NuStar Energy L.P.
Form 10-K
March 03, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-16417
NUSTAR ENERGY L.P.
(Exact name of registrant as specified in its charter)

Delaware	74-2956831
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
19003 IH-10 West San Antonio, Texas	78257 (Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code (210) 918-2000
Securities registered pursuant to Section 12(b) of the Act: Common units representing partnership interests listed on the New York Stock Exchange.
Securities registered pursuant to 12(g) of the Act: None.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes [ ] No [X]
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule12b-2 of the Exchange Act:
Large accelerated filer [X] Accelerated filer [ ]

Non-accelerated filer	[ ] (Do not check if a smaller reporting company)	Smaller reporting company	[ ]

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

The aggregate market value of the common units held by non-affiliates was approximately $3,086 million based on the last sales price quoted as of June 28, 2013, the last business day of the registrant's most recently completed second quarter.

The number of common units outstanding as of January 31, 2014 was 77,886,078.

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PART I

Unless otherwise indicated, the terms "NuStar Energy L.P.," "the Partnership," "we," "our" and "us" are used in this report to refer to NuStar Energy L.P., to one or more of our consolidated subsidiaries or to all of them taken as a whole. In the following Items 1., 1A. and 2., "Business, Risk Factors and Properties," we make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions and resources. The words "forecasts," "intends," "believes," "expects," "plans," "scheduled," "goal," "may," "anticipates," "estimates" and similar expre identify forward-looking statements. We do not undertake to update, revise or correct any of the forward-looking information. You are cautioned that such forward-looking statements should be read in conjunction with our disclosures beginning on page 32 of this report under the heading: "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION."

ITEM 1. BUSINESS, RISK FACTORS AND PROPERTIES

OVERVIEW

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

We are engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and the marketing of petroleum products. We divide our operations into the following three reportable business segments: storage, pipeline, and fuels marketing. As of December 31, 2013, our assets included:

- 60 terminal and storage facilities providing 84.8 million barrels of storage capacity;
- 5,463 miles of refined product pipelines with 21 associated terminals providing storage capacity of 4.9 million barrels and two tank farms providing storage capacity of 1.4 million barrels;
- 2,000 miles of anhydrous ammonia pipelines; and
- 1,180 miles of crude oil pipelines providing 3.4 million barrels of associated storage capacity.

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

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

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

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

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

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

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RECENT DEVELOPMENTS

Divestment of ownership interest in Asphalt JV

On February 26, 2014, we sold our then-remaining 50% ownership interest in NuStar Asphalt LLC (Asphalt JV), which constitutes all equity interest in that entity we retained after the first sale in 2012. The purchaser, Lindsay Goldberg LLC (Lindsay Goldberg), a private investment firm, now owns 100% of Asphalt JV, and we have completed our exit from the asphalt business. Please refer to Note 29 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for additional information regarding this sale.

ORGANIZATIONAL STRUCTURE

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

The following chart depicts our organizational structure at December 31, 2013.

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SEGMENTS

Our three reportable business segments are storage, pipeline, and fuels marketing. Detailed financial information about our segments is included in Note 26 in the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data.”

The following map depicts our operations at December 31, 2013.

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STORAGE

Our storage segment includes terminal and storage facilities that provide storage, handling and other services for petroleum products, specialty chemicals, crude oil and other liquids. As of December 31, 2013, we owned and operated:

- 48 terminal and storage facilities in the United States, with total storage capacity of 51.7 million barrels;
- A terminal on the island of St. Eustatius with tank capacity of 14.4 million barrels and a transshipment facility;
- A terminal located in Point Tupper with tank capacity of 7.7 million barrels and a transshipment facility;
- Six terminals located in the United Kingdom and one terminal located in Amsterdam, the Netherlands, with total storage capacity of approximately 9.5 million barrels;
- Two terminals in Mersin, Turkey with total storage capacity of 1.4 million barrels; and
- A terminal located in Nuevo Laredo, Mexico.

Description of Largest Terminal Facilities

St. Eustatius. We own and operate a 14.4 million barrel petroleum storage and terminalling facility located on the island of St. Eustatius in the Caribbean, which is located at a point of minimal deviation from major shipping routes. This facility is capable of handling a wide range of petroleum products, including crude oil and refined products, and it can accommodate the world's largest tankers for loading and discharging crude oil and other petroleum products. A two-berth jetty, a two-berth monopile with platform and buoy systems, a floating hose station and an offshore single point mooring buoy with loading and unloading capabilities serve the terminal's customers' vessels. The fuel oil and petroleum product facilities have in-tank and in-line blending capabilities, while the crude tanks have tank-to-tank blending capability and in-tank mixers. In addition to the storage and blending services at St. Eustatius, this facility has the flexibility to utilize certain storage capacity for both feedstock and refined products to support our atmospheric distillation unit. This unit is capable of processing up to 25,000 barrels per day of feedstock, ranging from condensates to heavy crude oil. We own and operate all of the berthing facilities at the St. Eustatius terminal. Separate fees apply for the use of the berthing facilities, as well as associated services, including pilotage, tug assistance, line handling, launch service, emergency response services and other ship services.

St. James, Louisiana. Our St. James terminal, which is located on the Mississippi River near St. James, Louisiana, has a total storage capacity of 8.9 million barrels. The facility is located on almost 900 acres of land, some of which is undeveloped. The majority of the storage tanks and infrastructure are suited for light crude oil, with four tanks capable of fuel oil or heated crude oil storage. Additionally, the facility has one barge dock and two ship docks. Our St. James terminal can receive product from gathering pipelines in the Gulf of Mexico and deliver to connecting pipelines that supply refineries in the Gulf Coast and Midwest. The St. James terminal also has two unit train rail facilities and a manifest rail facility, which are served by the Union Pacific Railroad and have a combined capacity of approximately 200,000 barrels per day.

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

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

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

Linden, New Jersey. We own 50% of ST Linden Terminal LLC, which owns a terminal and storage facility in Linden, New Jersey. The terminal is located on a 44-acre facility that provides it with deep-water terminalling capabilities at New York Harbor. This terminal primarily stores petroleum products, including gasoline, jet fuel and fuel oils. The facility has a total storage capacity of 4.3 million barrels and can receive and deliver products via ship, barge and pipeline. The terminal includes two docks with draft limits of 36 and 26 feet, respectively.

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Terminal and Storage Facilities
The following table sets forth information about our terminal and storage facilities as of December 31, 2013:

Facility	Tank Capacity (Barrels)	Primary Products Handled
U.S. Terminals and Storage Facilities:		
Mobile, AL (Blakely Island)	1,185,000	Petroleum products, crude oil and feedstocks
Mobile, AL (Chickasaw North)	333,000	Crude oil and feedstocks
Mobile, AL (Chickasaw South)	327,000	Petroleum products, crude oil and feedstocks
Los Angeles, CA	608,000	Petroleum products
Benicia, CA (Refinery Tankage)	3,655,000	Crude oil and feedstocks
Pittsburg, CA	398,000	Asphalt
Selby, CA	3,060,000	Petroleum products, ethanol
Stockton, CA	810,000	Petroleum products, ethanol, fertilizer
Colorado Springs, CO	328,000	Petroleum products, ethanol
Denver, CO	110,000	Petroleum products, ethanol
Jacksonville, FL	2,593,000	Petroleum products, asphalt
Blue Island, IL	732,000	Petroleum products, ethanol
Indianapolis, IN	428,000	Petroleum products
St. James, LA	8,943,000	Crude oil and feedstocks
Andrews AFB, MD (a)	75,000	Petroleum products
Baltimore, MD	827,000	Chemicals, asphalt, petroleum products
Piney Point, MD	5,402,000	Petroleum products
Wilmington, NC (f)	331,000	Asphalt
Linden, NJ	389,000	Petroleum products
Linden, NJ (b)	2,130,000	Petroleum products
Paulsboro, NJ	74,000	Petroleum products
Alamogordo, NM (a)	124,000	Petroleum products
Albuquerque, NM	251,000	Petroleum products, ethanol
Rosario, NM	166,000	Asphalt
Catoosa, OK	358,000	Asphalt
Portland, OR	1,359,000	Petroleum products, ethanol
Abernathy, TX	160,000	Petroleum products
Amarillo, TX	273,000	Petroleum products
Corpus Christi, TX	329,000	Petroleum products
Corpus Christi, TX (North Beach)	1,721,000	Crude oil and feedstocks
Corpus Christi, TX (Refinery Tankage)	4,030,000	Crude oil and feedstocks
Edinburg, TX	276,000	Petroleum products
El Paso, TX (c)	428,000	Petroleum products, ethanol
Harlingen, TX	286,000	Petroleum products
Houston, TX	91,000	Asphalt
Laredo, TX	219,000	Petroleum products
Placedo, TX (d)	100,000	Petroleum products
San Antonio (East), TX	150,000	Petroleum products
San Antonio (South), TX	225,000	Petroleum products
Southlake, TX	453,000	Petroleum products, ethanol
Texas City, TX	128,000	Petroleum products

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Facility	Tank Capacity (Barrels)	Primary Products Handled
Texas City, TX	2,878,000	Chemicals, petroleum products
Texas City, TX (Refinery Tankage)	3,141,000	Crude oil and feedstocks
Dumfries, VA (f)	556,000	Petroleum products, asphalt
Virginia Beach, VA (a)	41,000	Petroleum products
Tacoma, WA	413,000	Petroleum products, ethanol
Vancouver, WA	345,000	Chemicals
Vancouver, WA	433,000	Petroleum products
Total U.S.	51,672,000	
Foreign Terminals and Storage Facilities:		
St. Eustatius, the Netherlands	14,385,000	Petroleum products, crude oil and feedstocks
Amsterdam, the Netherlands	3,845,000	Petroleum products
Point Tupper, Canada	7,725,000	Petroleum products, crude oil and feedstocks
Grays, England	1,958,000	Petroleum products
Eastham, England	2,064,000	Chemicals, petroleum products
Runcorn, England	149,000	Molten sulfur
Grangemouth, Scotland	579,000	Petroleum products, chemicals
Glasgow, Scotland	401,000	Petroleum products
Belfast, Northern Ireland	480,000	Petroleum products
Mersin, Turkey (e)	790,000	Petroleum products
Mersin, Turkey (e)	656,000	Petroleum products
Nuevo Laredo, Mexico	50,000	Petroleum products
Total Foreign	33,082,000	
Total Terminals and Storage Facilities	84,754,000	

(a) Terminal facility also includes pipelines to U.S. government military base locations.
(b) We own 50% of this terminal through a joint venture. The tank capacity represents the proportionate share of capacity attributable to our ownership interest.
(c) We own a 66.67% undivided interest in the El Paso refined product terminal. The tank capacity represents the proportionate share of capacity attributable to our ownership interest.
(d) The Placedo, TX terminal is temporarily idled.
(e) We own 75% of the outstanding capital of a Turkish company, which owns two terminals in Mersin, Turkey.
(f) In February 2014, we divested these terminals in connection with the divestiture of our remaining 50% ownership interest in Asphalt JV. See Note 29 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for additional discussion.

Storage Operations

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

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Demand for Refined Petroleum Products and Crude Oil

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

Crude oil throughputs coming to our St. James terminal through our unit train facilities, and crude oil throughputs at our Corpus Christi North Beach terminal will generally increase or decrease with crude oil production rates in the Bakken and Eagle Ford shale plays, respectively.

Customers

We provide storage and terminalling services for crude oil and refined petroleum products to many of the world's largest producers of crude oil, integrated oil companies, chemical companies, oil traders and refiners. In addition, our blending capabilities in our storage assets have attracted customers who have leased capacity primarily for blending purposes. The largest customer of our storage segment is Valero Energy, which accounted for approximately 18% of the total revenues of the segment for the year ended December 31, 2013. No other customer accounted for more than 10% of the revenues of the segment for this period.

Competition and Business Considerations

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

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

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

Our St. Eustatius and Pt. Tupper terminals have historically functioned as "break bulk" facilities and have handled primarily imports of light crude from foreign sources into the U.S. These non-domestic crude producers supplied the light crude demanded by U.S. East Coast and Gulf Coast refineries. Light crude suppliers brought the crude from the Middle East and other regions of the world on very large ships that are efficient for long routes. These large ships, due to draft constraints, are unable to navigate far enough inland to deliver, which necessitate unloading these ships to storage and subsequent loading on the smaller ships that can bring the crude to the refiners, a process referred to as "break bulk." Both facilities are well-located to provide this service.

As supply of light crude from various U.S. shale formations has increased, U.S. demand for foreign light crude oil has dropped substantially. This reduced demand for imported light crude has, in turn, dramatically changed oil trade flow patterns around the world, as well as depressed the demand for break bulk services. At the same time, South American and Canadian production of heavy crude has ramped up significantly. As demand for export of heavy crude and natural gas liquids (NGL) out of South America, as well as from Canada, has risen, so has the demand for "build bulk" services. In order to reduce costs and increase efficiencies for long routes to customers abroad, exporting producers need to consolidate their heavy oil cargos from the small ships used to move the heavy crude off shore to a large vessel that is more efficient for long routes, referred to as "build bulk."   Our St. Eustatius terminal's location is well suited to build bulk for South American producers headed to customers overseas, primarily in Asia. Our Point Tupper facility's location is similarly well-positioned, in this case to build bulk for heavy Canadian crude oil and NGL production.

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We may face increased competition from new and/or expanding terminals near our locations, if those facilities offer either break bulk or build bulk services, as demanded by the applicable oil trade flows, now and in the future.
Our crude oil storage tanks are physically integrated with and serve refineries owned by Valero Energy. Additionally, we have entered into various agreements with Valero Energy governing the usage of these tanks. As a result, we believe that we will not face significant competition for our services provided to those refineries.

PIPELINE
Our pipeline operations consist of the transportation of refined petroleum products, crude oil and anhydrous ammonia. Refined product pipelines in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota cover approximately 5,463 miles. Our crude oil pipelines in Texas, Oklahoma, Kansas, Colorado and Illinois cover 1,180 miles. Our anhydrous ammonia pipeline in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska covers 2,000 miles.
As of December 31, 2013, we owned and operated:

- refined product pipelines in Texas, Oklahoma, Colorado and New Mexico with an aggregate length of 3,113 miles originating at Valero Energy’s McKee, Three Rivers and Corpus Christi refineries and terminating at certain of NuStar Energy’s terminals, or connecting to third-party pipelines or terminals for further distribution, including a 25-mile hydrogen pipeline (collectively, the Central West System);
- a 1,910-mile refined product pipeline originating in southern Kansas and terminating at Jamestown, North Dakota, with a western extension to North Platte, Nebraska and an eastern extension into Iowa (the East Pipeline);
- a 440-mile refined product pipeline originating at Tesoro Corporation’s Mandan, North Dakota refinery and terminating in Minneapolis, Minnesota (the North Pipeline);
- crude oil pipelines in Texas, Oklahoma, Kansas, Colorado and Illinois with an aggregate length of 1,180 miles and crude oil storage facilities providing 3.4 million barrels of storage capacity in Texas, Oklahoma and Colorado that are located along the crude oil pipelines; and
- a 2,000-mile anhydrous ammonia pipeline originating at the Louisiana delta area that travels north through the midwestern United States forking east and west to terminate in Nebraska and Indiana (the Ammonia Pipeline).

We charge tariffs on a per barrel basis for transporting refined products, crude oil and other feedstocks in our refined product and crude oil pipelines and on a per ton basis for transporting anhydrous ammonia in the Ammonia Pipeline.
Description of Pipelines
Central West System. The Central West System pipelines were constructed to support the refineries to which they are connected. These pipelines are physically integrated with and principally serve refineries owned by Valero Energy. The refined products transported in these pipelines include gasoline, distillates (including diesel and jet fuel), natural gas liquids and other products produced primarily by Valero Energy’s McKee, Three Rivers and Corpus Christi refineries in Texas. These pipelines deliver refined products to key markets in Texas, New Mexico and Colorado. The Central West System transported approximately 100.7 million barrels for the year ended December 31, 2013.

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

Origin and Destination	Refinery	Length (Miles)	Ownership		Capacity (Barrels/Day)
McKee to El Paso, TX	McKee	408	67	%	42,000
McKee to Colorado Springs, CO	McKee	256	100	%	32,500
Colorado Springs, CO to Airport	McKee	2	100	%	12,000
Colorado Springs to Denver, CO	McKee	101	100	%	32,000
McKee to Denver, CO	McKee	321	30	%	11,000
McKee to Amarillo, TX (6”) (a)	McKee	49	100	%	51,000
McKee to Amarillo, TX (8”) (a)	McKee	49	100	%	
Amarillo to Abernathy, TX	McKee	102	67	%	16,800
Amarillo, TX to Albuquerque, NM	McKee	293	50	%	17,000
Abernathy to Lubbock, TX	McKee	19	46	%	8,000
McKee to Southlake, TX	McKee	375	100	%	26,000
Three Rivers to San Antonio, TX	Three Rivers	85	100	%	33,500
Three Rivers to US/Mexico International Border near Laredo, TX	Three Rivers	108	100	%	32,000
Three Rivers to Corpus Christi, TX	Three Rivers	72	100	%	15,000
Three Rivers to Pettus to San Antonio, TX	Three Rivers	112	100	%	27,500
El Paso, TX to Kinder Morgan	McKee	12	67	%	65,500
Mont Belview to Corpus Christi, TX	N/A	208	100	%	105,000
Corpus Christi to Brownsville, TX	Corpus Christi	194	100	%	45,000
US/Mexico International Border near Penitas, TX to Edinburg, TX	N/A	33	100	%	24,000
Clear Lake, TX to Texas City, TX	N/A	25	100	%	N/A
Other refined product pipeline (b)	N/A	289	50	%	N/A
Total		3,113			595,800

(a) The capacity information disclosed above for the McKee to Amarillo, Texas 6-inch pipeline reflects both McKee to Amarillo, Texas pipelines on a combined basis.

(b) This category consists of the temporarily idled 6-inch Amarillo, Texas to Albuquerque, New Mexico refined product pipeline.

East Pipeline. The East Pipeline covers 1,910 miles, including 242 miles that are temporarily idled, and moves refined products and natural gas liquids north in pipelines ranging in diameter from 6 inches to 16 inches. The East Pipeline system also includes storage capacity of approximately 1.4 million barrels at our two tanks farms at McPherson and El Dorado, Kansas. The East Pipeline transports refined petroleum products and natural gas liquids to NuStar Energy and third party terminals along the system and to receiving pipeline connections in Kansas. Shippers on the East Pipeline obtain refined petroleum products from refineries in Kansas, Oklahoma and Texas. The East Pipeline transported approximately 48.4 million barrels for the year ended December 31, 2013.

North Pipeline. The North Pipeline originates at Tesoro’s Mandan, North Dakota refinery and runs from west to east for approximately 440 miles from its origin to the Minneapolis, Minnesota area. For the year ended December 31, 2013, the North Pipeline transported approximately 16.8 million barrels.

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

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The following table lists information about each terminal integrated into our East and North Pipelines as of December 31, 2013:

Location of Terminals	Tank Capacity (Barrels)	Related Pipeline System
Iowa:		
LeMars	111,000	East
Milford	180,000	East
Rock Rapids	230,000	East
Kansas:		
Concordia	83,000	East
Hutchinson	116,000	East
Salina	85,000	East
Minnesota:		
Moorhead	497,000	North
Sauk Centre	148,000	North
Roseville	625,000	North
Nebraska:		
Columbus	178,000	East
Geneva	677,000	East
Norfolk	178,000	East
North Platte	256,000	East
Osceola	83,000	East
North Dakota:		
Jamestown (North)	173,000	North
Jamestown (East)	181,000	East
South Dakota:		
Aberdeen	186,000	East
Mitchell	74,000	East
Sioux Falls	417,000	East
Wolsey	144,000	East
Yankton	259,000	East
Total	4,881,000	

Ammonia Pipeline. The 2,000-mile pipeline, including 59 miles that are temporarily idled, originates in the Louisiana delta area, where it has access to three third-party marine terminals and three anhydrous ammonia plants on the Mississippi River. The line runs north through Louisiana and Arkansas into Missouri, where at Hermann, Missouri, one branch splits and goes east into Illinois and Indiana, while the other branch continues north into Iowa and then turns west into Nebraska. The Ammonia Pipeline is connected to multiple third-party-owned terminals, which include industrial facility delivery locations. Product is supplied to the pipeline from anhydrous ammonia plants in Louisiana and imported product delivered through the marine terminals. Anhydrous ammonia is primarily used as agricultural fertilizer. It is also used as a feedstock to produce other nitrogen derivative fertilizers and explosives. In 2013, the Ammonia Pipeline transported an aggregate of approximately 1.3 million tons (or approximately 11.9 million barrels) of anhydrous ammonia.

Crude Oil Pipelines. Shippers on our crude oil pipelines deliver crude oil to our pipelines for transport to: (i) refineries that connect to our pipelines, (ii) third-party pipelines and (iii) NuStar terminals for further delivery to marine vessels or third-party pipelines. Our crude oil pipelines transport crude oil and other feedstocks from various points in Texas, notably the South Texas Eagle Ford Shale region, Oklahoma, Kansas and Colorado to Valero Energy’s McKee, Three Rivers and Ardmore, Oklahoma refineries and to other U.S. refinery centers via our North Beach marine terminal in

Corpus Christi, Texas. We transported an aggregate of approximately 133.5 million barrels on our crude oil pipelines for the year ended December 31, 2013.

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The following table sets forth information about each of our crude oil pipelines as of December 31, 2013:

Origin and Destination	Refinery	Length (Miles)	Ownership		Capacity (Barrels/Day)
Dixon, TX to McKee	McKee	44	100	%	63,500
Hooker, OK to Clawson, TX (a)	McKee	41	50	%	22,000
Clawson, TX to McKee	McKee	31	100	%	36,000
Wichita Falls, TX to McKee	McKee	272	100	%	110,000
Ringgold, TX to Ardmore	Ardmore	83	100	%	90,000
Patoka, IL to Wood River	Three Rivers	57	24	%	60,500
Corpus Christi, TX to Three Rivers, TX (Odem)	Corpus Christi	68	100	%	38,000
Pettus, TX to Corpus Christi, TX	(b)	60	100	%	30,000
Three Rivers, TX to Corpus Christi, TX (12”)	(b)	66	100	%	55,000
Gardendale, TX to Oakville, TX	(b)	140	100	%	100,000
Pawnee, TX to Oakville, TX	(b)	43	100	%	110,000
Oakville, TX to Corpus Christi, TX (16”)	(b)	61	100	%	200,000
Other (c)	N/A	214	100	%	N/A
Total		1,180			915,000

(a) We receive 50% of the tariff with respect to 100% of the barrels transported in the Hooker, Oklahoma to Clawson, Texas pipeline. Accordingly, the capacity is given with respect to 100% of the pipeline.
(b) These pipelines serve production from the South Texas Eagle Ford Shale.
(c) This category consists of the temporarily idled Cheyenne Wells, CO to McKee and Healdton to Ringling, Oklahoma crude oil pipelines.

The following table sets forth information about the crude oil storage facilities located along our crude oil pipelines as of December 31, 2013:

Location	Refinery	Capacity (Barrels)
Dixon, TX	McKee	244,000
Ringgold, TX	Ardmore	598,000
Wichita Falls, TX	McKee	661,000
Wasson, OK	Ardmore	226,000
Clawson, TX	McKee	77,000
South Texas (a)	N/A	701,000
Oakville, TX	N/A	718,000
Pawnee, TX	N/A	112,000
Other (b)	McKee	68,000
Total		3,405,000

(a) This category includes crude oil tanks at various locations along the Gardendale, Texas to Oakville, Texas pipeline.
(b) This category includes crude oil tanks along the Cheyenne Wells, Colorado to McKee crude oil pipelines located at Carlton, Colorado, Sturgis, Oklahoma, and Stratford, Texas.

Pipeline Operations

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

In general, a shipper on our refined petroleum product pipelines delivers products to the pipeline from refineries or third-party pipelines. Shippers are required to supply us with a notice of shipment indicating sources of products and destinations. Shipments are tested or receive certifications to ensure compliance with our product specifications. We charge our shippers tariff rates based on transportation from the origination point on the pipeline to the point of delivery. We invoice our refined

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product shippers upon delivery for our Central West System and our North and Ammonia Pipelines, and we invoice our shippers on our East Pipeline when their product enters the line.

