause does not exist, and a successor general partner is elected under the partnership agreement, the departing general partner will have the option to require the successor general partner to purchase its general partner interests and incentive distribution rights for cash. If the general partner is removed under circumstances where cause does exist, and a successor general partner is elected, the successor general partner will have the option to purchase the general partner interests and incentive distribution rights of the departing general partner. If the general partner interests and incentive distribution rights are not purchased by the successor general partner, they will be converted into common units.

Cause is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding the general partner liable for actual fraud, gross negligence, or willful or wanton misconduct in its capacity as the general partner.

Withdrawal or removal of the general partner of NuStar Energy also constitutes withdrawal or removal of the general partner of NuStar Logistics.

In addition, NuStar Energy will be required to reimburse the departing general partner for all amounts due the departing general partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner for the benefit of NuStar Energy.

## **Transfer of General Partner Interests**

Prior to March 31, 2011, NuStar Energy's general partner may not transfer all or any part of its general partner interest unless such transfer (a) has been approved by the prior written consent or vote of the holders of at least a majority of the outstanding common units (excluding any common units held by the general partner or its affiliates) or (b) is of all, but not less than all, of its general partner interest to (i) an affiliate of the general partner or (ii) another person in connection with the merger or consolidation of the general partner with or into such person or the transfer by the general partner of all or substantially all of its assets to such person.

On or after March 31, 2011, NuStar Energy's general partner may transfer all or any part of its general partner interest in NuStar Energy without unitholder approval.

No transfer by NuStar Energy's general partner of all or any part of its general partner interest is permitted unless (a) the transferee agrees to assume the rights and duties of the general partner and be bound by the partnership agreement and (b) the partnership receives an opinion of counsel regarding limited liability and tax matters.

## **Change of Management Provisions**

NuStar Energy's partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove the general partner or otherwise change management, including the following:

Any units held by a person that owns 20% or more of any class of units then outstanding, other than the general partner and its affiliates, cannot be voted on any matter.

The partnership agreement contains provisions limiting the ability of unitholders to call meetings or to acquire information about the partnership's operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

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### **Limited Call Right**

If at any time NuStar Energy's general partner and its affiliates own 80% or more of the issued and outstanding limited partner interests of any class, the general partner will have the right (which right it may assign and transfer to the partnership or any affiliate of the general partner) to purchase all, but not less than all, of the outstanding limited partner interests of that class that are held by non-affiliated persons. The record date for determining ownership of the limited partner interests to be purchased by the general partner will be selected by the general partner, and the general partner must mail notice of its election to purchase the interests to the holders of such interests at least 10 but not more than 60 days prior to the purchase date. The purchase price in the event of a purchase under these provisions would be the greater of (a) the current market price (as defined in the partnership agreement) of the limited partner interests of that class as of the date three days prior to the date the general partner mails notice of its election to purchase the interests and (b) the highest price paid by the general partner or any of its affiliates for any limited partner interest of that class purchased within the 90 days preceding the date the general partner mails notice of its election to purchase the interests.

### **Meetings; Voting**

Special meetings of NuStar Energy's limited partners may be called by the general partner or by limited partners owning 20% or more of the outstanding limited partner interests of the class or classes for which a meeting is proposed. The general partner must send notice of any meeting to the limited partners, and a meeting may not be held less than 10 days nor more than 60 days after the mailing of the notice. For the purpose of determining the limited partners entitled to notice of, and to vote at, a meeting of the limited partners (or to give written approvals without a meeting as described below), the general partner will set a record date, which may not be less than 10 nor more than 60 days before the date of the meeting (or the date by which the limited partners are requested to submit written approvals). Only record holders of limited partner interests on such record date are entitled to notice of, and to vote at, a meeting of the limited partners (or to vote on any action to be taken without a meeting).

If authorized by the general partner, any action that may be taken at a meeting of limited partners may be taken without a meeting by obtaining approval in writing of the necessary percentage of the limited partners that would be required to authorize or take the action at a meeting of the limited partners.

Each record holder of a limited partner interest has a vote according to his percentage interest in the partnership. Limited partner interests held for a person's account by another person (such as a broker, dealer, or bank), in whose name such limited partner interests are registered, will be voted by such other person in favor of, and at the direction of, the beneficial owner unless the arrangement between such persons provides otherwise. Representation in person or by proxy of a majority of the outstanding limited partner interests of the class or classes for which a meeting has been called will constitute a quorum at such meeting (unless a particular action by the limited partners requires approval by a greater percentage of limited partner interests, in which case the quorum shall be such greater percentage). At any meeting at which a quorum is present, the act of the limited partners holding a majority of the outstanding limited partner interests entitled to vote at the meeting will be deemed to be the act of all the limited partners, unless a greater or different percentage is required under the partners