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

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

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

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

Demand for and Sources of Refined Products and Crude Oil

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

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

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

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

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

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

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

The refineries connected directly to the East Pipeline obtain crude oil from producing fields located primarily in Kansas, Oklahoma and Texas, and, to a much lesser extent, from other domestic or foreign sources. In addition, refineries in Kansas, Oklahoma and Texas are also connected to the East Pipeline by third party pipelines. These refineries obtain their supplies of crude oil from a variety of sources. The majority of the refined products transported through the East Pipeline are produced at three refineries located at McPherson and El Dorado, Kansas and Ponca City, Oklahoma, which are operated by the National Cooperative Refining Association (NCRA), HollyFrontier Corporation (HollyFrontier) and Phillips 66, respectively. The NCRA and HollyFrontier refineries are connected directly to the East Pipeline. The East Pipeline also has access to Gulf Coast supplies of products through third party connecting pipelines that receive products originating on the Gulf Coast.

Demand for and Sources of Anhydrous Ammonia

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

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

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

Customers

The largest customer of our pipeline segment was Valero Energy, which accounted for approximately 37% of the total segment revenues for the year ended December 31, 2013. In addition to Valero Energy, our customers include integrated oil companies, refining companies, farm cooperatives, railroads and others. No other customer accounted for greater than 10% of the total revenues of the pipeline segment for the year ended December 31, 2013.

Competition and Business Considerations

Because pipelines are generally the lowest-cost method for intermediate and long-haul movement of crude oil and refined petroleum products, our more significant competitors are common carrier and proprietary pipelines owned and operated by major integrated and large independent oil companies and other companies in the areas where we deliver products. Competition between common carrier pipelines is based primarily on transportation charges, quality of customer service and proximity to end users.

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

Most of our refined product pipelines within the Central West System and certain of our crude oil pipelines are physically integrated with and principally serve refineries owned by Valero Energy. As a result, we do not believe that we will face significant competition for transportation services provided to the Valero Energy refineries we serve.
Our crude oil pipelines serve areas or refineries impacted by growing domestic shale oil production in the Eagle Ford, Permian Basin and Granite Wash regions. This growing domestic production has reduced demand for imported crude oil and shifted

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supply sources for refineries and markets served by our pipelines. Our pipelines also face competition from other crude oil pipelines and truck transportation in these regions.

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

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

FUELS MARKETING

In 2013, we changed the name of the “Asphalt and Fuels Marketing” segment to the “Fuels Marketing” segment. This name more accurately reflects the operations that remain after we sold a 50% ownership interest in NuStar Asphalt LLC (Asphalt JV) in 2012 and the San Antonio Refinery Sale as discussed below.

Fuels Marketing Operations

Within our fuels marketing operations, we purchase crude oil and refined petroleum products for resale. The results of operations for the fuels marketing segment depend largely on the margin between our cost and the sales prices of the products we market. Therefore, the results of operations for this segment are more sensitive to changes in commodity prices compared to the operations of the storage and pipeline segments.

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

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

Customers

Fuels marketing customers include major integrated refiners and trading companies. Customers for our bunker fuel sales are mainly ship owners, including cruise line companies. No customer accounted for greater than 11% of the total segment revenues of the fuels marketing segment for the year ended December 31, 2013.

Competition and Business Considerations

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

Dispositions

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

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

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In February 2014, we divested our remaining 50% ownership interest in Asphalt JV. See Note 29 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data”for additional discussion.

EMPLOYEES

Our operations are managed by NuStar GP, LLC. As of December 31, 2013, NuStar GP, LLC had 1,221 domestic employees. Certain of our wholly owned subsidiaries had 433 employees performing services for our international operations. We believe that NuStar GP, LLC and our subsidiaries each have satisfactory relationships with their employees.

RATE REGULATION

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

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

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

Shippers may challenge tariff rates rules and regulations on our pipelines. There are no pending challenges or complaints regarding our tariffs.

ENVIRONMENTAL AND SAFETY REGULATION

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

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

Capital Expenditures Attributable to Compliance with Environmental Regulations. In 2013, our capital expenditures attributable to compliance with environmental regulations were $6.6 million, and are currently estimated to be approximately $9.1 million for 2014.

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RENEWABLE ENERGY AND ALTERNATIVE FUEL MANDATES

Several federal and state programs require the purchase and use of renewable energy and alternative fuels, such as battery-powered engines, biodiesel, wind energy, and solar energy. These statutory mandates and programs may over time offset projected increases or reduce the demand for refined petroleum products, particularly gasoline, in certain markets. The increased production and use of biofuels may also create opportunities for additional pipeline transportation and additional blending opportunities within the terminals division, although that potential cannot be quantified at present. Other legislative changes may similarly alter the expected demand and supply projections for refined petroleum products in ways that cannot be predicted.

WATER

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

AIR EMISSIONS

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

SOLID WASTE

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

HAZARDOUS SUBSTANCES

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

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

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operations to prevent future contamination. In addition, we may be exposed to joint and several liability under CERCLA for all or part of the costs required to clean up sites at which hazardous substances may have been disposed of or released into the environment.

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

PIPELINE INTEGRITY AND SAFETY

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

RISK FACTORS

RISKS RELATED TO OUR BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- denial or delay in issuing requisite regulatory approvals and/or permits;
- unplanned increases in the cost of construction materials or labor;
- disruptions in transportation of modular components and/or construction materials;
- severe adverse weather conditions, natural disasters or other events (such as equipment malfunctions, explosions, fires or spills) affecting our facilities, or those of vendors and suppliers;

- shortages of sufficiently skilled labor, or labor disagreements resulting in unplanned work stoppages;
- market-related increases in a project’s debt or equity financing costs; or

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- non-performance by, or disputes with, vendors, suppliers, contractors or sub-contractors involved with a project.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2013, our consolidated debt was $2.7 billion. Among other things, our significant leverage may be viewed negatively by credit rating agencies, which could result in increased costs for us to access the capital markets. The ratings of NuStar Logistics’ were downgraded to Ba1 (negative outlook) by Moody’s Investor Service Inc. (Moody’s) in January 2013, BB+ (stable outlook) by Standard & Poor’s Ratings Services (S&P) in July 2012 and BB (stable outlook) by Fitch, Inc. in November 2012. As a result of the S&P and Moody’s downgrades, interest rates on borrowings under our five-year revolving credit agreement (the 2012 Revolving Credit Agreement) and our 7.65% senior notes due 2018 increased. We may also be required to post cash collateral under certain of our hedging arrangements, which we expect to fund with borrowings under our 2012 Revolving Credit Agreement. Any future downgrades could result in additional increases to the interest rates on borrowings under our credit facilities and the 7.65% senior notes due 2018, significantly increasing our capital costs and adversely affecting our ability to raise capital in the future.

Our 2012 Revolving Credit Agreement contains restrictive covenants, including a requirement that, as of the end of each rolling period, which consists of any period of four consecutive fiscal quarters, we maintain a consolidated debt coverage ratio (consolidated indebtedness to consolidated EBITDA, as defined in the 2012 Revolving Credit Agreement) not to exceed 5.00-to-1.00. Failure to comply with any of the restrictive covenants in the 2012 Revolving Credit Agreement will result in a default under the terms of our credit agreement and could result in acceleration of this and possibly other indebtedness.

Debt service obligations, restrictive covenants in our credit facilities and the indentures governing our outstanding senior and subordinated notes and maturities resulting from this leverage may adversely affect our ability to finance future operations, pursue acquisitions and fund other capital needs and our ability to pay cash distributions to our unitholders at current levels. In addition, this leverage may make our results of operations more susceptible to adverse economic or operating conditions. For example, during an event of default under any of our debt agreements, we would be prohibited from making cash distributions to our unitholders. If our lenders file for bankruptcy or experience severe financial hardship, they may not honor their pro rata share of our borrowing requests under the 2012 Revolving Credit Agreement, which may significantly reduce our available borrowing capacity and, as a result, materially adversely affect our financial condition and ability to pay distributions to our unitholders at current levels.

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.

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

In connection with the sale of our 50% ownership interest in Asphalt JV, NuStar Logistics agreed to convert the existing revolving credit facility with Asphalt JV into a $190 million term loan (the NuStar Facility), which such amount will be reduced to $175 million by December 31, 2014 and then $150 million by September 30, 2015. The NuStar Facility must be repaid in full no later than September 2019; earlier repayment is possible, depending on the amount of excess cash flows (if any) generated by Asphalt JV over the next several years. We also agreed to continue to provide credit support to Asphalt JV in the form of guarantees or letters of credit of up to $150 million (the Credit Support) until February 2016, at which point the amount of Credit Support will begin to decline until the obligation is terminated no later than September 2019.

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In addition to the NuStar Facility (which includes the Credit Support), Asphalt JV also entered into a third-party asset-based revolving credit facility (ABL Facility). In the event that Asphalt JV defaults on any of its obligations under the NuStar Facility, we would have available only those measures available to an unsecured creditor with the rights and limitations provided in the NuStar Facility, and, to the extent provided in the agreements, the ABL Facility lenders would be senior to those rights. In the event of a default on any of the obligations underlying the Credit Support, we would be responsible for Asphalt JV's liabilities for the default and have only the rights of repayment associated with that instrument. In either scenario, the liability imposed on us may have an adverse impact on our financial condition, results of operations and ability to pay distributions to our unitholders at current levels.

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

We have significant exposure to increases in interest rates. At December 31, 2013, we had approximately $2.7 billion of consolidated debt, of which $1.8 billion was at fixed interest rates and $0.9 billion was at variable interest rates. In addition, prior ratings downgrades on our existing indebtedness caused interest rates under our 2012 Revolving Credit Agreement and our senior notes due 2018 to increase effective January 2013, and future downgrades may cause such interest rates to increase further. Our results of operations, cash flows and financial position could be materially adversely affected by significant increases in interest rates above current levels. Further, the trading price of our units is sensitive to changes in interest rates and any rise in interest rates could adversely impact such trading price.

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

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

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

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

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

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

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

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

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

Scientific studies have suggested that emissions of certain gases, commonly referred to as "greenhouse gases" and including carbon dioxide and methane, may be contributing to warming of the Earth's atmosphere. In response to such studies, the U.S.

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

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

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

Our operations are subject to federal, state and local laws and regulations, in the U.S. and in the foreign countries in which we operate, relating to environmental protection and operational safety that could require us to make substantial expenditures.

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

If we were to incur a significant liability pursuant to environmental or safety laws or regulations, such a liability could have a material adverse effect on our financial position, our ability to make distributions to our unitholders at current levels and our ability to meet our debt service requirements. Please read Item 3. “Legal Proceedings” and Note 16 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data.”

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

The FERC regulates the tariff rates for interstate oil movements on our common carrier pipelines. Shippers may protest our pipeline tariff filings, and the FERC may investigate new or changed tariff rates. Further, other than for rates set under market-based rate authority, the FERC may order refunds of amounts collected under newly filed rates that are determined by the FERC to exceed what the FERC determines to be a just and reasonable level. In addition, shippers may challenge tariff rates even after the rates have been deemed final and effective. The FERC may also investigate such rates absent shipper complaint. If existing rates are challenged and are determined by the FERC to be in excess of a just and reasonable level, a shipper may obtain reparations for damages sustained during the two years prior to the date the shipper filed a complaint.

We use various FERC-authorized rate change methodologies for our interstate pipelines, including indexing, cost-of-service rates, market-based rates and settlement rates. Typically, we adjust our rates annually in accordance with FERC indexing methodology, which currently allows a pipeline to change their rates within prescribed ceiling levels that are tied to an inflation index. The current index (which runs through June 30, 2014) is measured by the year-over-year change in the Bureau of Labor’s producer price index for finished goods, plus 2.65%. Shippers may protest rate increases made within the ceiling levels, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline’s increase in costs from the previous year. However, if the index results in a negative adjustment, we are required to reduce any rates that exceed the new maximum allowable rate. In addition, changes in the index might not be large enough to fully reflect actual increases in our costs. If the FERC’s rate-making methodologies change, any such change or

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new methodologies could result in rates that generate lower revenues and cash flow and could adversely affect our ability to make distributions at current levels to our unitholders and to meet our debt service requirements. Additionally, competition constrains our rates in various markets. As a result, we may from time to time be forced to reduce some of our rates to remain competitive.

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

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

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

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

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

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

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

Increases in natural gas and power prices could adversely affect our operating expenses and our ability to make distributions at current levels to our unitholders.

Power costs constitute a significant portion of our operating expenses. For the year ended December 31, 2013, our power costs equaled approximately $40.1 million, or 8.8% of our operating expenses for the year. We use mainly electric power at our pipeline pump stations and terminals, and such electric power is furnished by various utility companies that use primarily natural gas to generate electricity. Accordingly, our power costs typically fluctuate with natural gas prices. Increases in natural gas prices may cause our power costs to increase further. If natural gas prices increase, our cash flows may be adversely affected, which could adversely affect our ability to make distributions at current levels to our unitholders.

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

Our cash distribution policy may limit our growth.

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

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

NuStar GP Holdings currently indirectly owns our general partner and as of December 31, 2013, an aggregate 12.9% limited partner interest in us. Conflicts of interest may arise between NuStar GP Holdings and its affiliates, including our general partner, on the one hand, and us and our limited partners, on the other hand. As a result of these conflicts, the general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

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

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

TAX RISKS TO OUR UNITHOLDERS

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

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

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%. Distributions to unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to unitholders. Thus, treatment

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of us as a corporation would result in a material reduction in our anticipated cash flow and after-tax return to unitholders, likely causing a substantial reduction in the value of our units.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROPERTIES

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 3. LEGAL PROCEEDINGS

We are named as a defendant in litigation relating to our normal business operations, including regulatory and environmental matters. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of

any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.
We are insured against various business risks to the extent we believe is prudent; however, we cannot assure you that the nature and amount of such insurance will be adequate, in every case, to protect us against liabilities arising from future legal proceedings as a result of our ordinary business activity.

ENVIRONMENTAL AND SAFETY COMPLIANCE MATTERS
With respect to the environmental proceeding listed below, if it was decided against us, we believe that it would not have a material effect on our consolidated financial position. However, it is not possible to predict the ultimate outcome of the proceeding or whether such ultimate outcome may have a material effect on our consolidated financial position. We are reporting this proceeding to comply with Securities and Exchange Commission regulations, which require us to disclose

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proceedings arising under federal, state or local provisions regulating the discharge of materials into the environment or protecting the environment if we reasonably believe that such proceedings will result in monetary sanctions of $100,000 or more.

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Market Information, Holders and Distributions

Our common units are listed and traded on the New York Stock Exchange under the symbol "NS." At the close of business on February 10, 2014, we had 627 holders of record of our common units. The high and low sales prices (composite transactions) by quarter for the years ended December 31, 2013 and 2012 were as follows:

	Price Range of Common Unit	
	High	Low
Year 2013		
4th Quarter	$53.69	$39.52
3rd Quarter	46.52	36.15
2nd Quarter	54.95	42.31
1st Quarter	53.45	43.40
Year 2012		
4th Quarter	$51.97	$39.07
3rd Quarter	54.88	48.44
2nd Quarter	59.51	49.38
1st Quarter	62.64	55.12

The cash distributions applicable to each of the quarters in the years ended December 31, 2013 and 2012 were as follows:

	Record Date	Payment Date	Amount Per Unit
Year 2013			
4th Quarter	February 10, 2014	February 14, 2014	$1.095
3rd Quarter	November 11, 2013	November 14, 2013	1.095
2nd Quarter	August 5, 2013	August 9, 2013	1.095
1st Quarter	May 6, 2013	May 10, 2013	1.095
Year 2012			
4th Quarter	February 11, 2013	February 14, 2013	$1.095
3rd Quarter	November 9, 2012	November 14, 2012	1.095
2nd Quarter	August 7, 2012	August 10, 2012	1.095
1st Quarter	May 8, 2012	May 11, 2012	1.095

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

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

Our general partner's incentive distributions for the years ended December 31, 2013 and 2012 totaled $43.2 million and $41.2 million, respectively. The general partner's share of our distributions for the years ended December 31, 2013 and 2012 was 13.0% in each year due to the impact of the incentive distributions.

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ITEM 6. SELECTED FINANCIAL DATA

The following table contains selected financial data derived from our audited financial statements. On January 1, 2013, we sold the San Antonio Refinery. As a result, we have presented the results of operations for the San Antonio Refinery and related assets as discontinued operations for all periods presented. As of December 31, 2013, we reclassified certain storage assets as "Assets held for sale" on the consolidated balance sheet. As a result, we have presented the results of operations for those assets as discontinued operations for all periods presented.

	Year Ended December 31,				
	2013 (a)	2012 (a)	2011	2010	2009
	(Thousands of Dollars, Except Per Unit Data)				
Statement of Income Data:					
Revenues	$3,463,732	$5,945,736	$6,257,629	$4,395,083	$3,854,895
Operating (loss) income	(19,121)	(18,168)	310,883	306,747	277,729
(Loss) income from continuing operations	(185,509)	(166,001)	218,674	243,931	229,360
(Loss) income from continuing operations per unit applicable to limited partners	(2.89)	(2.79)	2.74	3.27	3.55
Cash distributions per unit applicable to limited partners	4.380	4.380	4.360	4.280	4.245

	December 31,				
	2013	2012	2011	2010	2009
	(Thousands of Dollars)				
Balance Sheet Data:					
Property, plant and equipment, net	$3,310,653	$3,238,460	$3,430,468	$3,187,457	$3,028,196
Total assets	5,032,186	5,613,089	5,881,190	5,386,393	4,774,673
Long-term debt, less current portion	2,655,553	2,124,582	1,928,071	2,136,248	1,828,993
Total partners' equity	1,903,794	2,584,995	2,864,335	2,702,700	2,484,968

(a) The losses for the years ended December 31, 2013 and 2012 are mainly due to goodwill and other asset impairment charges. Please refer to Note 5 and Note 6 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a discussion of goodwill and other asset impairments.

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Form 10-K contains certain estimates, predictions, projections, assumptions and other forward-looking statements that involve various risks and uncertainties. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this report. These forward-looking statements can generally be identified by the words “anticipates,” “believes,” “expects,” “plans,” “intends,” “estimates,” “forecasts,” “budgets,” “projects,” “could,” “should,” “may” and similar expressions. These statements reflect our current views with regard to future events and are subject to various risks, uncertainties and assumptions. Please read Item 1A. “Risk Factors” for a discussion of certain of those risks.

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

OVERVIEW

NuStar Energy L.P. (NuStar Energy) (NYSE: NS) is engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and the marketing of petroleum products. Unless otherwise indicated, the terms “NuStar Energy,” “the Partnership,” “we,” “our” and “us” are used in this report to refer to NuSt Energy, to one or more of our consolidated subsidiaries or to all of them taken as a whole. NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) owns our general partner, Riverwalk Logistics, L.P., and owns a 14.9% total interest in us as of December 31, 2013. Our Management’s Discussion and Analysis of Financial Condition and Results of Operations is presented in six sections:

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

2013 Goodwill Impairment

In the fourth quarter of 2013, we recognized a $304.5 million goodwill impairment loss in the storage segment, which represents the write-down of the carrying value of goodwill associated with our St. Eustatius and Point Tupper terminal operations. Please refer to Note 6 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for a discussion of the goodwill impairment loss.

Acquisitions and Dispositions

Terminal Facilities Held for Sale. We identified several non-strategic, underperforming terminal facilities, and as of December 31, 2013, we reclassified the property, plant and equipment associated with these assets as “Assets held for sale” on the consolidated balance sheet. We presented the results of operations for these assets, previously in the storage segment, as discontinued operations for all periods presented, including an impairment loss of $102.5 million for the year ended December 31, 2013. Please refer to Note 5 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for a discussion of these assets held for sale.

San Antonio Refinery Acquisition and Disposition. On April 19, 2011, we purchased certain refining and storage assets, inventory and other working capital items from AGE Refining, Inc. The assets consisted of a fuels refinery in San Antonio, Texas (the San Antonio Refinery) and 0.4 million barrels of aggregate storage capacity. On January 1, 2013, we sold the San Antonio Refinery and related assets, which included inventory, a terminal in Elmendorf, Texas and a pipeline connecting the

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terminal and refinery for approximately $117.0 million (the San Antonio Refinery Sale). As of December 31, 2012, we reclassified the assets related to the sale of the San Antonio Refinery as “Assets held for sale” on the consolidated balance sheet. We have presented the results of operations for the San Antonio Refinery and related assets, previously reported in the fuels marketing and pipeline segments, as discontinued operations for all periods presented. Please refer to Note 5 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for a discussion of the San Antonio Refinery Sale.

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

Asphalt Sale. On September 28, 2012, we sold a 50% ownership interest (the Asphalt Sale) in NuStar Asphalt LLC (Asphalt JV), previously a wholly owned subsidiary, to an affiliate of Lindsay Goldberg LLC (Lindsay Goldberg), a private investment firm. Asphalt JV owns and operates the asphalt refining assets that were previously wholly owned by NuStar Energy, including an asphalt refinery located in Paulsboro, New Jersey and a terminal in Savannah, Georgia (collectively, the Asphalt Operations). Lindsay Goldberg paid $175.0 million for the Class A equity interests (Class A Interests) of Asphalt JV, while we retained the Class B equity interests with a fair value of $52.0 million (Class B Interests). The Class A Interests have a distribution preference over the Class B Interests, as well as a liquidation preference. We also received $263.8 million from Asphalt JV for inventory related to the Asphalt Operations. At closing, the fair value of the consideration we received was less than the carrying amount of the assets of the Asphalt Operations, and we recognized a loss of $23.8 million in “Other (expense) income, net” in the consolidated statements of income for the year ended December 31, 2012.

Upon closing, we deconsolidated Asphalt JV and started reporting our remaining investment in Asphalt JV using the equity method of accounting. Therefore, as of December 31, 2013 and 2012, we have presented our 50% ownership interest in Asphalt JV as “Investment in joint ventures” on the consolidated balance sheet. The consolidated statements of income include the results of operations for Asphalt JV in “Equity in (loss) earnings of joint ventures” commencing on September 28, 2012. Because of our continued involvement with Asphalt JV, we have not presented the results of operations for the Asphalt Operations prior to closing as discontinued operations.

In anticipation of the Asphalt Sale, we evaluated the goodwill and other long-lived assets associated with the Asphalt Operations for potential impairment. We determined the fair value of the Asphalt Operations reporting unit was less than its carrying value, which resulted in the recognition of a goodwill impairment loss of $22.1 million in the second quarter of 2012. In addition, we recorded an impairment loss of $244.3 million in the second quarter of 2012 to write-down the carrying value of long-lived assets related to the Asphalt Operations, including fixed assets, intangible assets and other long-term assets, to their estimated fair value. The goodwill impairment loss and the asset impairment loss related to the Asphalt Operations are reported in the asphalt and fuels marketing segment. Please refer to Note 5 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for a discussion of the Asphalt Sale, the related asset impairments and associated fair value measurements.

In February 2014, we divested of our remaining 50% ownership interest in Asphalt JV. See Note 29 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data”for additional discussion.

Operations

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

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

Storage. We own terminal and storage facilities in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom (UK) and Turkey providing approximately 84.8 million barrels of storage capacity.

Pipeline. We own common carrier refined product pipelines covering approximately 5,463 miles, consisting of the Central West System, the East Pipeline and the North Pipeline. In addition, we own a 2,000 mile anhydrous ammonia pipeline and 1,180 miles of crude oil pipelines.

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Fuels Marketing. In 2013, we changed the name of the “Asphalt and Fuels Marketing” segment to the “Fuels Marketing” segment. This name more accurately reflects the operations that remain after the Asphalt Sale and the San Antonio Refinery Sale. Our fuels marketing segment includes our fuels marketing operations and, prior to the Asphalt Sale, the Asphalt Operations. Within our fuels marketing operations, we purchase crude oil and refined petroleum products for resale. The results of operations for the fuels marketing segment depend largely on the margin between our cost and the sales prices of the products we market. Therefore, the results of operations for this segment are more sensitive to changes in commodity prices compared to the operations of the storage and pipeline segments.

We enter into derivative contracts to attempt to mitigate the effects of commodity price fluctuations. The derivative instruments we use consist primarily of commodity futures and swap contracts. Not all of our derivative instruments qualify for hedge accounting treatment under U.S. generally accepted accounting principles. In such cases, we record the changes in the fair values of these derivative instruments in cost of product sales. The changes in the fair values of these derivative instruments generally are offset, at least partially, by changes in the values of the hedged physical inventory. However, we do not recognize those changes in the value of the hedged inventory until the physical sale of such inventory takes place. Therefore, our earnings for a period may include the gain or loss related to derivative instruments without including the offsetting effect of the hedged item, which could result in greater earnings volatility. In addition, we value our inventory at the lower of cost or market. If changes in commodity markets cause market prices to fall below the cost of our inventory, we may be required to reduce the value of our inventory to market.

Factors That Affect Results of Operations

The following factors affect the results of our operations:

- company-specific factors, such as facility integrity issues and maintenance requirements that impact the throughput rates of our assets;
- seasonal factors that affect the demand for products transported by and/or stored in our assets and the demand for products we sell;
- industry factors, such as changes in the prices of petroleum products that affect demand and operations of our competitors;
- factors such as commodity price volatility that impact our fuels marketing segment; and
- other factors, such as refinery utilization rates and maintenance turnaround schedules, that impact the operations of refineries served by our storage and pipeline assets.

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RESULTS OF OPERATIONS
Year Ended December 31, 2013 Compared to Year Ended December 31, 2012
Financial Highlights
(Thousands of Dollars, Except Unit and Per Unit Data)

	Year Ended December 31,		
	2013	2012	Change
Statement of Income Data:			
Revenues:			
Service revenues	$938,138	$870,157	$67,981
Product sales	2,525,594	5,075,579	(2,549,985)
Total revenues	3,463,732	5,945,736	(2,482,004)
Costs and expenses:			
Cost of product sales	2,453,997	4,930,174	(2,476,177)
Operating expenses	454,396	526,145	(71,749)
General and administrative expenses	91,086	104,756	(13,670)
Depreciation and amortization expense	178,921	159,789	19,132
Goodwill impairment loss	304,453	22,132	282,321
Asset impairment loss	—	249,646	(249,646)
Gain on legal settlement	—	(28,738)	28,738
Total costs and expenses	3,482,853	5,963,904	(2,481,051)
Operating loss	(19,121)	(18,168)	(953)
Equity in loss of joint ventures	(39,970)	(9,378)	(30,592)
Interest expense, net	(127,119)	(90,535)	(36,584)
Interest income from related party	6,113	1,219	4,894
Other income (expense), net	7,341	(24,689)	32,030
Loss from continuing operations before income tax expense	(172,756)	(141,551)	(31,205)
Income tax expense	12,753	24,450	(11,697)
Loss from continuing operations	(185,509)	(166,001)	(19,508)
Loss from discontinued operations, net of tax	(99,162)	(61,236)	(37,926)
Net loss	$(284,671)	$(227,237)	$(57,434)
Net loss per unit applicable to limited partners:			
Continuing operations	$(2.89)	$(2.79)	$(0.10)
Discontinued operations	(1.11)	(0.82)	(0.29)
Total	$(4.00)	$(3.61)	$(0.39)
Weighted-average limited partner units outstanding	77,886,078	72,957,417	4,928,661

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Annual Highlights
Operating loss for both years includes significant impairment charges. In 2013, we recognized a goodwill impairment charge of $304.5 million associated with our St. Eustatius and Point Tupper terminal operations, while 2012 included an impairment charge of $266.4 million related to the goodwill and long-lived assets of the Asphalt Operations. Segment operating income, which includes these impairment charges, increased $13.5 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to an increase of $49.7 million in the segment operating income of the pipeline segment. This increase was mainly due to increased throughputs on pipelines that serve Eagle Ford Shale production in South Texas and higher pipeline tariffs as a result of the annual index adjustment in July 2013.

Loss from continuing operations increased $19.5 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to an increase of $36.6 million in interest expense, net and an increase of $30.6 million in the equity in loss of joint ventures. Loss from discontinued operations, net of tax, increased $37.9 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly due to asset impairment charges of $102.5 million in 2013 associated with certain storage assets that were classified as “Assets held for sale” on the consolidated balance sheet as of December 31, 2013. Discontinued operations also include the results of operations for the San Antonio Refinery and related assets. As a result, we reported a net loss of $284.7 million for the year ended December 31, 2013, compared to a net loss of $227.2 million for the year ended December 31, 2012.

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

	Year Ended December 31,		
	2013	2012	Change
Storage:			
Throughput (barrels/day)	781,213	765,556	15,657
Throughput revenues	$104,553	$95,612	$8,941
Storage lease revenues	451,996	482,454	(30,458)
Total revenues	556,549	578,066	(21,517)
Operating expenses	279,712	288,881	(9,169)
Depreciation and amortization expense	99,868	88,217	11,651
Goodwill and asset impairment loss	304,453	2,126	302,327
Segment operating (loss) income	$(127,484)	$198,842	$(326,326)
Pipeline:			
Refined products pipelines throughput (barrels/day)	487,021	498,321	(11,300)
Crude oil pipelines throughput (barrels/day)	365,749	345,648	20,101
Total throughput (barrels/day)	852,770	843,969	8,801
Throughput revenues	$411,529	$340,455	$71,074
Operating expenses	134,365	128,987	5,378
Depreciation and amortization expense	68,871	52,878	15,993
Segment operating income	$208,293	$158,590	$49,703
Fuels Marketing:			
Product sales and other revenue	$2,527,698	$5,086,383	$(2,558,685)
Cost of product sales	2,474,612	4,957,100	(2,482,488)
Gross margin	53,086	129,283	(76,197)
Operating expenses	53,185	148,458	(95,273)
Depreciation and amortization expense	27	11,253	(11,226)
Goodwill and asset impairment loss	—	266,357	(266,357)
Segment operating loss	$(126)	$(296,785)	$296,659
Consolidation and Intersegment Eliminations:			
Revenues	$(32,044)	$(59,168)	$27,124
Cost of product sales	(20,615)	(26,926)	6,311
Operating expenses	(12,866)	(40,181)	27,315
Total	$1,437	$7,939	$(6,502)
Consolidated Information:			
Revenues	$3,463,732	$5,945,736	$(2,482,004)
Cost of product sales	2,453,997	4,930,174	(2,476,177)
Operating expenses	454,396	526,145	(71,749)
Depreciation and amortization expense	168,766	152,348	16,418
Asset and goodwill impairment loss	304,453	268,483	35,970
Segment operating income	82,120	68,586	13,534
General and administrative expenses	91,086	104,756	(13,670)
Other depreciation and amortization expense	10,155	7,441	2,714
Other asset impairment loss	—	3,295	(3,295)

Gain on legal settlement	—	(28,738)	28,738
Consolidated operating loss	$(19,121)	$(18,168)	$(953)

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Storage

Throughput revenues increased $8.9 million and throughputs increased 15,657 barrels per day for the year ended December 31, 2013, compared to the year ended December 31, 2012. Revenues increased $14.3 million and throughputs increased 73,741 barrels per day at our Corpus Christi crude storage tank facility due to increased volumes of Eagle Ford Shale crude oil being shipped to Corpus Christi on our pipelines in South Texas. The TexStar Asset Acquisition in December 2012, the completion of several pipeline capital projects in 2012 and 2013 and changing our Corpus Christi crude storage tank facility from a lease-based to a throughput-based facility in the third quarter of 2012 were among the drivers for the increased volumes. These increases were partially offset by decreased throughputs of 53,768 barrels per day and decreased revenues of $5.2 million resulting from turnarounds, maintenance and operational issues in 2013 at the refineries served by our Corpus Christi, Texas City and Benicia crude oil storage tanks and our Three Rivers refined products terminals.

Storage lease revenues decreased $30.5 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to:

- a decrease of $26.6 million at various domestic terminals, mainly as a result of reduced demand in several markets, resulting in lower throughputs, storage fees and reimbursable revenues;
- a decrease of $7.7 million at our UK and Amsterdam terminals, mainly due to reduced demand for storage and the effect of foreign exchange rates;
- a decrease of $7.6 million at our St. Eustatius terminal facility, mainly due to reduced demand for storage and decreased reimbursable revenue;
- a decrease of $6.2 million at our Corpus Christi crude storage tank facility due to the change to throughput-based fees in July 2012;
- a decrease of $3.8 million at asphalt terminals under storage agreements with Asphalt JV, which we entered into simultaneously with the Asphalt Sale; and
- a decrease of $2.9 million due to the sale of five refined product terminals in April 2012.

Those declines in storage lease revenues were partially offset by an increase in storage lease revenues of $19.2 million resulting from a completed unit train offloading facility at our St. James terminal and completed tank expansion projects at our St. James and St. Eustatius terminals. In addition, revenues increased $5.2 million as a result of our acquisition of a lease at the Red Fish Bay terminal in conjunction with the TexStar Asset Acquisition.

Operating expenses decreased $9.2 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to:

- a decrease of $9.0 million associated with cancelled capital projects, mainly at our St. James and St. Eustatius terminals in 2012; and
- a decrease of $6.3 million in reimbursable expenses, mainly for tank cleanings at our Piney Point terminal and maintenance expenses at our St. Eustatius terminal. Reimbursable expenses are charged back to our customers and are offset by reimbursable revenues.

These decreases were partially offset by an increase of $3.9 million in salaries and wages due to a collective labor agreement that became effective in mid-2012 associated with our St. Eustatius terminal, our acquisition of a lease at the Redfish Bay terminal in conjunction with the TexStar Asset Acquisition, and higher employee benefit and temporary labor costs.

Depreciation and amortization expense increased $11.7 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to completion of a dock optimization project at our Corpus Christi crude storage tank facility, unit train and tank expansion projects at our St. James terminal and a tank expansion project at our St. Eustatius terminal.

The asset impairment loss of $304.5 million for the year ended December 31, 2013 represents the write-down of the carrying value of goodwill associated with our St. Eustatius and Point Tupper terminal operations. Please refer to Note 6 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for further discussion of this goodwill impairment.

Pipeline

Revenues increased $71.1 million and throughputs increased 8,801 barrels per day for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to:

- an increase in revenues of $57.4 million and an increase in throughputs of 49,855 barrels per day on crude oil pipelines that serve Eagle Ford Shale production in South Texas, primarily resulting from the TexStar Asset Acquisition and crude oil pipelines that were placed in service in the fourth quarter of 2012 and third quarter of 2013;

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- an increase in revenues of $6.3 million on the East Pipeline, despite lower throughputs of 2,997 barrels per day, due to higher average tariffs resulting from the annual index adjustment in July 2013 and increased long-haul deliveries;
- an increase in revenues of $5.6 million and an increase in throughputs of 2,067 barrels per day on the North Pipeline, mainly due to the completion of an expansion project at the Mandan refinery in June 2012; and
- an increase in revenues of $5.2 million and an increase in throughputs of 4,210 barrels per day on refined product and crude oil pipelines serving the McKee refinery resulting from increased volumes on pipelines with higher tariffs.

Those higher throughputs were partially offset by a decrease in throughputs of 28,438 barrels per day on crude oil pipelines serving the Ardmore refinery due to a new contract effective January 1, 2013 that combines two segments of a crude oil pipeline serving the Ardmore refinery for which throughputs were previously reported separately. That change in reporting throughputs did not adversely affect revenues, which increased by $0.4 million due to the new contract terms, despite a turnaround at the Ardmore refinery during the first quarter of 2013.

Revenues decreased $3.9 million and throughputs decreased 5,613 barrels per day on the Ammonia Pipeline due to unseasonably cold and wet weather in the second and fourth quarters of 2013. Also, revenues decreased $1.6 million and throughputs decreased 6,731 barrels per day on the Houston pipeline as it is being converted to new service.
Operating expenses increased $5.4 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to an increase of $18.6 million on crude oil pipelines that serve Eagle Ford Shale production in South Texas, mainly resulting from the TexStar Asset Acquisition and crude oil pipelines that were placed in service in the fourth quarter of 2012.
This increase was partially offset by:

- a decrease of $8.0 million resulting from the reduction of the contingent consideration liability recorded in association with the TexStar Asset Acquisition. Please refer to Note 17 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for further discussion; and
- a decrease of $3.5 million due to temporary barge rental costs in 2012 needed to transport a customer’s product in conjunction with an Eagle Ford Shale project.

Depreciation and amortization expense increased $16.0 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly due to the TexStar Asset Acquisition in December 2012 and the completion of various projects that serve Eagle Ford Shale production.

Fuels Marketing

The consolidated statements of income (loss) include the results of operations for Asphalt JV in “Equity in (loss) earnings of joint ventures” commencing on September 28, 2012. Previously, we reported the results of operations for our Asphalt Operations in the fuels marketing segment. For the year ended December 31, 2013, this segment mainly includes refined products marketing, crude oil trading, fuel oil trading and bunkering operations. The table below presents pro forma financial information that removes the historical financial information for our Asphalt Operations from the segment results for the year ended December 31, 2012 in order to provide a more meaningful comparison of the segment’s results.

		Year Ended December 31, 2012			
	Year Ended December 31, 2013	Actual	Asphalt Operations	Pro Forma	Change
	(Thousands of Dollars)				
Product sales	$ 2,527,698	$ 5,086,383	$ 1,315,986	$ 3,770,397	$ (1,242,699)
Cost of product sales	2,474,612	4,957,100	1,258,308	3,698,792	(1,224,180)
Gross margin	53,086	129,283	57,678	71,605	(18,519)
Operating expenses	53,185	148,458	89,969	58,489	(5,304)
Depreciation and amortization expense	27	11,253	11,138	115	(88)
Asset and goodwill impairment loss	—	266,357	266,357	—	—
Segment operating (loss) income	$ (126)	$ (296,785)	$ (309,786)	$ 13,001	$ (13,127)

Sales and cost of product sales decreased $1,242.7 million and $1,224.2 million, respectively, resulting in a decrease in total gross margin of $18.5 million for the year ended December 31, 2013, compared to the year ended December 31, 2012. The decrease in total gross margin was primarily due to a positive gross margin of $12.0 million from crude oil trading in 2012, as compared to a gross margin loss of $0.3 million in 2013. In 2012, higher volumes were traded in the first part of 2012 to benefit from the price differential on two traded crude oil grades (WTI and LLS). In addition, the gross margin from bunker fuel sales decreased $9.8 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly at our St. Eustatius and Texas City facilities. Reduced demand for bunker fuels and increased competition in the Caribbean and the U.S. Gulf Coast has negatively impacted our sales prices and resulted in lower gross margins as compared to the same period last year. These decreases were partially offset by an increase of $3.7 million in the gross margin from fuel oil trading attributable to lower costs that outweighed falling sales prices compared to the same period last year.

Operating expenses decreased $5.3 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly due to a decrease in operating expenses from our bunker fuel operations as we exited certain U.S. markets.

Consolidation and Intersegment Eliminations

Revenue and operating expense eliminations primarily relate to storage and transportation fees charged to the fuels marketing segment by the storage and pipeline segments. Revenue and operating expense eliminations changed by $27.1 million and $27.3 million, respectively, for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly due to the Asphalt Sale in September 2012. Cost of product sales eliminations represent expenses charged to the fuels marketing segment for costs associated with inventory that are expensed once the inventory is sold.

General

General and administrative expenses decreased $13.7 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to the early termination of a lease for our previous corporate office and expenses that are now reimbursed by Asphalt JV for corporate support services under a services agreement between Asphalt JV and NuStar GP, LLC. In addition, general and administrative expenses in the second quarter of 2012 included costs that resulted from a Canadian income tax audit.

Other depreciation and amortization expense increased $2.7 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly due to the completion of our corporate office in the fourth quarter of 2012.

The other asset impairment loss of $3.3 million for the year ended December 31, 2012 represents the write-down of the carrying value of certain corporate assets we sold in 2013.

The gain on legal settlement of $28.7 million for the year ended December 31, 2012 represents the settlement of a legal matter in the second quarter of 2012.

Equity in loss of joint ventures increased $30.6 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to a $49.6 million loss from our investment in Asphalt JV in 2013, which continued to suffer from weak asphalt margins.

Interest expense, net increased $36.6 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly due to the issuance of the $402.5 million of 7.625% fixed-to-floating rate subordinated notes in January 2013.

Interest income from related party increased $4.9 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, as a result of a full year of borrowings by Asphalt JV under the $250.0 million seven-year unsecured revolving credit facility. We entered into this credit facility with Asphalt JV in connection with the Asphalt Sale on September 28, 2012. Please refer to Note 19 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for additional information on our agreements with Asphalt JV.

Other income (expense), net changed by $32.0 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly due to a loss of $23.8 million associated with the Asphalt Sale in 2012 and changes in foreign exchange rates related to our foreign subsidiaries.

Income tax expense decreased $11.7 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, mainly due to tax expense of $10.1 million related to the $28.7 million gain on legal settlement recognized in the second quarter of 2012.

For the year ended December 31, 2013, we recorded a loss from discontinued operations of $99.2 million, compared to a loss from discontinued operations of $61.2 million for the year ended December 31, 2012. For the year ended December 31, 2013, the loss from discontinued operations includes asset impairment charges of $102.5 million associated with certain storage terminals that were classified as “Assets held for sale” on the consolidated balance sheet as of December 31, 2013. Please refer to Note 5 of the Condensed Notes to Consolidated Financial Statements in Item 1. “Financial Statements” for further discussion

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of these asset impairment charges. This loss was partially offset by a gain of $9.3 million related to the San Antonio Refinery Sale.

For the year ended December 31, 2012, the loss from discontinued operations includes losses of $49.1 million from the San Antonio Refinery, mainly due to hedge losses and falling sales prices coupled with high weighted-average costs, which resulted in an overall negative gross margin.

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Year Ended December 31, 2012 Compared to Year Ended December 31, 2011
Financial Highlights
(Thousands of Dollars, Except Unit and Per Unit Data)

	Year Ended December 31,		
	2012	2011	Change
Statement of Income Data:			
Revenues:			
Service revenues	$870,157	$820,623	$49,534
Product sales	5,075,579	5,437,006	(361,427)
Total revenues	5,945,736	6,257,629	(311,893)
Costs and expenses:			
Cost of product sales	4,930,174	5,175,710	(245,536)
Operating expenses	526,145	506,213	19,932
General and administrative expenses	104,756	103,050	1,706
Depreciation and amortization expense	159,789	161,773	(1,984)
Asset impairment loss	249,646	—	249,646
Goodwill impairment loss	22,132	—	22,132
Gain on legal settlement	(28,738)	—	(28,738)
Total costs and expenses	5,963,904	5,946,746	17,158
Operating (loss) income	(18,168)	310,883	(329,051)
Equity in (loss) earnings of joint ventures	(9,378)	11,458	(20,836)
Interest expense, net	(90,535)	(81,539)	(8,996)
Interest income from related party	1,219	—	1,219
Other expense, net	(24,689)	(3,573)	(21,116)
(Loss) income from continuing operations before income tax expense	(141,551)	237,229	(378,780)
Income tax expense	24,450	18,555	5,895
(loss) income from continuing operations	(166,001)	218,674	(384,675)
(Loss) income from discontinued operations, net of tax	(61,236)	2,927	(64,163)
Net (loss) income	$(227,237)	$221,601	$(448,838)
Net (loss) income per unit applicable to limited partners:			
Continuing operations	$(2.79)	$2.74	$(5.53)
Discontinued operations	(0.82)	0.04	(0.86)
Total	$(3.61)	$2.78	$(6.39)
Weighted-average limited partner units outstanding	72,957,417	65,018,301	7,939,116

Annual Highlights

For the year ended December 31, 2012, we reported a net loss of $227.2 million, compared to net income of $221.6 million for the year ended December 31, 2011, primarily due to an operating loss of $296.8 million in the fuels marketing segment. The operating loss of the fuels marketing segment mainly resulted from an asset impairment charge of $266.4 million in the second quarter of 2012 related to the goodwill and long-lived assets of the Asphalt Operations. In addition, the equity in loss of joint ventures of $9.4 million and other expense of $24.7 million for the year ended December 31, 2012 were primarily related to Asphalt JV and associated loss upon deconsolidation. The loss from discontinued operations of $61.2 million also contributed to the decrease in net income, which was mainly attributable to the San Antonio Refinery. Discontinued operations also include the results of operations for certain storage assets that were classified as “Assets held for sale” on the consolidated balance sheet as of December 31, 2013.

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

	Year Ended December 31,		
	2012	2011	Change
Storage:			
Throughput (barrels/day)	765,556	693,269	72,287
Throughput revenues	$95,612	$80,246	$15,366
Storage lease revenues	482,454	466,381	16,073
Total revenues	578,066	546,627	31,439
Operating expenses	288,881	267,198	21,683
Depreciation and amortization expense	88,217	82,921	5,296
Asset impairment loss	2,126	—	2,126
Segment operating income	$198,842	$196,508	$2,334
Pipeline:			
Refined products pipelines throughput (barrels/day)	498,321	514,261	(15,940)
Crude oil pipelines throughput (barrels/day)	345,648	317,427	28,221
Total throughput (barrels/day)	843,969	831,688	12,281
Throughput revenues	$340,455	$311,514	$28,941
Operating expenses	128,987	113,946	15,041
Depreciation and amortization expense	52,878	51,165	1,713
Segment operating income	$158,590	$146,403	$12,187
Fuels Marketing:			
Product sales and other revenue	$5,086,383	$5,455,659	$(369,276)
Cost of product sales	4,957,100	5,205,574	(248,474)
Gross margin	129,283	250,085	(120,802)
Operating expenses	148,458	157,282	(8,824)
Depreciation and amortization expense	11,253	20,949	(9,696)
Asset and goodwill impairment loss	266,357	—	266,357
Segment operating (loss) income	$(296,785)	$71,854	$(368,639)
Consolidation and Intersegment Eliminations:			
Revenues	$(59,168)	$(56,171)	$(2,997)
Cost of product sales	(26,926)	(29,864)	2,938
Operating expenses	(40,181)	(32,213)	(7,968)
Total	$7,939	$5,906	$2,033
Consolidated Information:			
Revenues	$5,945,736	$6,257,629	$(311,893)
Cost of product sales	4,930,174	5,175,710	(245,536)
Operating expenses	526,145	506,213	19,932
Depreciation and amortization expense	152,348	155,035	(2,687)
Asset and goodwill impairment loss	268,483	—	268,483
Segment operating income	68,586	420,671	(352,085)
General and administrative expenses	104,756	103,050	1,706
Other depreciation and amortization expense	7,441	6,738	703
Other asset impairment loss	3,295	—	3,295
Gain on legal settlement	(28,738)	—	(28,738)

Consolidated operating (loss) income	$(18,168)	$310,883	$(329,051)

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Storage

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

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

Storage lease revenues increased $16.1 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due to:

- an increase of $36.7 million at our St. James terminal resulting from completed tank expansion projects and the unit train offloading facility project; and
- an increase of $2.4 million at our St. Eustatius terminal facility, mainly due to rate escalations and increased reimbursable revenues.

These increases in revenues were partially offset by:

- a decrease in revenues of $9.8 million at our Point Tupper terminal facility, mainly due to decreased dockage and throughputs, which were partially offset by rate escalations;
- a decrease in revenues of $7.0 million due to the sale of five refined product terminals in April 2012;
- a decrease in revenues of $6.6 million at our Corpus Christi crude storage tank facility due to the change to throughput-based fees in 2012; and
- a decrease in revenues of $1.9 million at our UK and Amsterdam terminals, mainly due to the effect of foreign exchange rates and a decrease in customer product movements.

Operating expenses increased $21.7 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due:

- an increase of $6.6 million associated with cancelled capital projects, mainly at our St. James and St. Eustatius terminals;
- an increase of $4.0 million in reimbursable expenses, mainly for tank cleanings at our Piney Point terminal and expenses associated with our atmospheric distillation unit at our St. Eustatius terminal. Reimbursable expenses are charged back to our customers and are offset by an increase in reimbursable revenues;
- an increase of $3.5 million in other operating expenses mainly due to rectifying a contaminated tank at our St. Eustatius terminal; and
- an increase of $1.9 million in internal overhead expense primarily as a result of fewer capital projects.

Depreciation and amortization expense increased $5.3 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due to the completion of the St. James terminal unit train and tank expansion projects.

The asset impairment loss of $2.1 million for the year ended December 31, 2012 represents the write-down of the carrying value of one of our terminals due to changing market conditions that reduced the estimated cash flows for that terminal.

Pipeline

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

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

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

These increases in revenues and throughputs were partially offset by:

- a decrease in revenues of $2.8 million and a decease in throughputs of 8,684 barrels per day on the Houston pipeline as it was being converted to new service; and
- a decrease in revenues of $1.1 million and a decrease in throughputs of 25,901 barrels per day on pipelines serving the McKee refinery, primarily due to a turnaround at the McKee refinery in April and May 2012. The decrease in revenues was partially offset by throughput deficiency payments received in 2012 related to one of the pipelines serving the McKee refinery.

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

Fuels Marketing

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

The gross margin from our fuels marketing operations decreased $34.7 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, mainly due to rising costs, which outpaced rising sales prices, and hedge losses associated with fuel oil sales. In addition, the gross margin from bunker fuel sales decreased as a result of a decrease in the gross margin per barrel, despite an increase in volumes sold. We reduced the scope of our bunker fuel operations in 2012 by liquidating our inventory and exiting two markets where results had been weak, which contributed to the decrease in gross margin for bunker fuel sales. Furthermore, during the second quarter of 2012, crude oil prices fell sharply, causing a similar decline in prices for our fuel oil and bunker fuel. During this period of declining prices, we did not hedge our fuel oil and bunker fuel inventories, and the gross margin earned for sales of those products declined significantly.

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

Depreciation and amortization expense decreased $9.7 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, as a result of reclassifying depreciable assets related to the Asphalt Operations to “Assets held for sale” on the consolidated balance sheet and discontinuing depreciation of these assets as of June 30, 2012.

The asset impairment loss of $266.4 million for year ended December 31, 2012 represents the write-down of the carrying value of our long-lived assets related to the Asphalt Operations, including fixed assets, goodwill, intangible assets and other long-term assets, in the second quarter of 2012.

Consolidation and Intersegment Eliminations

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

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General

The other asset impairment loss of $3.3 million for the year ended December 31, 2012 represented the write-down of the carrying value of certain corporate assets we sold in 2013.

The gain on legal settlement of $28.7 million for the year ended December 31, 2012 represents the settlement of a legal matter in the second quarter of 2012.

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

Interest expense, net increased $9.0 million for the year ended December 31, 2012, compared to the year ended December 31, 2011. We had reduced benefits from interest rate swaps for the year ended December 31, 2012, compared to the year ended December 31, 2011, as we had fewer fixed-to-floating interest rate swaps in 2012 compared to 2011, and in February 2012, we began recognizing the interest expense related to terminated forward-starting interest rate swap agreements. In addition, we incurred higher interest rates and letter of credit fees on the new $1.5 billion five-year revolving credit agreement (the 2012 Revolving Credit Agreement).

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

Other expense, net increased $21.1 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, mainly due to a $23.8 million loss associated with the deconsolidation of Asphalt JV in September 2012. For the year ended December 31, 2011, other expense, net included $5.0 million in costs associated with the early termination of a third-party storage agreement at the Paulsboro, New Jersey asphalt refinery and a contingent loss adjustment of $3.3 million related to a legal settlement.

Income tax expense increased $5.9 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, mainly due to tax expense of $10.1 million related to the $28.7 million gain on legal settlement recognized in the second quarter of 2012, which was partially offset by lower taxable income.

For the year ended December 31, 2012, we recorded a loss from discontinued operations of $61.2 million, compared to income from discontinued operations of $2.9 million for the year ended December 31, 2011, which is mainly attributable to the San Antonio Refinery. The gross margin from the San Antonio Refinery decreased $58.8 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, mainly due to hedge losses and falling sales prices coupled with higher weighted-average costs, which resulted in an overall negative gross margin. We entered into commodity swap contracts associated with the San Antonio Refinery to fix the purchase price of crude oil and sales prices of refined products for a portion of the expected production of the San Antonio Refinery, thereby attempting to mitigate the volatility of future cash flows associated with hedged volumes. These contracts qualified, and we designated them, as cash flow hedges. In anticipation of the San Antonio Refinery Sale, we concluded these forecasted sales were probable not to occur. Therefore, we discontinued cash flow hedging treatment for the related commodity contracts in December 2012 and incurred a loss of $21.7 million, which we reclassified from accumulated other comprehensive loss. During the fourth quarter of 2011, we decided to adjust the refinery’s operations, which caused a shift in the future production yields of the San Antonio Refinery. This change caused certain forecasted sales of gasoline products to be replaced with distillate sales; therefore, we concluded these forecasted gasoline sales were probable not to occur, and we discontinued cash flow hedging treatment for the related commodity contracts. We recorded gains of $16.4 million related to these contracts for the year ended December 31, 2011, including $15.1 million which we reclassified from accumulated other comprehensive loss.

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TRENDS AND OUTLOOK

Strategic Redirection and Its Impact

In 2012, we embarked on a strategic redirection. The first goal of the strategic redirection was to focus on our core, fee-based businesses, storage and pipelines. The second goal was to reduce earnings volatility and working capital requirements stemming from the fuels marketing segment. Since then, we have made significant progress on our first goal through the development of a number of internal growth projects, as well as the TexStar Asset Acquisition in December 2012. We have achieved our second goal by selling a 50% ownership interest in our asphalt business in September 2012, which allowed us to deconsolidate the results of our remaining interest in those operations, selling the San Antonio Refinery in January 2013 and divesting of our remaining 50% ownership interest in Asphalt JV in February 2014.

These changes have moved us in the right direction, and, in 2014, we are working to execute and build on our strategy, through focusing on our in-progress and planned pipeline and storage capital projects and also identifying additional opportunities for internal growth or synergistic acquisitions.

Storage Segment

We expect our storage segment to benefit from the completion of a second rail-car offloading facility at our St. James, Louisiana terminal in the fourth quarter of 2013 and from additional storage throughputs associated with the completion of Eagle Ford Shale projects.

However, continued backwardation of the forward pricing curve has resulted in reduced demand for storage at certain of our terminal locations. The reduced demand is putting downward pressure on storage rates in certain markets as some of our storage contracts come up for renewal, thus negatively affecting our earnings. In addition, we expect the segment to be impacted by lower profit sharing on our unit train at our St. James, Louisiana terminal resulting from the narrowing of the LLS to WTI spread. Although we expect earnings for the first quarter of 2014 to be lower than the same period of 2013, the full-year earnings for 2014 are expected to be comparable to 2013, excluding the non-cash charges in 2013.

Pipeline Segment

We expect that our pipeline segment earnings for the first quarter and full year of 2014 will exceed comparable periods in 2013, mainly due to higher throughputs resulting from our Eagle Ford Shale project completed in August 2013. Recently, we expanded our private dock at our Corpus Christi crude storage tank facility, and the increased efficiency and capacity at that dock will, in turn, expand the system’s capability to ship additional barrels into Corpus Christi.

For the remainder of the year, we also expect to benefit from a pipeline expansion project that should be completed in the second quarter of 2014, as well as the July 1, 2013 tariff increase on pipelines regulated by the Federal Energy Regulatory Commission.

Fuels Marketing Segment

We expect that first quarter 2014 results for our remaining fuels marketing business will improve over the same period in 2013, primarily due to higher projected earnings from our bunker fuel operations. Last year, during the third quarter, we entered into a new bunker fuel supply agreement, which reduced our working capital requirements and allowed us to reduce operating costs. We expect to continue to reduce both working capital and costs for this segment during first quarter of 2014. Overall, we expect the full year 2014 results in this segment to exceed 2013 results. However, earnings in this segment, as in any margin-based business, are subject to many factors that can raise or lower margins, which may cause the segment’s actual results to vary significantly from our forecast. For the full year 2014, we expect our fuels marketing segment to constitute approximately 5% of total segment operating income.

Our outlook for the partnership may change as it is based on our continuing evaluation of a number of factors, including factors outside our control, such as the price of crude oil, the state of the economy and changes to refinery maintenance schedules, that affect demand for crude oil, refined products and ammonia, as well as demand for our storage and transportation services. Please see Item 1A. “Risk Factors” for further description of important risks affecting our operations.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Primary Cash Requirements. Our primary cash requirements are for distributions to our partners, working capital (including inventory purchases), debt service, capital expenditures, including reliability capital, a financing agreement with Asphalt JV, acquisitions and operating expenses.

Our partnership agreement requires that we distribute all “Available Cash” to our partners each quarter, and this term is defined in the partnership agreement as cash on hand at the end of the quarter, plus certain permitted borrowings made subsequent to the end of the quarter, less cash reserves determined by our board of directors.

Sources of Funds. Each year, we work to fund our annual total operating expenses, interest expense, reliability capital expenditures and distribution requirements with our net cash provided by operating activities during that year. If we do not generate sufficient cash from operations to meet those requirements, we utilize other sources of cash flow, which in the past have included borrowings under the 2012 Revolving Credit Agreement, sales of non-strategic assets and, to the extent necessary, funds raised through equity or debt offerings under our shelf registration statements. Additionally, we typically fund our strategic capital expenditures from external sources, primarily borrowings under the 2012 Revolving Credit Agreement or funds raised through equity or debt offerings. However, our ability to raise funds by issuing debt or equity depends on many factors beyond our control. Our risk factors in Item 1A. “Risk Factors” describe the risks inherent to these sources of funding and the availability thereof.

During periods that our cash flow from operations is less than our distribution and reliability capital requirements, we may maintain our distribution level because we can utilize other sources of Available Cash, as provided in our partnership agreement, including borrowing under the 2012 Revolving Credit Agreement and the proceeds from the sales of assets. Our risk factors in Item 1A. “Risk Factors” describe the risks inherent in our ability to maintain or grow the distribution.

Cash Requirements and Sources in 2012 and 2011. For the years ended December 31, 2012 and 2011, we did not generate sufficient cash from operations to exceed our distribution and reliability capital requirements. Those shortfalls in cash from operations in 2012 and 2011 resulted primarily from our fuels marketing segment. Our 2011 acquisition of the San Antonio refinery, along with expansion in other aspects of the segment, significantly increased our working capital requirements, which in turn reduced our net cash provided by operating activities during that fiscal year. In 2012, poor margins in the segment drove our earnings down sharply and again reduced our net cash provided by operating activities below our distribution and reliability capital requirements.

Cash Requirements and Sources in 2014 and 2013. For the year ended December 31, 2013, our cash flow from operations was sufficient to cover our distributions to our partners and our reliability capital expenditures, mainly due to our strategic redirection discussed previously in the Trends and Outlook section. For 2014, we currently expect to produce cash from operations in excess of our distribution. We also expect to fund our reliability capital expenditures with cash from operations as well as from other sources of liquidity as described below.

Cash Flows for the Years Ended December 31, 2013, 2012 and 2011

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

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Net cash provided by (used in):			
Operating activities	$485,219	$299,203	$94,468
Investing activities	(310,961)	(345,800)	(443,254)
Financing activities	(149,350)	110,669	186,721
Effect of foreign exchange rate changes on cash	(7,767)	2,033	(1,559)

Net increase (decrease) in cash and cash equivalents	$17,141	$66,105	$(163,624)

Net cash provided by operating activities for the year ended December 31, 2013 was $485.2 million, compared to $299.2 million for the year ended December 31, 2012, or an increase of $186.0 million. For the year ended December 31, 2013, we reported a net loss of $284.7 million, which included $407.0 million of non-cash goodwill and asset impairment charges, while the net loss for the year ended December 31, 2012 of $227.2 million included $271.8 million of non-cash asset impairment charges. Equity in loss of joint ventures increased to $40.0 million for the year ended December 31, 2013, compared to $9.4

million for the year ended December 31, 2012, mainly due to losses from our investment in Asphalt JV. Changes in working capital provided cash flow of $112.8 million for the year ended December 31, 2013, compared to $90.2 million for the year ended December 31, 2012. Please refer to the Working Capital Requirements section below for a discussion of the changes in working capital.

For the year ended December 31, 2013, net cash provided by operating activities exceeded our distribution requirements and reliability capital expenditures. Proceeds from the San Antonio Refinery Sale and proceeds from long-term debt borrowings, net of repayments, combined with net cash provided by operating activities, were used to fund our strategic capital expenditures and advances to Asphalt JV under the NuStar JV Facility.

In connection with the Asphalt Sale, we agreed to provide Asphalt JV with an unsecured revolving credit facility in an aggregate principal amount not to exceed $250.0 million for a term of seven years (the NuStar JV Facility), and to provide credit support, such as guarantees, letters of credit and cash collateral, as applicable, of up to $150.0 million. The NuStar JV Facility is used to fund working capital and general corporate needs of Asphalt JV. During the year ended December 31, 2013, we advanced $81.0 million, net of repayments, to Asphalt JV under the NuStar JV Facility.

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

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

Our significant investment in working capital in 2011 caused our cash generated from operations to fall short of our cash requirements for reliability capital expenditures and distributions. As a result, we utilized borrowings under our revolving credit agreement and Gulf Opportunity Zone revenue bonds, combined with cash on hand, to fund that shortfall, our strategic capital expenditures and acquisitions. We used the net proceeds of $324.0 million from our issuance of common units, including the general partner contribution to maintain its 2% general partner interest, to reduce outstanding borrowings under our 2007 revolving credit agreement.

Revolving Credit Agreement

NuStar Logistics is a party to the 2012 Revolving Credit Agreement, which includes the ability to borrow up to the equivalent of $250.0 million in Euros. On December 4, 2013, we amended the 2012 Revolving Credit Agreement to add the ability to borrow up to the equivalent of $250.0 million in British Pounds Sterling. The 2012 Revolving Credit Agreement matures on May 2, 2017. Obligations under the 2012 Revolving Credit Agreement are guaranteed by NuStar Energy and NuPOP. NuPOP will be released from its guarantee of the 2012 Revolving Credit Agreement when it no longer guarantees NuStar Logistics' public debt instruments.

The 2012 Revolving Credit Agreement contains customary restrictive covenants, including requiring us to maintain, as of the end of each rolling period, which consists of any period of four consecutive fiscal quarters, a consolidated debt coverage ratio (consolidated indebtedness to consolidated EBITDA, as defined in the 2012 Revolving Credit Agreement) not to exceed 5.00-to-1.00. If we consummate an acquisition for an aggregate net consideration of at least $50.0 million, the maximum consolidated debt coverage ratio will increase to 5.50-to-1.00 for two rolling periods. The 2012 Revolving Credit Agreement permits unlimited investments in joint ventures and unconsolidated subsidiaries, provided that no default exists, but limits the amount of cash distributions for such joint ventures and unconsolidated subsidiaries included in the calculation of the consolidated debt coverage ratio to 20% of consolidated EBITDA. The requirement not to exceed a maximum consolidated debt coverage ratio may limit the amount we can borrow under the 2012 Revolving Credit Agreement to an amount less than the total amount available for borrowing. As of December 31, 2013, our consolidated debt coverage ratio was 4.4x, and we had $829.3 million available for borrowing.

Letters of credit issued under our 2012 Revolving Credit Agreement totaled $167.6 million as of December 31, 2013. Letters of credit are limited to $750.0 million and also may restrict the amount we can borrow under the 2012 Revolving Credit Agreement.

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Please refer to Note 14 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a more detailed discussion of our long-term debt agreements.

Gulf Opportunity Zone Revenue Bonds

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

NuStar Logistics is solely obligated to service the principal and interest payments associated with the Gulf Opportunity Zone Revenue Bonds. Letters of credit were issued on our behalf to guarantee the payment of interest and principal on the bonds. All letters of credit rank equally with existing senior unsecured indebtedness of NuStar Logistics. The letters of credit issued by individual banks do not restrict the amount we can borrow under the 2012 Revolving Credit Agreement.

The following table summarizes the Gulf Opportunity Zone Revenue Bonds outstanding as of December 31, 2013:

Date Issued	Maturity Date	Amount Outstanding	Amount of Letter of Credit		Amount Received from Trustee	Amount Remaining in Trust	Average Annual Interest Rate	
		(Thousands of Dollars)						
June 26, 2008	June 1, 2038	$55,440	$56,169		$ 55,440	$—	0.10	%
July 15, 2010	July 1, 2040	100,000	101,315		100,000	—	0.10	%
October 7, 2010	October 1, 2040	50,000	50,658	(a)	24,580	25,420	0.11	%
December 29, 2010	December 1, 2040	85,000	86,118	(a)	26,924	58,076	0.11	%
August 29, 2011	August 1, 2041	75,000	75,986		75,000	—	0.10	%
	Total	$365,440	$370,246		$ 281,944	$83,496		

(a) Letters of credit issued under the 2012 Revolving Credit Agreement.

Shelf Registration Statements

On June 18, 2013, the Securities and Exchange Commission declared effective our shelf registration statement on Form S-3, which permits us to offer and sell various types of securities, including NuStar Energy common units and debt securities of NuStar Logistics and NuPOP.

We also have a shelf registration statement that became effective on April 29, 2011 that permits us to sell various types of securities, including NuStar Energy common units and debt securities of NuStar Logistics and NuPOP, having an aggregate value of up to $200.0 million.

Issuance of Debt

On August 19, 2013, NuStar Logistics issued $300.0 million of 6.75% senior notes due February 1, 2021 (the 6.75% Senior Notes). We received proceeds of approximately $296.0 million, net of the underwriters' discount and deferred issuance costs of $4.0 million, which we used for general partnership purposes, including repayment of outstanding borrowings under our 2012 Revolving Credit Agreement. The interest on the 6.75% Senior Notes is payable semi-annually in arrears on February 1 and August 1 of each year beginning on February 1, 2014.

On January 22, 2013, NuStar Logistics issued $402.5 million of 7.625% fixed-to-floating rate subordinated notes due January 15, 2043 (the Subordinated Notes), including the underwriters' option to purchase up to an additional $52.5 million principal amount of the notes, which was exercised in full. We received proceeds of approximately $390.9 million, net of $11.6 million of deferred issuance costs, which we used for general partnership purposes, including repayment of outstanding borrowings under our 2012 Revolving Credit Agreement. The Subordinated Notes bear interest at a fixed annual rate of 7.625%, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year beginning on April 15, 2013 and ending on January 15, 2018. Thereafter, the Subordinated Notes will bear interest at an annual rate equal to the sum of the three-month LIBOR rate for the related quarterly interest period, plus 6.734% payable quarterly on January 15, April 15, July 15 and October 15 of each year, commencing April 15, 2018, unless payment is deferred in accordance with the terms of the notes.

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On February 2, 2012, NuStar Logistics issued $250.0 million of 4.75% senior notes due February 1, 2022. The net proceeds of $247.4 million were used to repay the outstanding principal amount of NuPOP's $250.0 million 7.75% senior notes due February 15, 2012. The interest on the 4.75% senior notes is payable semi-annually in arrears on February 1 and August 1 of each year beginning on August 1, 2012.

Please refer to Note 14 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a more detailed discussion of our debt agreements.

Issuance of Common Units

On September 10, 2012, we issued 7,130,000 common units representing limited partner interests at a price of $48.94 per unit. We used the net proceeds from this offering of $343.9 million, including a contribution of $7.1 million from our general partner to maintain its 2% general partner interest, for general partnership purposes, including repayments of outstanding borrowings under our 2012 Revolving Credit Agreement and working capital purposes.

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

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

If the capital markets become more volatile, our access to the capital markets may be limited, or we could face increased costs.

In addition, it is possible that our ability to access the capital markets may be limited at a time when we would like or need access, which could have an impact on our ability to refinance maturing debt and/or react to changing economic and business conditions.

Capital Requirements

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

- reliability capital expenditures, such as those required to maintain equipment reliability and safety; and
- strategic capital expenditures, such as those to expand and upgrade pipeline capacity or terminal facilities and to construct new pipelines, terminals and storage tanks. In addition, strategic capital expenditures may include acquisitions of pipelines, terminals or storage tank assets, as well as certain capital expenditures related to support functions.

During the year ended December 31, 2013, our reliability capital expenditures totaled $41.3 million, primarily related to maintenance upgrade projects at our terminals. Strategic capital expenditures for the year ended December 31, 2013 totaled $302.0 million and were primarily related to projects in the Eagle Ford Shale region in South Texas and projects at our St. James, Louisiana terminal.

For 2014, we expect to incur approximately $405.0 million to $435.0 million of capital expenditures, including approximately $35.0 million to $45.0 million for reliability capital expenditures and $370.0 million to $390.0 million for strategic capital expenditures, not including acquisitions. We continue to evaluate our capital budget and make changes as economic conditions warrant, and our actual capital expenditures for 2014 may increase or decrease from the budgeted amounts. We believe cash generated from operations, combined with other sources of liquidity previously described, will be sufficient to fund our capital expenditures in 2014, and our internal growth projects can be accelerated or scaled back depending on the condition of the capital markets.

Working Capital Requirements

Our fuels marketing operations require us to make investments in working capital. Those working capital requirements may vary with fluctuations in the commodity prices of inventory and with the seasonality of demand for the products we market.

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This seasonality in demand affects our accounts receivable and accounts payable balances, which vary depending on timing of payments. As a result of the Asphalt Sale and the San Antonio Refinery Sale, our working capital requirements have been significantly reduced.

Within working capital, inventories decreased $32.0 million during the year ended December 31, 2013, primarily as a result of a new bunker fuel supply agreement that reduced the inventory carried in our St. Eustatius bunker fuel operations. In addition, accounts receivable decreased $107.2 million and accounts payable decreased $96.3 million during the year ended December 31, 2013, primarily due to less crude oil trading and bunker fuel operations activity in 2013 and the San Antonio Refinery Sale. Accounts payable also decreased due to timing of payments for crude oil purchases related to Asphalt JV, which corresponds with the decrease in the receivable from related parties of $58.7 million during the year ended December 31, 2013. The Asphalt JV Crude Oil Supply Agreement terminated effective January 1, 2014. Please refer to Note 19 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplemental Data" for a detailed discussion of our other related party transactions with Asphalt JV.

Distributions

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

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

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars, Except Per Unit Data)		
General partner interest	$7,844	$7,486	$6,630
General partner incentive distribution	43,220	41,242	36,326
Total general partner distribution	51,064	48,728	42,956
Limited partners' distribution	341,140	325,526	288,550
Total cash distributions	$392,204	$374,254	$331,506
Cash distributions per unit applicable to limited partners	$4.380	$4.380	$4.360

Actual distribution payments are made within 45 days after the end of each quarter as of a record date that is set after the end of each quarter. The following table summarizes information related to our quarterly cash distributions:

Quarter Ended	Cash Distributions Per Unit	Total Cash Distributions (Thousands of Dollars)	Record Date	Payment Date
December 31, 2013 (a)	$1.095	$98,051	February 10, 2014	February 14, 2014
September 30, 2013	$1.095	$98,051	November 11, 2013	November 14, 2013
June 30, 2013	$1.095	$98,051	August 5, 2013	August 9, 2013
March 31, 2013	$1.095	$98,051	May 6, 2013	May 10, 2013

(a) The distribution was announced on January 30, 2014.

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Debt Obligations

As of December 31, 2013, we were a party to the following debt agreements:

- the 2012 Revolving Credit Agreement due May 2, 2017, with a balance of $503.0 million as of December 31, 2013;
- NuStar Logistics': 7.65% senior notes due April 15, 2018 with a face value of $350.0 million; 4.80% senior notes due September 1, 2020 with a face value of $450.0 million; 6.75% senior notes due February 1, 2021 with a face value of $300.0 million; 4.75% senior notes due February 1, 2022 with a face value of $250.0 million; and 7.625% subordinated notes due January 15, 2043 with a face value of $402.5 million; and
- NuStar Logistics' $365.4 million Gulf Opportunity Zone Revenue Bonds due from 2038 to 2041.

In February 2013, we repaid the remaining principal balance of $0.6 million on our $12.0 million note payable due to the Port of Corpus Christi Authority of Nueces County, Texas. We also repaid NuStar Logistics' $229.9 million of 6.05% senior notes due March 15, 2013, NuPOP's $250.0 million of 5.875% senior notes due June 1, 2013, and NuStar Terminals Limited's £21 million amended and restated term loan, which matured on December 10, 2013, with borrowings under our 2012 Revolving Credit Agreement.

Management believes that, as of December 31, 2013, we are in compliance with all ratios and covenants of the 2012 Revolving Credit Agreement. Our other long-term debt obligations do not contain any financial covenants that differ from those contained in the 2012 Revolving Credit Agreement. However, a default under any of our debt instruments would be considered an event of default under all of our debt instruments. Please refer to Note 14 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a more detailed discussion of our debt agreements.

Credit Ratings

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

	Standard & Poor's Ratings Services	Moody's Investor Service Inc.	Fitch, Inc.
Ratings	BB+	Ba1	BB
Outlook	Stable	Negative	Stable

In January 2013, Moody's Investor Service Inc. lowered our credit rating to Ba1 from Baa3. This downgrade caused the interest rates on the 2012 Revolving Credit Agreement and NuStar Logistics' $350.0 million of 7.65% senior notes due 2018 to increase by 0.375% and 0.25%, respectively, effective January 2013. We may also be required to provide additional credit support for certain contracts, although as of December 31, 2013, we have not been required to provide any additional credit support.

Interest Rate Swaps

As of December 31, 2012, we were a party to forward-starting swap agreements for the purpose of hedging interest rate risk. In connection with the maturity of the 6.05% senior notes due March 15, 2013 and 5.875% senior notes due June 1, 2013, we terminated forward-starting interest rate swap agreements with an aggregate notional amount of $275.0 million and paid $33.7 million in connection with the terminations. We had no interest rate swaps as of December 31, 2013. Please refer to Note 2 and Note 18 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for a more detailed discussion on our interest rate swaps.

Long-Term Contractual Obligations

The following table presents our long-term contractual obligations and commitments and the related payments due, in total and by period, as of December 31, 2013:

	Payments Due by Period						
	2014	2015	2016	2017	2018	Thereafter	Total
	(Thousands of Dollars)						
Long-term debt maturities	$—	$—	$—	$503,036	$350,000	$1,767,940	$2,620,976
Interest payments	130,307	130,307	130,307	123,414	116,103	1,374,244	2,004,682
Operating leases	30,300	24,886	21,274	18,954	16,980	80,090	192,484

Purchase obligations	8,571	5,108	3,841	694	216	—	18,430

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The interest payments calculated for our variable-rate debt are based on the outstanding borrowings and the interest rate as of December 31, 2013. The interest payments on our fixed-rate debt are based on the stated interest rates, the outstanding balances as of December 31, 2013 and interest payment dates.

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

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

On November 6, 2013, we came to a mutual agreement with PDVSA-Petróleo S.A. (PDVSA) to terminate that certain Crude
Oil Sales Agreement dated effective as of March 1, 2008 (the CSA). The termination was effective January 1, 2014, and in connection therewith, we also terminated our crude oil supply agreement with Asphalt JV effective January 1, 2014. See Note 19 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for a discussion of our crude oil supply agreement with Asphalt JV.

Environmental, Health and Safety

We are subject to extensive federal, state and local environmental and safety laws and regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures, pipeline integrity and operator qualifications, among others. Because more stringent environmental and safety laws and regulations are continuously being enacted or proposed, the level of future expenditures required for environmental, health and safety matters is expected to increase.

The balance of and changes in our accruals for environmental matters as of and for the years ended December 31, 2013 and 2012 are included in Note 15 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data.” We believe that we have adequately accrued for our environmental exposures.

Contingencies

We are subject to certain loss contingencies, the outcomes of which could have an adverse effect on our cash flows and results of operations, as further disclosed in Note 16 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data.”

RELATED PARTY TRANSACTIONS

The following table summarizes information pertaining to related party transactions:

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Revenues	$14,897	$1,990	$—
Operating expenses	$122,677	$133,654	$138,324
General and administrative expenses	$58,602	$62,490	$66,220
Interest income	$6,113	$1,219	$—
Revenues included in discontinued operations, net of tax	$3,720	$3,390	$1,039
Expenses included in discontinued operations, net of tax	$6,051	$14,328	$12,238

NuStar GP, LLC

Our operations are managed by NuStar GP, LLC, the general partner of our general partner. Under the services agreement described below, employees of NuStar GP, LLC provide services to both NuStar Energy and NuStar GP Holdings; therefore, we reimburse NuStar GP, LLC for all costs related to its employees, other than costs associated with NuStar GP Holdings.

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

We had a payable to NuStar GP, LLC of $8.3 million and $1.4 million as of December 31, 2013 and 2012, respectively, with both amounts representing payroll, employee benefit plan expenses and unit-based compensation. We also had a long-term

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payable to NuStar GP, LLC as of December 31, 2013 and 2012 of $41.1 million and $18.1 million, respectively, for amounts payable for retiree medical benefits and other post-employment benefits.

Asphalt JV

In connection with the Asphalt Sale, we provided an unsecured revolving credit facility that will be available to fund working capital needs and for general purposes of Asphalt JV in an aggregate principal amount not to exceed $250.0 million for a term of seven years. The NuStar JV Facility matures on September 28, 2019 and bears interest based on either an alternative base rate or a LIBOR-based rate. We recognize interest income over the term of the facility in “Interest income from related party” on the consolidated statements of income. As of December 31, 2013, the interest rate was 3.2%. On December 31, 2013, the face value of our note receivable from Asphalt JV totaled $176.7 million. In addition, during the term of the NuStar JV Facility, we will provide credit support, such as guarantees, letters of credit and cash collateral, as applicable, of up to $150.0 million. As of December 31, 2013, we provided guarantees for commodity purchases, lease obligations and certain utilities for Asphalt JV with a maximum potential exposure of $79.7 million, plus two guarantees to suppliers that do not specify a maximum amount, but for which we believe any amounts due would be minimal. A majority of the guarantees were in existence prior to the Asphalt Sale and have no expiration date. In the event we are obligated to perform under these guarantees, that amount paid by us will be added to borrowings under the NuStar JV Facility, but it will not reduce the availability under the NuStar Facility.

Also, as of December 31, 2013, we had a receivable from Asphalt JV of $50.7 million mainly associated with crude oil sales under our crude oil supply agreement with Asphalt JV. Please refer to Note 19 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data” for a detailed discussion of our other related party transactions with Asphalt JV.

In February 2014, we divested of our remaining 50% ownership interest in Asphalt JV. See Note 29 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data”for additional discussion.

CRITICAL ACCOUNTING POLICIES

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

Depreciation

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

Impairment of Long-Lived Assets

We test long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. We evaluate recoverability using undiscounted estimated net cash flows generated by the related asset or asset group. If the results of that evaluation indicate that the undiscounted cash flows are less than the carrying amount of the asset (i.e, the asset is not recoverable) we perform an impairment analysis. If our intent is to hold the asset for continued use, we determine the amount of impairment as the amount by which the net carrying value exceeds its fair value. If our intent is to sell the asset, and the criteria required to classify an asset as held for sale are met, we determine the amount of impairment as the amount by which the net carrying amount exceeds its fair value less costs to sell.

Impairment of Goodwill

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

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We assess goodwill, and, if necessary, measure impairment for each reporting unit to which goodwill has been allocated, consisting of the following:

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

We recognize an impairment of goodwill if the estimated fair value of goodwill exceeds its carrying value. In order to estimate the fair value of goodwill, management must make certain estimates and assumptions that affect the total fair value of the reporting unit including, among other things, an assessment of market conditions, projected cash flows, discount rates and growth rates. Management's estimates of projected cash flows related to the reporting unit include, but are not limited to, future earnings of the reporting unit, assumptions about the use or disposition of the asset, estimated remaining life of the asset, and future expenditures necessary to maintain the asset's existing service potential.

We calculate the estimated fair value of each of our reporting units using a weighted-average of values calculated using an income approach and a market approach. The income approach involves estimating the fair value of each reporting unit by discounting its estimated future cash flows using a discount rate, consistent with a market participant's assumption. The market approach bases the fair value measurement on information obtained from observed stock prices of public companies and recent merger and acquisition transaction data of comparable entities.

Derivative Financial Instruments

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

Environmental Liabilities

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

Contingencies

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

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

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

In connection with the maturity of the 6.05% senior notes due March 15, 2013 and 5.875% senior notes due June 1, 2013, we terminated forward-starting interest rate swap agreements with an aggregate notional amount of $275.0 million. As a result, we had no forward-starting interest rate swaps outstanding as of December 31, 2013. During 2012, we terminated all of our outstanding fixed-to-floating interest rate swap agreements, which had an aggregate notional amount of $470.0 million. We had no fixed-to-floating interest rate swaps as of December 31, 2013 and 2012. Please refer to Note 2 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplemental Data" for a more detailed discussion of our interest rate swaps.

The following tables present principal cash flows and related weighted-average interest rates by expected maturity dates for our long-term debt.

	December 31, 2013 Expected Maturity Dates							
	2014	2015	2016	2017	2018	There-after	Total	Fair Value
	(Thousands of Dollars, Except Interest Rates)							
Long-term Debt:								
Fixed rate	$—	$—	$—	$—	$350,000	$1,402,500	$1,752,500	$1,767,759
Weighted-average interest rate	—	—	—	—	8.2 %	6.0 %	6.4 %	
Variable rate	$—	$—	$—	$503,036	$—	$365,440	$868,476	$868,975
Weighted-average interest rate	—	—	—	2.2 %	—	0.1 %	1.3 %	

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

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Commodity Price Risk

Since the operations of our fuels marketing segment expose us to commodity price risk, we use derivative instruments to attempt to mitigate the effects of commodity price fluctuations. The derivative instruments we use consist primarily of commodity futures and swap contracts. Please refer to our derivative financial instruments accounting policy in Note 2 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data” for further information.

We have a risk management committee that oversees our trading policies and procedures and certain aspects of risk management. Our risk management committee also reviews all new risk management strategies in accordance with our risk management policy, which was approved by our board of directors.

The commodity contracts disclosed below represent only those contracts exposed to commodity price risk at the end of the period. Please refer to Note 18 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data” for the volume and related fair value of all commodity contracts.

	December 31, 2013			
	Contract Volumes (Thousands of Barrels)	Weighted Average Pay Price	Weighted Average Receive Price	Fair Value of Current Asset (Liability) (Thousands of Dollars)
Fair Value Hedges:				
Futures – long:				
(refined products)	7	$128.38	N/A	$ 3
Futures – short:				
(refined products)	40	N/A	$124.50	$ (170)
Economic Hedges and Other Derivatives:				
Futures – long:				
(crude oil and refined products)	245	$95.67	N/A	$ 682
Futures – short:				
(crude oil and refined products)	179	N/A	$115.09	$ (200)
Swaps – long:				
(refined products)	95	$92.39	N/A	$ (76)
Swaps – short:				
(refined products)	1,377	N/A	$91.18	$ (522)
Forward purchase contracts:				
(crude oil)	1,015	$97.79	N/A	$ 3,171
Forward sales contracts:				
(crude oil)	1,015	N/A	$98.39	$ (2,561)
Total fair value of open positions exposed to commodity price risk				$ 327

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

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our management assessed the effectiveness of NuStar Energy L.P's internal control over financial reporting as of December 31, 2013. In its evaluation, management used the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission (COSO) in Internal Control-Integrated Framework (1992). Based on this assessment, management believes that, as of December 31, 2013, our internal control over financial reporting was effective based on those criteria.

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

The effectiveness of internal control over financial reporting as of December 31, 2013 has been audited by KPMG LLP, the independent registered public accounting firm who audited our consolidated financial statements included in this Form 10-K. KPMG LLP's attestation on the effectiveness of our internal control over financial reporting appears on page 62.

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of NuStar Energy L.P. (a Delaware limited partnership) and subsidiaries (the Partnership) as of December 31, 2013 and 2012, and the related consolidated statements of income (loss), comprehensive income (loss), partners' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NuStar Energy L.P. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NuStar Energy L.P. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2014 expressed an unqualified opinion on the effectiveness of the Partnership's internal control over financial reporting.

/s/ KPMG LLP
San Antonio, Texas
March 3, 2014

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Report of Independent Registered Public Accounting Firm
The Board of Directors of NuStar GP, LLC
and Unitholders of NuStar Energy L.P.:

We have audited NuStar Energy L.P. (a Delaware limited partnership) and subsidiaries' (the Partnership's) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit.

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

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

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

In our opinion, NuStar Energy L.P. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NuStar Energy L.P. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income (loss), comprehensive income (loss), partners' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated March 3, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
San Antonio, Texas
March 3, 2014

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

	December 31, 2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$100,743	$83,602
Accounts receivable, net of allowance for doubtful accounts of $1,224 and $808 as of December 31, 2013 and 2012, respectively	281,310	387,943
Receivable from related parties	51,084	109,833
Inventories	138,147	173,228
Income tax receivable	826	1,265
Other current assets	39,452	65,238
Assets held for sale	21,987	118,334
Total current assets	633,549	939,443
Property, plant and equipment, at cost	4,500,837	4,287,859
Accumulated depreciation and amortization	(1,190,184)	(1,049,399)
Property, plant and equipment, net	3,310,653	3,238,460
Intangible assets, net	71,249	92,435
Goodwill	617,429	951,024
Investment in joint ventures	68,735	102,945
Deferred income tax asset	5,769	3,108
Note receivable from related party, net	165,440	95,711
Other long-term assets, net	159,362	189,963
Total assets	$5,032,186	$5,613,089
Liabilities and Partners’ Equity		
Current liabilities:		
Current portion of long-term debt	$—	$286,422
Accounts payable	298,751	397,633
Payable to related party	8,325	1,408
Accrued interest payable	33,113	23,741
Accrued liabilities	38,632	124,203
Taxes other than income tax	9,745	9,893
Income tax payable	4,006	2,671
Total current liabilities	392,572	845,971
Long-term debt, less current portion	2,655,553	2,124,582
Long-term payable to related party	41,139	18,071
Deferred income tax liability	27,350	32,114
Other long-term liabilities	11,778	7,356
Commitments and contingencies (Note 16)		
Partners’ equity:		
Limited partners (77,886,078 common units outstanding as of December 31, 2013 and 2012)	1,921,726	2,573,263
General partner	43,804	57,986
Accumulated other comprehensive loss	(63,394)	(58,865)
Total NuStar Energy L.P. partners’ equity	1,902,136	2,572,384
Noncontrolling interest	1,658	12,611

Total partners’ equity	1,903,794	2,584,995
Total liabilities and partners’ equity	$5,032,186	$5,613,089

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2013	2012	2011
Revenues:			
Service revenues	$938,138	$870,157	$820,623
Product sales	2,525,594	5,075,579	5,437,006
Total revenues	3,463,732	5,945,736	6,257,629
Costs and expenses:			
Cost of product sales	2,453,997	4,930,174	5,175,710
Operating expenses:			
Third parties	331,719	392,491	367,889
Related party	122,677	133,654	138,324
Total operating expenses	454,396	526,145	506,213
General and administrative expenses:			
Third parties	32,484	42,266	36,830
Related party	58,602	62,490	66,220
Total general and administrative expenses	91,086	104,756	103,050
Depreciation and amortization expense	178,921	159,789	161,773
Goodwill impairment loss	304,453	22,132	—
Asset impairment loss	—	249,646	—
Gain on legal settlement	—	(28,738)	—
Total costs and expenses	3,482,853	5,963,904	5,946,746
Operating (loss) income	(19,121)	(18,168)	310,883
Equity in (loss) earnings of joint ventures	(39,970)	(9,378)	11,458
Interest expense, net	(127,119)	(90,535)	(81,539)
Interest income from related party	6,113	1,219	—
Other income (expense), net	7,341	(24,689)	(3,573)
(Loss) income from continuing operations before income tax expense	(172,756)	(141,551)	237,229
Income tax expense	12,753	24,450	18,555
(Loss) income from continuing operations	(185,509)	(166,001)	218,674
(Loss) income from discontinued operations, net of tax	(99,162)	(61,236)	2,927
Net (loss) income	(284,671)	(227,237)	221,601
Less (loss) income attributable to noncontrolling interest	(10,901)	(621)	140
Net (loss) income attributable to NuStar Energy L.P.	$(273,770)	$(226,616)	$221,461
Net (loss) income per unit applicable to limited partners:			
Continuing operations	$(2.89)	$(2.79)	$2.74
Discontinued operations	(1.11)	(0.82)	$0.04
Total (Note 23)	$(4.00)	$(3.61)	$2.78
Weighted-average limited partner units outstanding	77,886,078	72,957,417	65,018,301

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2013	2012	2011
Net (loss) income	$(284,671)	$(227,237)	$221,601
Other comprehensive (loss) income:			
Foreign currency translation adjustment, net of income tax expense of $0, $414 and $458	(19,364)	10,677	(18,431)
Net unrealized gain (loss) on cash flow hedges	7,213	(94,269)	(53,452)
Net loss (gain) reclassified into income on cash flow hedges	7,570	53,232	(5,030)
Total other comprehensive loss	(4,581)	(30,360)	(76,913)
Comprehensive (loss) income	(289,252)	(257,597)	144,688
Less comprehensive (loss) income attributable to noncontrolling interest	(10,953)	477	(2,866)
Comprehensive (loss) income attributable to NuStar Energy L.P.	$(278,299)	$(258,074)	$147,554

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2013	2012	2011
Cash Flows from Operating Activities:			
Net (loss) income	$(284,671)	$(227,237)	$221,601
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization expense	184,363	170,651	168,286
Amortization of debt related items	4,329	(7,016)	(12,392)
Loss (gain) on sale or disposition of assets	(7,829)	26,902	(262)
Asset and goodwill impairment loss	406,982	271,778	—
Gain on legal settlement	—	(28,738)	—
Deferred income tax (benefit) expense	(6,739)	1,542	4,351
Equity in loss (earnings) of joint ventures	39,970	9,378	(11,458)
Distributions of equity in earnings of joint ventures	7,956	6,364	14,374
Changes in current assets and current liabilities (Note 24)	112,776	90,247	(265,453)
Other, net	28,082	(14,668)	(24,579)
Net cash provided by operating activities	485,219	299,203	94,468
Cash Flows from Investing Activities:			
Capital expenditures	(343,320)	(410,595)	(335,660)
Change in accounts payable related to capital expenditures	(5,384)	—	—
Acquisitions	—	(315,810)	(100,690)
Investment in other long-term assets	—	(2,610)	(8,990)
Proceeds from sale or disposition of assets	119,006	478,926	2,086
Increase in note receivable from related party	(80,961)	(95,711)	—
Other, net	(302)	—	—
Net cash used in investing activities	(310,961)	(345,800)	(443,254)
Cash Flows from Financing Activities:			
Proceeds from long-term debt borrowings	1,738,451	2,549,145	915,749
Proceeds from short-term debt borrowings	—	71,880	33,800
Proceeds from note offering, net of issuance costs	686,863	247,398	—
Long-term debt repayments	(2,150,743)	(2,648,475)	(768,150)
Short-term debt repayments	—	(71,880)	(33,800)
Proceeds from issuance of common units, net of issuance costs	—	336,415	317,285
Contributions from general partner	—	7,121	6,708
Distributions to unitholders and general partner	(392,204)	(365,279)	(322,046)
(Payments for) proceeds from termination of interest rate swaps	(33,697)	(5,678)	33,433
Other, net	1,980	(9,978)	3,742
Net cash (used in) provided by financing activities	(149,350)	110,669	186,721
Effect of foreign exchange rate changes on cash	(7,767)	2,033	(1,559)
Net increase (decrease) in cash and cash equivalents	17,141	66,105	(163,624)
Cash and cash equivalents as of the beginning of the period	83,602	17,497	181,121
Cash and cash equivalents as of the end of the period	$100,743	$83,602	$17,497

See Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
Years Ended December 31, 2013, 2012 and 2011
(Thousands of Dollars, Except Unit Data)

	Limited Partners		General Partner	Accumulated Other Comprehensive Income (Loss)	Total NuStar Energy L.P. Partners' Equity	Noncontrolling Interest	Total Partners' Equity
	Units	Amount					
Balance as of January 1, 2011	64,610,549	$2,598,873	$57,327	$ 46,500	$2,702,700	$ —	$2,702,700
Acquisition	—	—	—	—	—	15,000	15,000
Net income	—	181,439	40,022	—	221,461	140	221,601
Other comprehensive loss	—	—	—	(73,907)	(73,907)	(3,006)	(76,913)
Cash distributions to partners	—	(280,528)	(41,518)	—	(322,046)	—	(322,046)
Issuance of common units, including contribution from general partner	6,145,529	317,285	6,708	—	323,993	—	323,993
Balance as of December 31, 2011	70,756,078	2,817,069	62,539	(27,407)	2,852,201	12,134	2,864,335
Net (loss) income	—	(262,502)	35,886	—	(226,616)	(621)	(227,237)
Other comprehensive (loss) income	—	—	—	(31,458)	(31,458)	1,098	(30,360)
Cash distributions to partners	—	(317,719)	(47,560)	—	(365,279)	—	(365,279)
Issuance of common units, including contribution from general partner	7,130,000	336,739	7,121	—	343,860	—	343,860
Other	—	(324)	—	—	(324)	—	(324)
Balance as of December 31, 2012	77,886,078	2,573,263	57,986	(58,865)	2,572,384	12,611	2,584,995
Net (loss) income	—	(310,652)	36,882	—	(273,770)	(10,901)	(284,671)
Other comprehensive loss	—	—	—	(4,529)	(4,529)	(52)	(4,581)
Cash distributions to partners	—	(341,140)	(51,064)	—	(392,204)	—	(392,204)
Other	—	255	—	—	255	—	255

Balance as of December 31, 2013	77,886,078	$1,921,726	$43,804	$ (63,394)	$1,902,136	$ 1,658	$1,903,794

See Notes to Consolidated Financial Statements.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2013, 2012 and 2011

1. ORGANIZATION AND OPERATIONS

Organization

NuStar Energy L.P. (NuStar Energy) (NYSE: NS) is engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and the marketing of petroleum products. Unless otherwise indicated, the terms "NuStar Energy L.P.," "the Partnership," "we," "our" and "us" are used in this report to refer to NuStar Energy L.P., to one or more of our consolidated subsidiaries or to all of them taken as a whole. NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) owns our general partner, Riverwalk Logistics, L.P., and owns a 14.9% total interest in us as of December 31, 2013.

Operations

We conduct our operations through our subsidiaries, primarily NuStar Logistics, L.P. (NuStar Logistics) and NuStar Pipeline Operating Partnership L.P. (NuPOP). We have three business segments: storage, pipeline and fuels marketing.

Storage. We own terminal and storage facilities in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom and Turkey providing approximately 84.8 million barrels of storage capacity. Our terminals and storage facilities provide storage and handling services on a fee basis for petroleum products, specialty chemicals and other liquids, including crude oil and other feedstocks.

Pipeline. We own common carrier refined product pipelines in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota covering approximately 5,463 miles, consisting of the Central West System, the East Pipeline and the North Pipeline. The East and North Pipelines also include 21 terminals providing storage capacity of 4.9 million barrels, and the East Pipeline includes two tank farms providing storage capacity of 1.4 million barrels. In addition, we own a 2,000 mile anhydrous ammonia pipeline located in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska. We also own 1,180 miles of crude oil pipelines in Texas, Oklahoma, Kansas, Colorado and Illinois, as well as associated crude oil terminal and storage facilities providing storage capacity of 3.4 million barrels in Texas and Oklahoma that are located along the crude oil pipelines. We charge tariffs on a per barrel basis for transporting refined products, crude oil and other feedstocks in our refined product and crude oil pipelines and on a per ton basis for transporting anhydrous ammonia in our ammonia pipeline.

Fuels Marketing. In 2013, we changed the name of the "Asphalt and Fuels Marketing" segment to the "Fuels Marketing" segment since this name more accurately reflects the operations that remain after our deconsolidation of NuStar Asphalt LLC in 2012 and the sale of our fuels refinery in San Antonio, Texas (the San Antonio Refinery) on January 1, 2013. Within our fuels marketing operations, we purchase crude oil and refined petroleum products for resale.

Our fuels marketing segment includes our fuels marketing operations and, through September 28, 2012, our asphalt operations. On September 28, 2012, we sold a 50% ownership interest in NuStar Asphalt LLC, previously a wholly owned subsidiary, and started reporting our remaining investment using the equity method of accounting. Therefore, the results of our asphalt operations are reported in "Equity in (loss) earnings of joint ventures" in the consolidated statements of income beginning on September 28, 2012. In addition, we have presented the results of operations for the San Antonio Refinery and related assets, previously reported in the fuels marketing and pipeline segments, as discontinued operations for all periods presented. See Note 5 for additional discussion.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

Use of Estimates
The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, management reviews their estimates based on currently available information. Management may revise estimates due to changes in facts and circumstances.
Cash and Cash Equivalents
Cash equivalents are all highly liquid investments with an original maturity of three months or less when acquired.
Restricted Cash
Restricted cash is cash held in escrow restricted to use under certain contractual obligations. Restricted cash is included in "Other current assets" in the consolidated balance sheets.
Accounts Receivable
Accounts receivable represent valid claims against non-affiliated customers for products sold or services rendered. We extend credit terms to certain customers after review of various credit indicators, including the customer's credit rating. Outstanding customer receivable balances are regularly reviewed for possible non-payment indicators and allowances for doubtful accounts are recorded based upon management's estimate of collectability at the time of their review.
Inventories
Inventories consist of crude oil, refined petroleum products, and materials and supplies. Inventories, except those associated with a qualifying fair value hedge, are valued at the lower of cost or market. Cost is determined using the weighted-average cost method. Our inventory, other than materials and supplies, consists of one end-product category, petroleum products, which we include in the fuels marketing segment. Accordingly, we determine lower of cost or market adjustments on an aggregate basis. Inventories associated with qualifying fair value hedges are valued at current market prices. Materials and supplies are valued at the lower of average cost or market.
Property, Plant and Equipment
We record additions to property, plant and equipment, including reliability and strategic capital expenditures, at cost. Reliability capital expenditures are capital expenditures to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets and extend their useful lives. Strategic capital expenditures are capital expenditures to expand or upgrade the operating capacity, increase efficiency or increase the earnings potential of existing assets, whether through construction or acquisition, along with certain capital expenditures related to support functions. Repair and maintenance costs associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred.
Depreciation of property, plant and equipment is recorded on a straight-line basis over the estimated useful lives of the related assets. Gains or losses on sales or other dispositions of property are recorded in income and are reported in "Other income (expense), net" in the consolidated statements of income. When property or equipment is retired or otherwise disposed of, the difference between the carrying value and the net proceeds is recognized in the year retired.
Goodwill and Intangible Assets
Goodwill acquired in a business combination is not amortized. Instead, we assess goodwill for impairment annually on October 1, or more frequently if events or changes in circumstances indicate it might be impaired. We first assess qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment test. As of October 1, 2012 and 2011, based on our review of the qualitative factors present, we determined that a quantitative goodwill impairment test was not necessary, and no goodwill impairment had occurred. We performed a quantitative goodwill impairment test as of October 1, 2013.
We calculate the estimated fair value of each of our reporting units using a weighted-average of values calculated using an income approach and a market approach. The income approach involved estimating the fair value of each reporting unit by discounting its estimated future cash flows using a discount rate, consistent with a market

participant's assumption. The market approach bases the fair value measurement on information obtained from observed stock prices of public companies and recent merger and acquisition transaction data of comparable entities.

Our reporting units to which goodwill has been allocated consist of the following:

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

The quantitative impairment test for goodwill consists of a two-step process. Step 1 compares the fair value of the reporting unit to its carrying value including goodwill. The carrying value of each reporting unit equals the total identified assets (including goodwill) less the sum of each reporting unit's identified current and long term liabilities. We used reasonable and supportable methods to assign the assets and liabilities to the appropriate reporting units in a consistent manner. If the carrying value exceeds fair value, there is a potential impairment and Step 2 must be performed to determine the amount of goodwill impairment. Step 2 compares the carrying value of the reporting unit's goodwill to its implied fair value using a hypothetical allocation of the reporting unit's fair value. If the goodwill carrying value exceeds its implied fair value, the excess is reported as impairment. See Note 6 for a discussion of the goodwill impairment recognized in 2013.

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

Investment in Joint Ventures

We account for our investment in the joint ventures using the equity method of accounting. We report our ownership interest in our equity method investments within "Investment in joint ventures" on the consolidated balance sheet and our portion of the results of operations for our equity method investments in "Equity in (loss) earnings of joint ventures" in the statements of income (loss). See Note 12 for a discussion of our investments in NuStar Asphalt LLC and St Linden Terminals, LLC.

Note Receivable from Related Party

The note receivable from related party consists of the amounts due to us from Asphalt JV under a $250.0 million unsecured revolving credit facility. The note receivable is recorded at the outstanding principal amount, adjusted for equity losses from our investment in Asphalt JV that exceeded the carrying value of our investment in Asphalt JV, and for the fair value of guarantees issued under the NuStar JV Facility. We recognize interest income ratably over the term of the facility in "Interest income from related party" on the consolidated statements of income. See Note 19 for additional information on our agreements with Asphalt JV.

Other Long-Term Assets

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

- funds deposited with a trustee related to revenue bonds issued by the Parish of St. James associated with our St. James terminal expansion (see Note 14 for additional information on the Gulf Opportunity Zone Revenue Bonds);
- ammonia pipeline linefill and tank heel inventory;
- deferred financing costs amortized over the life of the related debt obligation using the effective interest method; and
- long-term derivative assets.

Impairment of Long-Lived Assets

We review long-lived assets, including property, plant and equipment and investment in joint ventures, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We evaluate recoverability using undiscounted estimated net cash flows generated by the related asset or asset group. If the results of that evaluation indicate that the undiscounted cash flows are less than the carrying amount of the asset (i.e, the asset is not recoverable) we perform an impairment analysis. If our intent is to hold the asset for continued use, we determine the amount of impairment as the amount by which the net carrying value exceeds its fair value. If our intent is to sell the asset, and the criteria required to classify an asset as held for sale are met, we determine the amount of impairment as the amount by which the net carrying amount exceeds its fair value less costs to sell. We believe that the carrying amounts of our long-lived assets as of December 31, 2013 are recoverable. See Note 5 for a discussion of impairments of long-lived assets.

Taxes Other than Income Taxes

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

Income Taxes

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

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

We recognize a tax position if it is more-likely-than-not that the tax position will be sustained, based on the technical merits of the position, upon examination. We record uncertain tax positions in the financial statements at the largest amount of benefit that is more-likely-than-not to be realized. We had no unrecognized tax benefits as of December 31, 2013 and 2012.

NuStar Energy and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. For U.S. federal and state purposes, tax years subject to examination are 2009 through 2013 and for our major non-U.S. jurisdictions, tax years subject to examination are 2009 through 2013, both according to standard statute of limitations. NuStar has waived the statute of limitations for limited items for the tax years 2006 and 2007 as a result of an income tax audit in Canada that is currently being appealed in the Tax Court of Canada.

Asset Retirement Obligations

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

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

We also have legal obligations in the form of leases and right-of-way agreements, which require us to remove certain of our assets upon termination of the agreement. However, these lease or right-of-way agreements generally contain automatic renewal provisions that extend our rights indefinitely or we have other legal means available to extend our rights. We have recorded a liability of approximately $0.6 million as of December 31, 2013 and 2012, which is included in “Other long-term liabilities” in the consolidated balance sheets, for conditional asset retirement obligations related to the retirement of terminal assets with lease and right-of-way agreements.

Environmental Remediation Costs

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

Product Imbalances

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

Revenue Recognition

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

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

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

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

Income Allocation

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

Net Income per Unit Applicable to Limited Partners

We have identified the general partner interest and incentive distribution rights (IDR) as participating securities and use the two-class method when calculating the net income per unit applicable to limited partners, which is based on the weighted-average number of common units outstanding during the period. Basic and diluted net income per unit applicable to limited partners are the same as we have no potentially dilutive securities outstanding.

Comprehensive Income

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

Derivative Financial Instruments

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

We record commodity derivative instruments in the consolidated balance sheets at fair value. We recognize mark-to-market adjustments for derivative instruments designated and qualifying as fair value hedges (Fair Value Hedges) and the related change in the fair value of the associated hedged physical inventory or firm commitment within "Cost of product sales." For derivative instruments designated and qualifying as cash flow hedges (Cash Flow Hedges), we record the effective portion of mark-to-market adjustments as a component of "Accumulated other comprehensive income" (AOCI) until the underlying hedged forecasted transactions occur and are recognized in income. Any hedge ineffectiveness is recognized immediately in "Cost of product sales." Once a hedged transaction occurs, we reclassify the effective portion from AOCI to "Cost of product sales." If it becomes probable that a hedged transaction will not occur, then the associated gains or losses are reclassified from AOCI to "Cost of product sales" immediately. For derivative instruments that have associated underlying physical inventory but do not qualify for hedge accounting (Economic Hedges and Other Derivatives), we record the mark-to-market adjustments in "Cost of product sales" or "Operating expenses."

We were a party to forward-starting interest rate swap agreements for the purpose of hedging the interest rate risk associated with forecasted probable debt issuances. Under the terms of these swap agreements, we paid a fixed rate and received a rate based on three month USD LIBOR. We entered into the swaps in order to hedge the risk of changes in the interest payments attributable to changes in the benchmark interest rate during the period from the effective date of the swap to the issuance of the forecasted debt. We accounted for the forward-starting interest rate swaps as Cash Flow Hedges, and we recognized the fair value of each interest rate swap in the consolidated balance sheets. We recorded the effective portion of mark-to-market adjustments as a component of AOCI, and any hedge ineffectiveness was recognized immediately in "Interest expense, net." The amount accumulated in AOCI is amortized into "Interest expense, net" over the term of the forecasted debt as the interest payments occur or if the interest payments are probable not to occur. We terminated all remaining forward-starting interest rate swaps during the year ended December 31, 2013.

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

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

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

See Note 18 for additional information regarding our derivative financial instruments.

Operating Leases

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

Unit-based Compensation

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

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

Under these long-term incentive plans, certain awards provide that the grantee's award vests immediately upon retirement or that the grantee's award will continue to vest on schedule after retirement. Compensation expense is recognized immediately if these awards are granted to retirement-eligible employees. In addition, if, during a vesting period of a grant, the grantee will become retirement-eligible, then compensation expense associated with the grant is recognized from the grant date through the grantee's retirement eligibility date. Currently, employees are typically retirement eligible at age 55.

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

Margin Deposits

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

Foreign Currency Translation

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

Reclassifications

Certain previously reported amounts in the 2012 and 2011 consolidated financial statements and notes have been reclassified to conform to the 2013 presentation. As further discussed in Note 5, we reclassified certain storage assets as "Assets held for sale" on the consolidated balance sheet as of December 31, 2013. As a result, we have presented the results of operations for these assets, previously reported in the storage segment, as discontinued operations for all periods presented.

3. NEW ACCOUNTING PRONOUNCEMENTS

Balance Sheet Offsetting

In December 2011, the Financial Accounting Standards Board (FASB) amended the disclosure requirements with respect to offsetting assets and liabilities. The amended guidance requires new disclosures to enable users of financial statements to reconcile differences in the offsetting requirements under U.S. GAAP and International Financial Reporting Standards. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In January 2013, the FASB further amended and clarified the scope of balance sheet offsetting disclosure requirements. The amended guidance limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement. The disclosures are required irrespective of whether the transactions are offset in the consolidated balance sheets. The amended guidance is effective for annual and interim reporting periods beginning on or after January 1, 2013, and retrospective application is required. Accordingly, we adopted the amended guidance January 1, 2013, and it did not have a material impact on our disclosures.

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Other Comprehensive Income
In February 2013, the FASB further amended the disclosure requirements for the presentation of comprehensive income.
The amended guidance requires that entities present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The amended guidance is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. Accordingly, we adopted the amended guidance January 1, 2013, and it did not have a material impact on our disclosures.

4. ACQUISITIONS

Completed During 2012
TexStar Asset Acquisition. On December 13, 2012, NuStar Logistics acquired the TexStar Crude Oil Assets (as defined below), including 100% of the partnership interest in TexStar Crude Oil Pipeline, LP, from TexStar Midstream Services, LP and certain of its affiliates (collectively, TexStar) for $325.4 million (the TexStar Asset Acquisition), pursuant to an Asset Purchase Agreement (the Purchase Agreement). The TexStar Crude Oil Assets consist of approximately 140 miles of crude oil pipelines and gathering lines, as well as five terminals and storage facilities providing 0.6 million barrels of storage capacity. The consolidated statements of income include the results of operations for the TexStar Asset Acquisition in the pipeline segment commencing on December 13, 2012.
We accounted for the TexStar Asset Acquisition using the acquisition method. The fair value of the consideration transferred was allocated based on the estimated fair values of the individual assets acquired and liabilities assumed at the date of acquisition. The purchase price and purchase price allocation was as follows (in thousands of dollars):

Cash paid for the TexStar Asset Acquisition	$ 315,810
Fair value of liabilities assumed	9,600
Purchase price	$ 325,410
Accounts receivable	$ 537
Property, plant and equipment	125,614
Goodwill	131,359
Intangible assets	67,900
Purchase price allocation	$ 325,410

Completed During 2011
San Antonio Refinery. On April 19, 2011, we purchased certain refining and storage assets, inventory and other working capital items from AGE Refining, Inc. for $62.0 million, including the assumption of certain environmental liabilities. The assets consisted of a 14,500 barrel per day refinery in San Antonio, Texas and 0.4 million barrels of aggregate storage capacity (the San Antonio Refinery Acquisition). The final purchase price was allocated based on the estimated fair values of the individual assets acquired and liabilities assumed at the date of acquisition. On January 1, 2013, we sold the refinery and related assets; see Note 5 for additional discussion of the sale.
Turkey Acquisition. On February 9, 2011, we acquired 75% of the outstanding capital of a Turkish company, which owns two terminals in Mersin, Turkey, with an aggregate 1.4 million barrels of storage capacity, for approximately $57.0 million (the Turkey Acquisition). Both terminals are connected via pipelines to an offshore platform located approximately three miles off the Mediterranean Sea coast. The Turkey Acquisition was accounted for using the acquisition method. The purchase price was allocated based on the estimated fair values of the individual assets acquired, liabilities assumed and noncontrolling interest at the date of acquisition.

5. DISPOSITIONS AND ASSETS HELD FOR SALE

Terminals Held for Sale

As of December 31, 2013, we identified several non-strategic, underperforming terminal facilities and decided to divest those facilities. As a result, we reclassified the associated assets as “Assets held for sale” on the consolidated balance sheet. We presented the results of operations for those facilities, which were previously reported in the storage segment, as discontinued operations for all periods presented. We allocated interest expense of $1.4 million, $0.8 million and $0.6 million for the years ended December 31, 2013, 2012 and 2011, respectively, to discontinued operations based on the ratio of net assets discontinued to consolidated net assets.

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

In connection with the plan for disposal, we determined that the estimated fair value, less cost to sell, was less than the carrying amount of each disposal group, resulting in an impairment loss of $102.5 million. Since these terminal facilities met the required criteria to be classified as assets held for sale on the consolidated balance sheet, we recorded the impairment loss in "(Loss) income from discontinued operations, net of tax" on the consolidated statement of income for the year ended December 31, 2013.

The impairment loss consisted of the following:

	Year Ended December 31, 2013 (Thousands of Dollars)
Property, plant and equipment, net	$68,213
Intangible assets, net (customer relationships)	6,856
Goodwill	27,460
Asset impairment loss	$102,529

San Antonio Refinery Sale
On January 1, 2013, we sold the San Antonio Refinery and related assets, which included inventory, a terminal in Elmendorf, Texas and a pipeline connecting the terminal and refinery for approximately $117.0 million (the San Antonio Refinery Sale). As of December 31, 2012, we reclassified the assets related to the San Antonio Refinery as "Assets held for sale" on the consolidated balance sheet. The liabilities held for sale related to the San Antonio Refinery are included within "Accrued liabilities" on the consolidated balance sheet. We have presented the results of operations for the San Antonio Refinery and related assets, previously reported in the fuels marketing and pipeline segments, as discontinued operations for all periods presented. We allocated interest expense of $3.9 million and $2.0 million for the years ended December 31, 2012 and 2011, respectively, to discontinued operations based on the ratio of net assets discontinued to consolidated net assets. We recognized a gain of $9.3 million on the sale, which is included in discontinued operations for the year ended December 31, 2013.

The following table summarizes the results from discontinued operations for the terminal facilities held for sale and the San Antonio Refinery:

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Revenues	$7,758	$571,071	$317,626
Income (loss) before income tax expense	$(106,033)	$(63,165)	$1,251

The total assets and liabilities held for sale consisted of the following:

	December 31,	
	2013	2012
	(Thousands of Dollars)	
Inventories	$—	$15,939
Property, plant and equipment, net	21,987	96,745

Other long-term assets, net	—	5,650
Assets held for sale	$21,987	$118,334
Accrued liabilities (environmental reserve)	$—	$289
Other long-term liabilities (environmental reserve)	—	7,621
Liabilities held for sale	$—	$7,910

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Asphalt Sale
On September 28, 2012, we sold a 50% ownership interest (the Asphalt Sale) in NuStar Asphalt LLC (Asphalt JV), previously a wholly owned subsidiary, to an affiliate of Lindsay Goldberg LLC (Lindsay Goldberg), a private investment firm. Asphalt JV owns and operates the asphalt refining assets that were previously wholly owned by NuStar Energy, including an asphalt refinery located in Paulsboro, New Jersey and a terminal in Savannah, Georgia (collectively, the Asphalt Operations). Lindsay Goldberg paid $175.0 million for the Class A equity interests (Class A Interests) of Asphalt JV, while we retained the Class B equity interests with a fair value of $52.0 million (Class B Interests). The Class A Interests have a distribution preference over the Class B Interests, as well as a liquidation preference. We also received $263.8 million from Asphalt JV for inventory related to the Asphalt Operations.

Deconsolidation. We determined the equity of Asphalt JV is not sufficient to finance its activities without additional subordinated support, including support provided by us as described in Note 19. Therefore, we determined Asphalt JV is a variable interest entity (VIE). An entity is required to consolidate a VIE if the entity is considered the primary beneficiary of the VIE. We analyzed our relationship with Asphalt JV, including our representation on the board of managers, our equity interests and our rights under the various agreements with Asphalt JV and determined that we do not have the power to direct the activities most significant to the economic performance of Asphalt JV. As a result, we are not the primary beneficiary of Asphalt JV. Upon closing, we deconsolidated Asphalt JV and started reporting our remaining investment in Asphalt JV using the equity method of accounting. At closing, the fair value of the consideration we received was less than the carrying amount of the net assets of the Asphalt Operations upon deconsolidation, and we recognized a loss of $23.8 million in “Other income (expense), net” in the consolidated statements of income for the year ended December 31, 2012. Because of our continued involvement with Asphalt JV, we have not presented the results of operations for the Asphalt Operations prior to closing as discontinued operations. Beginning on September 28, 2012, we have presented transactions between us and Asphalt JV as related party transactions in the consolidated financial statements.

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

The Asphalt Operations asset impairment loss consisted of the following:

	Year Ended December 31, 2012 (Thousands of Dollars)
Property, plant and equipment, net	$ 232,759

Intangible assets, net	6,564
Other long-term assets, net	4,902
Asset impairment loss	$ 244,225

In February 2014, we divested of our remaining 50% ownership interest in Asphalt JV. See Note 29 for additional discussion.

Terminal Sales

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

6. GOODWILL

2013 Goodwill Impairment

The estimated fair value was less than the carrying value of the Statia Terminals reporting unit. To determine the amount of goodwill impairment loss, we first considered whether any other assets assigned to the Statia Terminals reporting unit were impaired. The only significant assets of this reporting unit, other than goodwill, consist of property, plant and equipment, which we determined were fully recoverable. The hypothetical fair value allocation for the Statia Terminals reporting unit indicated the estimated fair value of goodwill was $0. As a result, we recognized a $304.5 million goodwill impairment charge in the fourth quarter of 2013, which represents all of the goodwill allocated to the Statia Terminals reporting unit.

The goodwill impairment charge resulted from changes in demand for storage at our St. Eustatius and Point Tupper terminal locations. Increased supply from various shale formations within the U.S. has reduced the need for storage at these locations, which historically functioned as break bulk facilities for light crude moving from foreign sources into the U.S. These changes in crude flow patterns, as well as the backwardation of the forward pricing curve, reduced demand at these terminals. Primarily resulting from those factors, a customer at our St. Eustatius terminal vacated a significant portion of its storage in the fourth quarter of 2013.

Changes in the carrying amount of goodwill by segment were as follows:

	Storage	Pipeline	Fuels Marketing	Total
	(Thousands of Dollars)			
Balances as of January 1, 2012				
Goodwill	$618,614	$174,848	$53,255	$846,717
Accumulated impairment losses	—	—	—	—
Net goodwill	618,614	174,848	53,255	846,717
TexStar Asset Acquisition preliminary purchase price allocation	—	127,896	—	127,896
Asphalt Operations impairment	—	—	(22,132)	(22,132)
Terminal sales (a)	(3,764)	—	—	(3,764)
Other (b)	2,307	—	—	2,307
Balances as of December 31, 2012				
Goodwill	617,157	302,744	53,255	973,156
Accumulated impairment losses	—	—	(22,132)	(22,132)
Net goodwill	617,157	302,744	31,123	951,024
TexStar Asset Acquisition final purchase price allocation	—	3,463	—	3,463
Impairments	(331,913)	—	—	(331,913)
Other (b)	(5,145)	—	—	(5,145)
Balances as of December 31, 2013				
Goodwill	612,012	306,207	53,255	971,474
Accumulated impairment losses	(331,913)	—	(22,132)	(354,045)
Net goodwill	$280,099	$306,207	$31,123	$617,429

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

currency translation adjustments.

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7. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Balance as of beginning of year	$808	$2,147	$1,457
Increase in allowance	1,039	27	934
Accounts charged against the allowance, net of recoveries	(625)	(1,367)	(243)
Foreign currency translation	2	1	(1)
Balance as of end of year	$1,224	$808	$2,147

8. INVENTORIES

Inventories consisted of the following:

	December 31,	
	2013	2012
	(Thousands of Dollars)	
Crude oil	$6,485	$447
Finished products	123,656	164,894
Materials and supplies	8,006	7,887
Total	$138,147	$173,228

Our finished products consist of intermediates, gasoline, distillates and other petroleum products. Materials and supplies mainly consist of blending and additive chemicals and maintenance materials used in our pipeline and storage segments.

9. OTHER CURRENT ASSETS

Other current assets consisted of the following:

	December 31,	
	2013	2012
	(Thousands of Dollars)	
Prepaid expenses	$16,487	$18,008
Restricted cash	9,316	15,227
Derivative assets	4,948	9,358
Margin deposits	3,285	6,192
Product advances	3,076	14,764
Product imbalances	1,980	1,232
Other	360	457
Other current assets	$39,452	$65,238

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

10. PROPERTY, PLANT AND EQUIPMENT

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

	Estimated Useful Lives (Years)	December 31, 2013	2012
		(Thousands of Dollars)	
Land	—	$129,731	$133,341
Land and leasehold improvements	10 - 35	142,122	110,575
Buildings	15 - 40	133,531	120,499
Pipelines, storage and terminals	20 - 35	3,787,499	3,531,925
Rights-of-way	20 - 40	155,833	148,021
Construction in progress	—	152,121	243,498
Total		4,500,837	4,287,859
Less accumulated depreciation and amortization		(1,190,184)	(1,049,399)
Property, plant and equipment, net		$3,310,653	$3,238,460

Capitalized interest costs added to property, plant and equipment totaled $4.5 million, $7.7 million and $5.4 million for the years ended December 31, 2013, 2012 and 2011, respectively. Depreciation and amortization expense for property, plant and equipment totaled $168.8 million, $157.8 million and $157.2 million for the years ended December 31, 2013, 2012 and 2011, respectively, including depreciation expense included in "(Loss) income from discontinued operations, net of tax" on the consolidated statements of income.

11. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	December 31, 2013		December 31, 2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(Thousands of Dollars)			
Customer relationships	$127,614	$(58,230)	$137,470	$(46,951)
Other	2,359	(494)	2,359	(443)
Total	$129,973	$(58,724)	$139,829	$(47,394)

All of our intangible assets are subject to amortization. Amortization expense for intangible assets was $13.8 million, $7.8 million and $8.3 million for the years ended December 31, 2013, 2012 and 2011, respectively. The estimated aggregate amortization expense for the next five years is as follows:

	Amortization Expense (Thousands of Dollars)
2014	$12,579
2015	$9,709
2016	$6,840
2017	$6,840
2018	$6,840

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12. INVESTMENT IN JOINT VENTURES

Summary Financial Information

Condensed combined financial information related to our joint ventures is presented below:

	December 31,	
	2013	2012
	(Thousands of Dollars)	
Balance Sheet Information:		
Current assets	$263,683	$375,686
Long-term assets	300,484	289,584
Total assets	$564,167	$665,270
Current liabilities	$118,720	$185,525
Long-term liabilities	273,220	231,559
Total liabilities	391,940	417,084
Total equity	172,227	248,186
Total liabilities and equity	$564,167	$665,270

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Statement of (Loss) Income Information:			
Revenues	$1,623,155	$458,816	$36,419
Operating (loss) income	$(45,373)	$(4,801)	$23,062
Net (loss) income	$(59,963)	$(12,418)	$23,066

NuStar Asphalt LLC. Asphalt JV is owned 50% by the Partnership and 50% by Lindsay Goldberg. Asphalt JV owns and operates the asphalt refining assets that were previously wholly owned by NuStar Energy, including an asphalt refinery located in Paulsboro, New Jersey and a terminal in Savannah, Georgia.

During the year ended December 31, 2013, our equity in loss of joint ventures included a $49.6 million loss from our investment in Asphalt JV, which exceeded our investment in Asphalt JV. From the point our investment in Asphalt JV reached $0, we recorded additional losses of $13.1 million, as a reduction of the carrying value of the note receivable from Asphalt JV. See Note 19 for a discussion of our agreements with Asphalt JV. In February 2014, we divested of our remaining 50% ownership interest in Asphalt JV. See Note 29 for additional discussion.

ST Linden Terminals, LLC. The 44-acre facility provides deep-water terminalling capabilities at New York Harbor and primarily stores petroleum products, including gasoline, jet fuel and fuel oils. As part of our acquisition of Kaneb Pipeline Partners, L.P. and Kaneb Services LLC in July 2005 (the Kaneb Acquisition), we acquired an investment in ST Linden Terminals, LLC (Linden). Linden is owned 50% by the Partnership and 50% by NIC Holding Corp. In connection with the Kaneb Acquisition, we recorded our investment in Linden at fair value, which exceeded our 50% share of its members' equity. This excess totaled $42.6 million and $43.0 million as of December 31, 2013 and 2012, respectively, a portion of which is being amortized into expense over the average life of the assets held by Linden, or 25 years. The remaining balance not amortized represents goodwill of Linden.

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13. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	December 31, 2013	2012
	(Thousands of Dollars)	
Derivative liabilities	$2,233	$60,121
Employee wages and benefit costs	16,698	15,381
Unearned income	8,225	10,476
TexStar Asset Acquisition contingent consideration	1,318	9,600
Liabilities held for sale	—	7,910
Other	10,158	20,715
Accrued liabilities	$38,632	$124,203

14. DEBT

Long-term debt consisted of the following:

	Maturity	December 31, 2013	2012
		(Thousands of Dollars)	
$1.5 billion revolving credit agreement	2017	$503,036	$440,330
4.75% senior notes	2022	250,000	250,000
6.75% senior notes	2021	300,000	—
4.80% senior notes	2020	450,000	450,000
7.65% senior notes	2018	350,000	350,000
6.05% senior notes	2013	—	229,932
5.875% senior notes	2013	—	250,000
7.625% subordinated notes	2043	402,500	—
Gulf Opportunity Zone revenue bonds	2038 thru 2041	365,440	365,440
UK term loan	2013	—	34,142
Port Authority of Corpus Christi note payable	2015	—	577
Net fair value adjustments and unamortized discounts	N/A	34,577	40,583
Total debt		2,655,553	2,411,004
Less current portion		—	286,422
Long-term debt, less current portion		$2,655,553	$2,124,582

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

2014	$—
2015	—
2016	—
2017	503,036
2018	350,000
Thereafter	1,767,940
Total repayments	2,620,976
Net fair value adjustments and unamortized discounts	34,577
Total debt	$2,655,553

Interest payments totaled $118.3 million, $118.4 million and $115.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Revolving Credit Agreements

NuStar Logistics is a party to a $1.5 billion five-year revolving credit agreement, as amended (the 2012 Revolving Credit Agreement), which includes the ability to borrow up to the equivalent of $250.0 million in Euros. On December 4, 2013, we amended the 2012 Revolving Credit Agreement to add the ability to borrow up to the equivalent of $250.0 million in British Pounds Sterling. The 2012 Revolving Credit Agreement matures on May 2, 2017. Obligations under the 2012 Revolving Credit Agreement are guaranteed by NuStar Energy and NuPOP. NuPOP will be released from its guarantee of the 2012 Revolving Credit Agreement when it no longer guarantees NuStar Logistics public debt instruments.

The 2012 Revolving Credit Agreement bears interest, at our option, based on either an alternative base rate or a LIBOR-based rate. The interest rate on the 2012 Revolving Credit Agreement is subject to adjustment if our debt rating is downgraded (or subsequently upgraded) by certain credit rating agencies. In July 2012, Standard & Poor's Ratings Services (S&P) lowered our credit rating to BB+ from BBB-, and in January 2013, Moody's Investor Service Inc. (Moody's) lowered our credit rating to Ba1 from Baa3. The interest rates applicable to the 2012 Revolving Credit Agreement do not adjust unless both S&P and Moody's change their ratings; therefore, the interest rate on the 2012 Revolving Credit Agreement increased by 0.375% effective January 2013. As of December 31, 2013, our weighted-average interest rate was 2.2%. During the year ended December 31, 2013, the weighted-average interest rate related to borrowings under the 2012 Revolving Credit Agreement was 2.2%.

The 2012 Revolving Credit Agreement contains customary restrictive covenants, including requiring us to maintain, as of the end of each rolling period, which consists of any period of four consecutive fiscal quarters, a consolidated debt coverage ratio (consolidated indebtedness to consolidated EBITDA, as defined in the 2012 Revolving Credit Agreement) not to exceed 5.00-to-1.00. If we consummate an acquisition for an aggregate net consideration of at least $50.0 million, the maximum consolidated debt coverage ratio will increase to 5.50-to-1.00 for two rolling periods. The 2012 Revolving Credit Agreement permits unlimited investments in joint ventures and unconsolidated subsidiaries, provided that no default exists, but limits the amount of cash distributions for such joint ventures and unconsolidated subsidiaries included in the calculation of the consolidated debt coverage ratio to 20% of consolidated EBITDA. The requirement not to exceed a maximum consolidated debt coverage ratio may limit the amount we can borrow under the 2012 Revolving Credit Agreement to an amount less than the total amount available for borrowing. As of December 31, 2013, our consolidated debt coverage ratio was 4.4x, and we had $829.3 million available for borrowing.

Letters of credit issued under our 2012 Revolving Credit Agreement totaled $167.6 million as of December 31, 2013. Letters of credit are limited to $750.0 million and also may restrict the amount we can borrow under the 2012 Revolving Credit Agreement.

Notes

NuStar Logistics' Senior Notes. On August 19, 2013, NuStar Logistics issued $300.0 million of 6.75% senior notes due February 1, 2021 (the 6.75% Senior Notes). We received proceeds of approximately $296.0 million, net of the underwriters' discount and deferred issuance costs of $4.0 million, which we used for general partnership purposes, including repayment of outstanding borrowings under our 2012 Revolving Credit Agreement. The interest on the 6.75% Senior Notes is payable semi-annually in arrears on February 1 and August 1 of each year beginning on February 1, 2014.

In March 2013, we repaid NuStar Logistics' $229.9 million of 6.05% senior notes due March 15, 2013 with borrowings under our 2012 Revolving Credit Agreement.

Interest is payable semi-annually in arrears for the $250.0 million of 4.75% senior notes, $300.0 million of 6.75% senior notes, $450.0 million of 4.80% senior notes and $350.0 million of 7.65% senior notes (collectively, the NuStar Logistics Senior Notes). The interest rate payable on the 7.65% senior notes is subject to adjustment if our debt rating is downgraded (or subsequently upgraded) by certain credit rating agencies. The interest rate on NuStar Logistics' $350.0 million of 7.65% senior notes increased by another 0.25% in January 2013 as a result of the Moody's downgrade. The NuStar Logistics Senior Notes do not have sinking fund requirements. These notes rank equally with existing senior unsecured indebtedness of NuStar Logistics and contain restrictions on NuStar Logistics' ability to incur secured indebtedness unless the same security is also provided for the benefit of holders of the NuStar Logistics Senior Notes. In addition, the NuStar Logistics Senior Notes limit NuStar Logistics' ability to incur indebtedness secured by certain liens and to engage in certain sale-leaseback transactions. At the option of NuStar Logistics, the NuStar Logistics Senior Notes may be redeemed in whole or in part at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest to the redemption date.

The NuStar Logistics Senior Notes are fully and unconditionally guaranteed by NuStar Energy and NuPOP. NuPOP will be released from its guarantee of senior notes issued by NuStar Logistics when it no longer guarantees any obligations of NuStar Energy, or any of its subsidiaries, including NuStar Logistics, under any bank facility or public debt instrument.

NuStar Logistics' 7.625% Fixed-to-Floating Rate Subordinated Notes. On January 22, 2013, NuStar Logistics issued $402.5 million of 7.625% fixed-to-floating rate subordinated notes due January 15, 2043 (the Subordinated Notes), including the underwriters' option to purchase up to an additional $52.5 million principal amount of the notes, which was exercised in full. We received proceeds of approximately $390.9 million, net of $11.6 million of deferred issuance costs, which we used for general partnership purposes, including repayment of outstanding borrowings under our 2012 Revolving Credit Agreement. The Subordinated Notes are fully and unconditionally guaranteed on an unsecured and subordinated basis by NuStar Energy and NuPOP.

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

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

NuPOP's Senior Notes. As a result of the Kaneb Acquisition, we assumed the outstanding senior notes issued by NuPOP, having an aggregate face value of $500.0 million, and an aggregate fair value of $555.0 million at the acquisition date (the NuPOP Senior Notes). We used the effective interest method to amortize the difference between the fair value and the face value of the senior notes as a reduction of interest expense over the lives of the senior notes. The senior notes were issued in two series, the first of which bore interest at 7.75% annually and matured in 2012, and the second series which bore interest 5.875% annually and matured in 2013. We repaid NuPOP's $250.0 million of 5.875% senior notes due June 1, 2013 with borrowings under our 2012 Revolving Credit Agreement.

Gulf Opportunity Zone Revenue Bonds

In 2008, 2010 and 2011, the Parish of St. James, where our St. James, Louisiana, terminal is located, issued Revenue Bonds (NuStar Logistics, L.P. Project) Series 2008, Series 2010, Series 2010A, Series 2010B and Series 2011 associated with our St. James terminal expansion pursuant to the Gulf Opportunity Zone Act of 2005 (collectively, the Gulf Opportunity Zone Revenue Bonds). The interest rates on these bonds are based on a weekly tax-exempt bond market interest rate, and interest is paid monthly. Following the issuance, the proceeds were deposited with a trustee and are disbursed to us upon our request for reimbursement of expenditures related to our St. James terminal expansion. We include the amount remaining in trust in "Other long-term assets, net," and we include the amount of bonds issued in "Long-term debt, less current portion" in our consolidated balance sheets. For the year ended December 31, 2013, we received $43.1 million from the trustee.

NuStar Logistics is solely obligated to service the principal and interest payments associated with the Gulf Opportunity Zone Revenue Bonds. Letters of credit were issued on our behalf to guarantee the payment of interest and principal on the bonds. All letters of credit rank equally with existing senior unsecured indebtedness of NuStar Logistics. The letters of credit issued by individual banks do not restrict the amount we can borrow under the 2012

Revolving Credit Agreement.

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

The following table summarizes the Gulf Opportunity Zone Revenue Bonds outstanding as of December 31, 2013:

Date Issued	Maturity Date	Amount Outstanding	Amount of Letter of Credit		Amount Received from Trustee	Amount Remaining in Trust	Average Annual Interest Rate	
		(Thousands of Dollars)						
June 26, 2008	June 1, 2038	$55,440	$56,169		$ 55,440	$—	0.10	%
July 15, 2010	July 1, 2040	100,000	101,315		100,000	—	0.10	%
October 7, 2010	October 1, 2040	50,000	50,658	(a)	24,580	25,420	0.11	%
December 29, 2010	December 1, 2040	85,000	86,118	(a)	26,924	58,076	0.11	%
August 29, 2011	August 1, 2041	75,000	75,986		75,000	—	0.10	%
	Total	$365,440	$370,246		$ 281,944	$83,496		

(a) Letters of credit issued under the 2012 Revolving Credit Agreement.

UK Term Loan

In December 2013, we repaid our UK subsidiary, NuStar Terminals Limited's, £21 million amended and restated term loan, which matured on December 10, 2013, with borrowings under our 2012 Revolving Credit Agreement.

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

Port Authority of Corpus Christi Note Payable

The proceeds from the original $12.0 million note payable due to the Port of Corpus Christi Authority of Nueces County, Texas (Port Authority of Corpus Christi) were used for the construction of a crude oil storage facility in Corpus Christi, Texas. The note payable was due in annual installments of $1.2 million through December 31, 2015 and was collateralized by the crude oil storage facility. The wharfage and dockage fees paid to the Port Authority of Corpus Christi in connection with the use of the crude oil storage facility exceeded certain limits per the terms of the note, which have accelerated the repayment of the unpaid principal balance. On February 6, 2013, we repaid the remaining principle balance of $0.6 million.

15. HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

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

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

We have adopted policies, practices and procedures in the areas of pollution control, pipeline integrity, operator qualifications, public relations and education, product safety, process safety management, occupational health and the handling, storage, use and disposal of hazardous materials that are designed to prevent material environmental or other damage, to ensure the safety of our pipelines, our employees, the public and the environment and to limit the financial liability that could result from such events. Future governmental action and regulatory initiatives could result in changes to expected operating permits and procedures, additional remedial actions or increased capital expenditures and operating costs that cannot be assessed with certainty at this time. In addition, contamination resulting from spills of petroleum products occurs within the industry. Risks of additional costs and liabilities are inherent within the industry, and there can be no assurances that significant costs and liabilities will not be incurred in the future. Environmental and safety exposures and liabilities are difficult to assess and estimate due to unknown factors such as the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental and safety laws and regulations may change in the future. Although environmental and safety costs may have a significant impact on the results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position.

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

	Year Ended December 31,	
	2013	2012
	(Thousands of Dollars)	
Balance as of the beginning of year	$13,451	$23,113
Additions to accrual	3,623	4,766
San Antonio Refinery Acquisition purchase price adjustment	—	(5,957)
Payments	(2,940)	(5,242)
San Antonio Refinery Sale	(7,910)	—
Asphalt Sale	—	(3,300)
Foreign currency translation	9	71
Balance as of the end of year	$6,233	$13,451

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

	December 31,	
	2013	2012
	(Thousands of Dollars)	
Accrued liabilities	$3,299	$10,627
Other long-term liabilities	2,934	2,824
Accruals for environmental matters	$6,233	$13,451

16. COMMITMENTS AND CONTINGENCIES

Contingencies

We have contingent liabilities resulting from various litigation, claims and commitments. We record accruals for loss contingencies when losses are considered probable and can be reasonably estimated. Legal fees associated with defending the Partnership in legal matters are expensed as incurred. As of December 31, 2013, we have accrued $0.7 million for contingent losses. The amount that will ultimately be paid related to these matters may differ from the recorded accruals, and the timing of such payments is uncertain. In addition, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.

Commitments

Future minimum rental payments applicable to all noncancellable operating leases and purchase obligations as of December 31, 2013 are as follows:

	Payments Due by Period						
	2014	2015	2016	2017	2018	There-after	Total
	(Thousands of Dollars)						
Operating leases	$30,300	$24,886	$21,274	$18,954	$16,980	$80,090	$192,484
Purchase obligations:	8,571	5,108	3,841	694	216	—	18,430

Rental expense for all operating leases totaled $52.9 million, $73.9 million and $70.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, including rental expense included in "(Loss) income from discontinued operations, net of tax" on the consolidated statements of income. Our operating leases consist primarily of the following:

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

On November 6, 2013, we came to a mutual agreement with PDVSA-Petróleo S.A. (PDVSA) effective January 1, 2014 to terminate that certain Crude Oil Sales Agreement dated effective as of March 1, 2008 (the CSA). We previously amended the CSA on July 5, 2013 to reduce the crude oil purchase obligations from 75,000 barrels per day to 30,000 barrels per day, which remained in effect through the end of 2013. Effective January 1, 2014, our crude oil supply agreement with Asphalt JV will also terminate. See Note 19 for a discussion of our crude oil supply agreement with Asphalt JV.

17. FAIR VALUE MEASUREMENTS

We segregate the inputs used in measuring fair value into three levels: Level 1, defined as observable inputs such as quoted prices for identical assets or liabilities in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in markets that are not active; and Level 3, defined as unobservable inputs in which little or no market data exists. We consider counterparty credit risk and our own credit risk in the determination of all estimated fair values.

Recurring Fair Value Measurements

The following assets and liabilities are measured at fair value on a recurring basis:

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	$1,980	$—	$—	$1,980
Commodity derivatives	—	4,948	—	4,948
Other long-term assets, net:				
Commodity derivatives	—	6,977	—	6,977
Accrued liabilities:				
Product imbalances	(2,190)	—	—	(2,190)
Commodity derivatives	(1,433)	(800)	—	(2,233)
Contingent consideration	—	—	(1,318)	(1,318)
Other long-term liabilities:				
Commodity derivatives	—	(1,575)	—	(1,575)
Guarantee liability	—	—	(1,880)	(1,880)
Total	$(1,643)	$9,550	$(3,198)	$4,709

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	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	$1,232	$—	$—	$1,232
Commodity derivatives	1,001	8,357	—	9,358
Other long-term assets, net:				
Commodity derivatives	—	9,206	—	9,206
Accrued liabilities:				
Product imbalances	(1,686)	—	—	(1,686)
Commodity derivatives	—	(19,210)	—	(19,210)
Interest rate swaps	—	(40,911)	—	(40,911)
Contingent consideration	—	—	(9,600)	(9,600)
Total	$547	$(42,558)	$(9,600)	$(51,611)

Product Imbalances. We value our assets and liabilities related to product imbalances using quoted market prices in active markets as of the reporting date.
Interest Rate Swaps. We estimate the fair value of both our fixed-to-floating and forward-starting interest rate swaps using discounted cash flows, which use observable inputs such as time to maturity and market interest rates.
Commodity Derivatives. We base the fair value of certain of our commodity derivative instruments on quoted prices on an exchange; accordingly, we include these in Level 1 of the fair value hierarchy. We also have derivative instruments for which we determine fair value using industry pricing services and other observable inputs, such as quoted prices on an exchange for similar derivative instruments. Therefore, we include these derivative instruments in Level 2 of the fair value hierarchy. See Note 18 for a discussion of our derivative instruments.

Contingent Consideration. In connection with the TexStar Asset Acquisition, we could be obligated to pay additional consideration to TexStar. Such obligations are dependent upon the cost of work required to complete certain assets and obtain outstanding real estate rights (collectively, the Contingent Consideration). We estimated the fair value of the Contingent Consideration using a probability-weighted discounted cash flow model, which reflects possible outcomes and our estimates of the probabilities of those outcomes. Our estimate of the fair value is based on significant inputs not observable in the market and thus falls within Level 3 of the fair value hierarchy. The probability-weighted cash flows were discounted using a discount rate of 11%.

Based on our assessment of the costs necessary to complete the assets in accordance with our agreement with TexStar, and considering the probability of possible outcomes, we determined that it is unlikely we would be obligated to pay a portion of the Contingent Consideration. The undiscounted amount of potential future payments that we could be required to make under the applicable agreements is between $0 and $1.3 million.

Guarantees. As of December 31, 2013, we recorded a liability of $1.9 million representing the fair value of guarantees we have issued on behalf of Asphalt JV. We estimated the fair value considering the probability of default by Asphalt JV and an estimate of the amount we would be obligated to pay under the guarantees at the time of default. We calculated the fair value based on the guarantees outstanding as of December 31, 2013, totaling $79.7 million, plus two guarantees that do not specify a maximum amount. Our estimate of the fair value is based on significant inputs not observable in the market and thus falls within Level 3 of the fair value hierarchy. See Note 19 for a discussion of our agreements with Asphalt JV.

In the event we are obligated to perform under these guarantees, that amount paid by us will be added to borrowings under the NuStar JV Facility. As a result, we increased the carrying value of the note receivable from Asphalt JV by the same amount as the liability for the fair value of the guarantees outstanding as of December 31, 2013.

The following table summarizes the activity in our Level 3 liabilities:

	Year Ended December 31, 2013
	(Thousands of Dollars)
Beginning balance	$9,600
Amounts settled	(1,114)
Adjustment to guarantee liability	1,880
Changes in fair value recorded in earnings:	
Operating expenses	(8,000)
Interest expense, net	832
Ending balance	$3,198

Non-recurring Fair Value Measurements

As of December 31, 2013, we reclassified the property, plant and equipment associated with certain terminals as "Assets held for sale" on the consolidated balance sheet and recorded those assets at fair value, less costs to sell. We estimated the fair value of $22.0 million using a weighted-average of values calculated using an income approach and a market approach. The income approach calculates fair value by discounting the estimated net cash flows generated by the related terminal. The market approach involves estimating the fair value measurement on an earnings multiple based on public company transaction data. Our estimate of the fair value is based on significant inputs not observable in the market and thus falls within Level 3 of the fair value hierarchy.

Fair Value of Financial Instruments

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

The estimated fair values and carrying amounts of our debt and note receivable from Asphalt JV were as follows:

	December 31, 2013	December 31, 2012
	(Thousands of Dollars)	
Debt:		
Fair value	$2,636,734	$2,377,120
Carrying amount	$2,655,553	$2,411,004
Note Receivable from Related Party:		
Fair value	$133,416	$91,705
Carrying amount	$165,440	$95,711

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

The note receivable related to the NuStar JV Facility is recorded at the outstanding principal amount, adjusted for equity losses from our investment in Asphalt JV after the carrying value of our investment in Asphalt JV was reduced to zero and for the fair value of guarantees issued under the NuStar JV Facility. We estimated the fair value of the note receivable using discounted cash flows, which use observable inputs such as time to maturity and market interest rates, and determined the fair value falls in Level 2 of the fair value hierarchy.

18. DERIVATIVES AND RISK MANAGEMENT ACTIVITIES

We utilize various derivative instruments to manage our exposure to commodity price risk and manage our exposure to interest rate risk. Our risk management policies and procedures are designed to monitor interest rates, futures and swap positions and over-the-counter positions, as well as physical volumes, grades, locations and delivery schedules to help ensure that our hedging activities address our market risks. Our risk management committee oversees our trading policies and procedures and certain aspects of commodity and trading risk management. Our risk management committee also reviews all new commodity and trading risk management strategies in accordance with our risk management policy, as approved by our board of directors.

Interest Rate Risk

We were a party to certain interest rate swap agreements to manage our exposure to changes in interest rates. We entered into fixed-to-floating interest rate swap agreements associated with a portion of our fixed-rate senior notes. We accounted for our fixed-to-floating interest rate swaps as fair value hedges. In 2012, we entered into and terminated fixed-to-floating interest rate swap agreements with an aggregate notional amount of $200.0 million related to NuStar Logistics' 4.75% senior notes issued on February 2, 2012. Under the terms of these interest rate swap agreements, we received a fixed rate of 4.75% and paid a variable rate based on one month USD LIBOR plus a percentage that varied with each agreement. We also terminated fixed-to-floating interest rate swap agreements with an aggregate notional amount of $270.0 million associated with NuStar Logistics' 4.80% senior notes. Under the terms of these interest rate swap agreements, we received a fixed rate of 4.8% and paid a variable rate based on one month USD LIBOR, plus a percentage that varies with each agreement. We received $19.7 million in connection with the terminations, which we are amortizing into "Interest expense, net" over the remaining lives of the 4.80% and 4.75% senior notes. The termination payments are included in cash flows from financing activities on the consolidated statements of cash flows. We had no fixed-to-floating interest rate swaps as of December 31, 2013 and 2012.

We were also a party to forward-starting interest rate swap agreements related to the interest payments associated with forecasted probable debt issuances in 2013. Under the terms of the swaps, we paid a fixed rate and received a rate based on three month USD LIBOR. We entered into these swaps in order to hedge the risk of changes in the interest payments attributable to changes in the benchmark interest rate during the period from the effective date of the swap to the issuance of the forecasted debt. These swaps qualified, and we designated them, as cash flow hedges of future interest payments associated with forecasted debt issuances. In connection with the issuance of the 4.75% senior notes on February 2, 2012, we terminated forward-starting interest rate swap agreements with an aggregate notional amount of $225.0 million. We paid $25.4 million in connection with the terminations, which is being reclassified out of "Accumulated other comprehensive loss" and into "Interest expense, net" as the interest payments occur over the life of the 4.75% senior notes.

In 2013, in connection with the maturity of the 6.05% senior notes due March 15, 2013 and 5.875% senior notes due June 1, 2013, we terminated forward-starting interest rate swap agreements with an aggregate notional amount of $275.0 million. We paid $33.7 million in connection with the terminations, which we reclassify out of "Accumulated other comprehensive loss" and into "Interest expense, net" as the interest payments occur or if the interest payments are probable not to occur. During the second quarter of 2013, we determined that one forecasted interest payment was probable not to occur, and we reclassified $2.0 million out of "Accumulated other comprehensive loss" to "Interest expense, net."

The termination payments are included in cash flows from financing activities on the consolidated statements of cash flows. We had no forward-starting interest rate swaps as of December 31, 2013, and the total aggregate notional amount of the forward-starting interest rate swaps was $275.0 million as of December 31, 2012.

Commodity Price Risk

We are exposed to market risks related to the volatility of crude oil and refined product prices. In order to reduce the risk of commodity price fluctuations with respect to our crude oil and finished product inventories and related firm commitments to purchase and/or sell such inventories, we utilize commodity futures and swap contracts, which qualify, and we designate as, fair value hedges. Derivatives that are intended to hedge our commodity price risk, but fail to qualify as fair value or cash flow hedges, are considered economic hedges, and we record associated gains and losses in net income.

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

The volume of commodity contracts is based on open derivative positions and represents the combined volume of our long and short positions on an absolute basis, which totaled 15.2 million barrels and 22.7 million barrels as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, we had $3.3 million and $6.2 million, respectively, of margin deposits related to our derivative instruments.

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

	Balance Sheet Location	Asset Derivatives		Liability Derivatives	
		December 31,			
		2013	2012	2013	2012
		(Thousands of Dollars)			
Derivatives Designated as Hedging Instruments:					
Commodity contracts	Other current assets	$—	$1,471	$—	$(811)
Commodity contracts	Accrued liabilities	—	—	(130)	—
Interest rate swaps	Accrued liabilities	—	—	—	(40,911)
Total		—	1,471	(130)	(41,722)
Derivatives Not Designated as Hedging Instruments:					
Commodity contracts	Other current assets	16,168	22,269	(11,220)	(13,571)
Commodity contracts	Other long-term assets, net	15,883	39,322	(8,906)	(30,116)
Commodity contracts	Accrued liabilities	4,523	17,406	(6,626)	(36,616)
Commodity contracts	Other long-term liabilities	5,448	—	(7,023)	—
Total		42,022	78,997	(33,775)	(80,303)
Total Derivatives		$42,022	$80,468	$(33,905)	$(122,025)

Certain of our derivative instruments are eligible for offset in the consolidated balance sheets and subject to master netting arrangements. Under our master netting arrangements, there is a legally enforceable right to offset amounts, and we intend to settle such amounts on a net basis. The following are the net amounts presented on the consolidated balance sheets:

Commodity Contracts	December 31,	
	2013	2012
	(Thousands of Dollars)	
Net amounts of assets presented in the consolidated balance sheets	$11,925	$18,564
Net amounts of liabilities presented in the consolidated balance sheets	$(3,808)	$(19,210)

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The earnings impact of our derivative activity was as follows:

Derivatives Designated as Fair Value Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income on Derivative (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Hedged Item	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
		(Thousands of Dollars)		
Year ended December 31, 2013:				
Commodity contracts	Cost of product sales	$3,964	$(6,327)	$(2,363)
Year ended December 31, 2012:				
Interest rate swaps	Interest expense, net	$17,345	$(17,345)	$—
Commodity contracts	Cost of product sales	(10,505)	12,139	1,634
Total		$6,840	$(5,206)	$1,634
Year ended December 31, 2011:				
Interest rate swaps	Interest expense, net	$(55,183)	$54,588	$(595)
Commodity contracts	Cost of product sales	(10,228)	9,004	(1,224)
Total		$(65,411)	$63,592	$(1,819)

Derivatives Designated as Cash Flow Hedging Instruments	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Income Statement Location (a)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (b)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
	(Thousands of Dollars)		(Thousands of Dollars)	
Year ended December 31, 2013:				
Interest rate swaps	$ 7,213	Interest expense, net	$(7,570)	$—
Year ended December 31, 2012:				
Interest rate swaps	$ (17,069)	Interest expense, net	$(1,749)	$—
Commodity contracts	(77,200)	(Loss) income from discontinued operations	(51,483)	4,010
Total	$ (94,269)		$(53,232)	$4,010
Year ended December 31, 2011:				
Interest rate swaps	$ (84,199)	Interest expense, net	$—	$—
Commodity contracts	30,747	(Loss) income from discontinued operations	5,030	(4,010)

Total	$ (53,452)	$5,030	$(4,010)

(a) Amounts are included in specified location for both the gain (loss) reclassified from accumulated OCI into income (effective portion) and the gain (loss) recognized in income on derivative (ineffective portion).

Derivatives Not Designated as Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income (Thousands of Dollars)
Year ended December 31, 2013:		
Commodity contracts	Cost of product sales	$(5,323)
Commodity contracts	(Loss) income from discontinued operations	(218)
Total		$(5,541)
Year ended December 31, 2012:		
Commodity contracts	Revenues	$(7,654)
Commodity contracts	Cost of product sales	20,138
Commodity contracts	(Loss) income from discontinued operations	6,176
Total		$18,660
Year ended December 31, 2011:		
Commodity contracts	Revenues	$235
Commodity contracts	Cost of product sales	(11,661)
Commodity contracts	Operating expenses	46
Commodity contracts	(Loss) income from discontinued operations	7,207
Total		$(4,173)

For derivatives designated as cash flow hedging instruments, once a hedged transaction occurs, we reclassify the effective portion from AOCI to “Interest expense, net” for our forward-starting interest rate swaps or to “Income (loss) from discontinued operations, net of tax” for our commodity contracts associated with the San Antonio Refinery. As of December 31, 2013, we expect to reclassify a loss of $10.7 million to “Interest expense, net” within the next twelve months.

19. RELATED PARTY TRANSACTIONS

The following table summarizes information pertaining to related party transactions:

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Revenues	$14,897	$1,990	$—
Operating expenses	$122,677	$133,654	$138,324
General and administrative expenses	$58,602	$62,490	$66,220
Interest income	$6,113	$1,219	$—
Revenues included in discontinued operations, net of tax	$3,720	$3,390	$1,039
Expenses included in discontinued operations, net of tax	$6,051	$14,328	$12,238

NuStar GP, LLC

Our operations are managed by NuStar GP, LLC, the general partner of our general partner. Under a services agreement between NuStar Energy and NuStar GP, LLC, employees of NuStar GP, LLC perform services for our U.S. operations. Certain of our wholly owned subsidiaries employ persons who perform services for our international operations.

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

We had a payable to NuStar GP, LLC of $8.3 million and $1.4 million as of December 31, 2013 and 2012, respectively, with both amounts representing payroll, employee benefit plan expenses and unit-based compensation. We also had a long-term payable to NuStar GP, LLC as of December 31, 2013 and 2012 of $41.1 million and $18.1 million, respectively, for amounts payable for retiree medical benefits and other post-employment benefits.

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

Asphalt JV

Financing Agreements and Credit Support. The NuStar JV Facility is an unsecured revolving credit facility provided by NuStar Energy that will be available to fund working capital needs and for general purposes of Asphalt JV in an aggregate principal amount not to exceed $250.0 million for a term of seven years. The NuStar JV Facility matures on September 28, 2019 and bears interest based on either an alternative base rate or a LIBOR-based rate. As of December 31, 2013, the interest rate was 3.2%. In the event NuStar Energy no longer owns an equity interest in Asphalt JV, the interest rate increases and the availability under the NuStar JV Facility is reduced to a maximum of $167.0 million after two years and $83.0 million after three years. As of December 31, 2013, the face amount of our note receivable from Asphalt JV totaled $176.7 million.

In addition, during the term of the NuStar JV Facility, we will provide credit support, such as guarantees, letters of credit and cash collateral, as applicable, of up to $150.0 million. As of December 31, 2013, we provided guarantees for commodity purchases, lease obligations and certain utilities for Asphalt JV with a maximum potential exposure of $79.7 million, plus two guarantees to suppliers that do not specify a maximum amount. A majority of the guarantees were in existence prior to the Asphalt Sale and have no expiration date. As of December 31, 2013, NuStar Energy has also provided $9.7 million in letters of credit on behalf of Asphalt JV. In the event we are obligated to perform under these guarantees, that amount paid by us will be added to borrowings under the NuStar JV Facility, but it will not reduce the availability under the NuStar Facility.

Variable Interest Entity. We determined the equity of Asphalt JV is not sufficient to finance its activities without additional subordinated support, including support provided by us as described above. Therefore, we determined the Asphalt JV is a VIE. As of December 31, 2013, our maximum exposure to loss as a result of our involvement with Asphalt JV is approximately $450.7 million, which consists of the following (in thousands of dollars):

	Maximum Exposure to Loss	Carrying Value asset/(liability)
Receivable from Asphalt JV	$50,717	$50,717
Note receivable under the NuStar JV Facility	250,000	165,440
Credit support, including guarantees	150,000	(1,880)
Total	$450,717	$214,277

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

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

In February 2014, we divested of our remaining 50% ownership interest in Asphalt JV. See Note 29 of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data”for additional discussion.

Crude Oil Supply Agreement. We entered into a crude oil supply agreement with Asphalt JV (the Asphalt JV Crude Oil Supply Agreement) that commits Asphalt JV to purchase from us in a given year the lesser of (i) the number of barrels of crude oil required to be purchased by us from PDVSA under the CSA for such year or (ii) 35,000 barrels per day of crude oil multiplied by the number of days in such year. As a result of the termination of the CSA, the Asphalt JV Crude Oil Supply Agreement will also terminate effective January 1, 2014. See Note 16 for additional discussion of the CSA. As of December 31, 2013 and December 31, 2012, we had a receivable from Asphalt JV of $50.7 million and $109.4 million, respectively, mainly associated with crude oil sales under the Asphalt JV Crude Oil Supply Agreement.

Services Agreements Between Asphalt JV and NuStar GP,LLC. In conjunction with the Asphalt Sale, NuStar GP, LLC entered into a services agreement with Asphalt JV, effective September 28, 2012 (the Asphalt JV Services Agreement). The Asphalt JV Services Agreement provides that NuStar GP, LLC furnish certain administrative and other operating services necessary to conduct the business of Asphalt JV. Asphalt JV compensates NuStar GP, LLC for these services through an annual fee totaling $10.0 million, subject to adjustment based on the annual merit increase percentage applicable to NuStar GP, LLC employees for the most recently completed contract year. The Asphalt JV Services Agreement will terminate on December 31, 2017 and will automatically renew for successive two-year terms. Asphalt JV may terminate the Asphalt JV Services Agreement at any time, with 180 days prior written notice or reduce the level of service with 45 days prior written notice. During the year ended December 31, 2013, Asphalt JV provided written notice to reduce the level of services that NuStar GP, LLC provides to Asphalt JV to 63% of the original service level.

In addition, NuStar GP, LLC entered into an employee services agreement with Asphalt JV, effective September 28, 2012 (the Asphalt JV Employee Services Agreement). The Asphalt JV Employee Services Agreement provided that certain of NuStar GP, LLC employees would provide employee-services to Asphalt JV. In exchange, Asphalt JV would reimburse NuStar GP, LLC for the compensation expense of those employees at the same rates that were in effect at the effective date of the Asphalt JV Employee Services Agreement, including an annual bonus amount that does not exceed NuStar GP, LLC’s target bonus plan. The employees covered under the Asphalt JV Employee Services Agreement were not entitled to any new unit-based compensation grants from NuStar GP, LLC, and Asphalt JV was not responsible for unit-based compensation costs prior to the effective date. The Asphalt JV Employee Services Agreement terminated on December 31, 2012, and effective January 1, 2013, those employees became employees of Asphalt JV.

20. EMPLOYEE BENEFIT PLANS AND LONG-TERM INCENTIVE PLANS

Employee Benefit Plans

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

The NuStar Pension Plan (the Pension Plan) is a qualified non-contributory defined benefit pension plan that became effective July 1, 2006. The Pension Plan covers substantially all of NuStar GP, LLC’s employees and generally provides eligible employees with retirement income calculated under a final average pay formula (FAP) or a cash balance formula. Employees hired before January 1, 2011 are covered under FAP, which is based on years of service and compensation during their period of service, and employees become fully vested in their benefits upon attaining five years of vesting service. Employees hired on January 1, 2011 or after are covered under the cash balance formula, which is based on age and service and interest credits, and employees become fully vested in their benefits upon attaining three years of vesting service. Effective January 1, 2014, the Pension Plan was amended to freeze the FAP benefit as of December 31, 2013 and all employees will be covered under the cash balance formula.

NuStar GP, LLC also maintains an excess pension plan (the Excess Pension Plan) which is a nonqualified deferred compensation plan that provides benefits to a select group of management or other highly compensated employees of NuStar GP, LLC. The supplemental executive retirement plan (the SERP) has no participants, and it will terminate in 2014 upon a final payment to the former participants.

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

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

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

NuStar GP, LLC also provides a medical benefits plan for retired employees. In 2013, the plan was amended for employees that retire on or after April 1, 2014 to provide a defined subsidy for eligible third-party health care premiums.

We also maintain several other defined contribution plans for certain international employees located in Canada, the Netherlands and the United Kingdom. For the years ended December 31, 2013, 2012 and 2011, our costs for these plans totaled $2.5 million, $2.6 million and $2.6 million, respectively.

Long-Term Incentive Plans

NuStar GP, LLC sponsors the following:

- The Third Amended and Restated 2000 Long-Term Incentive Plan (the 2000 LTIP), under which NuStar GP, LLC may award up to 3,250,000 NS common units. Awards under the 2000 LTIP can include NS unit options, restricted units, performance awards, distribution equivalent rights (DER) and contractual rights to receive common units. As of December 31, 2013, a total of 1,517,027 NS common units remained available to be awarded under the 2000 LTIP.
- The 2006 Long-Term Incentive Plan (the 2006 LTIP) under which NuStar GP Holdings may award up to 2,000,000 NSH units to employees, consultants and directors of NuStar GP Holdings and its affiliates, including us. Awards under the 2006 LTIP can include NSH unit options, performance awards, DER, restricted units, phantom units, unit grants and unit appreciation rights. As of December 31, 2013, a total of 1,494,177 NSH units remained available to be awarded under the 2006 LTIP.

The 2003 Employee Unit Incentive Plan (the UIP), under which NuStar GP, LLC awarded NS common units to employees of NuStar GP, LLC or its affiliates, terminated on June 16, 2013. The 2002 Unit Option Plan (the UOP), under which NuStar GP, LLC awarded NS unit options to officers and directors of NuStar GP, LLC or its affiliates, terminated on March 22, 2012.

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

	Year Ended December 31,					
	2013		2012		2011	
	Granted	Vesting	Granted	Vesting	Granted	Vesting
2000 LTIP:						
Performance awards	38,786	(a)	33,445	(a)	27,111	(a)
Restricted units (b)	269,182	1/5 per year	231,855	1/5 per year	208,195	1/5 per year
Restricted units (grants to non-employee directors of NuStar GP, LLC)	8,904	1/3 per year	8,170	1/3 per year	6,760	1/3 per year
UIP:						
Restricted units (c)	—	—	15,382	1/5 per year	14,005	1/5 per year
2006 LTIP:						
Restricted units	18,620	1/5 per year	25,640	1/5 per year	24,970	1/5 per year
Restricted units (grants to non-employee directors of NuStar GP Holdings) (d)	13,183	1/3 per year	10,601	1/3 per year	9,987	1/3 per year

(a) Performance awards vest 1/3 per year if certain performance measures are met.
(b) The 2000 LTIP restricted unit grants include 3,882 restricted unit awards granted to certain international employees for the year ended December 31, 2013, that vest 1/3 per year , as defined in the award agreements.
(c) The UIP restricted unit grants include 3,392 and 2,880 restricted unit awards granted to certain international employees for the years ended December 31, 2012 and 2011, respectively, that vest 1/3 per year , as defined in the award agreements.
(d) We do not reimburse NuStar GP, LLC for compensation expense relating to these awards.

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

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Long-term incentive plans	$9,818	$7,745	$8,521
Benefit plans	$18,204	$23,602	$13,684

21. OTHER INCOME (EXPENSE)

Other income (expense) consisted of the following:

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Foreign exchange gains (losses)	$7,707	$(1,429)	$1,902
(Loss) gain from sale or disposition of assets	(524)	(1,522)	155
Loss on deconsolidation of Asphalt JV	—	(23,800)	—
Storage agreement early termination costs	—	—	(5,000)
Contingent loss adjustment	—	—	(3,250)
Other, net	158	2,062	2,620
Other income (expense), net	$7,341	$(24,689)	$(3,573)

For the year ended December 31, 2011, “Other income (expense), net” included $5.0 million in costs associated with the early termination of a third-party storage agreement at the Paulsboro, New Jersey asphalt refinery and a contingent loss adjustment of $3.3 million related to a legal settlement.

22. PARTNERS' EQUITY

Issuance of Common Units

On September 10, 2012, we issued 7,130,000 common units representing limited partner interests at a price of $48.94 per unit. We used the net proceeds from this offering of $343.9 million, including a contribution of $7.1 million from our general partner to maintain its 2% general partner interest, for general partnership purposes, including repayments of outstanding borrowings under our 2012 Revolving Credit Agreement and working capital purposes.

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

On May 23, 2011, we entered into an Equity Distribution Agreement (the Equity Distribution Agreement) with Citigroup Global Markets Inc. (Citigroup). Under the Equity Distribution Agreement, we may from time to time sell an aggregate of up to $200.0 million NuStar Energy common units representing limited partner interests, using Citigroup as our sales agent. In September and October 2011, we issued 108,029 NuStar Energy common units under the Equity Distribution Agreement for net proceeds of $6.0 million, including a contribution of $0.1 million from our general partner to maintain its 2% general partner interest.

Accumulated Other Comprehensive Income (Loss)

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

	Foreign Currency Translation	Cash Flow Hedges	Total
	(Thousands of Dollars)		
Balance as of January 1, 2011	$11,500	$35,000	$46,500
Other comprehensive loss before reclassifications	(15,425)	(53,452)	(68,877)
Net loss reclassified into (loss) income from discontinued operations	—	(5,030)	$(5,030)
Other comprehensive loss	(15,425)	(58,482)	(73,907)
Balance as of December 31, 2011	(3,925)	(23,482)	(27,407)
Other comprehensive income (loss) before reclassifications	9,579	(94,269)	(84,690)
Net loss reclassified into interest expense, net	—	1,749	1,749
Net loss reclassified into (loss) income from discontinued operations	—	51,483	51,483
Other comprehensive income (loss)	9,579	(41,037)	(31,458)
Balance as of December 31, 2012	5,654	(64,519)	(58,865)
Other comprehensive (loss) income before reclassifications	(19,312)	7,213	(12,099)
Net loss reclassified into interest expense, net	—	7,570	7,570
Other comprehensive (loss) income	(19,312)	14,783	(4,529)
Balance as of December 31, 2013	$(13,658)	$(49,736)	$(63,394)

Other comprehensive income (loss) attributable to the noncontrolling interest consisted of foreign currency translation adjustment losses of $0.1 million, gains of $1.1 million and losses of $3.0 million, for the years ended December 31, 2013, 2012 and 2011, respectively.

Allocations of Net Income

General Partner. Our partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the common unitholders and general partner will receive. The partnership agreement also contains provisions for the allocation of net income and loss to the unitholders and the general partner. For purposes of maintaining partner capital accounts, the partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interests. Normal allocations according to percentage interests are made after giving effect to priority income allocations, if any, in an amount equal to incentive cash distributions allocated 100% to the general partner. The following table details the calculation of net income applicable to the general partner:

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Net income (loss) attributable to NuStar Energy L.P.	$(273,770)	$(226,616)	$221,461
Less general partner incentive distribution (a)	43,220	41,242	36,319
Net income (loss) after general partner incentive distribution	(316,990)	(267,858)	185,142
General partner interest	2%	2%	2%
General partner allocation of net income (loss) after general partner incentive distribution	(6,338)	(5,356)	3,703
General partner incentive distribution	43,220	41,242	36,319
Net income applicable to general partner	$36,882	$35,886	$40,022

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

Cash Distributions

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

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

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

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

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars, Except Per Unit Data)		
General partner interest	$7,844	$7,486	$6,630
General partner incentive distribution	43,220	41,242	36,326
Total general partner distribution	51,064	48,728	42,956
Limited partners' distribution	341,140	325,526	288,550

Total cash distributions	$392,204	$374,254	$331,506
Cash distributions per unit applicable to limited partners	$4.380	$4.380	$4.360

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
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The following table summarizes information related to our quarterly cash distributions:

Quarter Ended	Cash Distributions Per Unit	Total Cash Distributions (Thousands of Dollars)	Record Date	Payment Date
December 31, 2013 (a)	$1.095	$98,051	February 10, 2014	February 14, 2014
September 30, 2013	$1.095	$98,051	November 11, 2013	November 14, 2013
June 30, 2013	$1.095	$98,051	August 5, 2013	August 9, 2013
March 31, 2013	$1.095	$98,051	May 6, 2013	May 10, 2013

(a) The distribution was announced on January 30, 2014.

23. NET (LOSS) INCOME PER UNIT

The following table details the calculation of earnings per unit:

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars, Except Per Unit Data)		
Net (loss) income attributable to NuStar Energy L.P.	$(273,770)	$(226,616)	$221,461
Less general partner distribution (including IDR)	51,064	48,728	42,948
Less limited partner distribution	341,140	325,526	288,497
Distributions greater than earnings	$(665,974)	$(600,870)	$(109,984)
General partner earnings:			
Distributions	$51,064	$48,728	$42,948
Allocation of distributions greater than earnings (2%)	(13,318)	(12,019)	(2,201)
Total	$37,746	$36,709	$40,747
Limited partner earnings:			
Distributions	$341,140	$325,526	$288,497
Allocation of distributions greater than earnings (98%)	(652,656)	(588,851)	(107,783)
Total	$(311,516)	$(263,325)	$180,714
Weighted-average limited partner units outstanding	77,886,078	72,957,417	65,018,301
Net (loss) income per unit applicable to limited partners	$(4.00)	$(3.61)	$2.78

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24. STATEMENTS OF CASH FLOWS

Changes in current assets and current liabilities were as follows:

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Decrease (increase) in current assets:			
Accounts receivable	$107,209	$160,435	$(230,980)
Receivable from related parties	58,692	(113,018)	—
Inventories	31,975	112,589	(160,139)
Income tax receivable	414	2,921	(4,265)
Other current assets	25,725	(26,050)	(1,825)
Increase (decrease) in current liabilities:			
Accounts payable	(96,330)	(43,451)	140,898
Payable to related party	6,922	(5,339)	(3,603)
Accrued interest payable	9,370	(6,092)	126
Accrued liabilities	(32,452)	11,259	(10,087)
Taxes other than income tax	(87)	(2,444)	2,574
Income tax payable	1,338	(563)	1,848
Changes in current assets and current liabilities	$112,776	$90,247	$(265,453)

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

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

Non-cash investing and financing activities for the years ended December 31, 2013, 2012 and 2011 mainly consist of changes in the fair values of our fixed-to-floating and forward-starting interest rate swaps.

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

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Cash paid for interest, net of amount capitalized	$113,805	$110,679	$109,027
Cash paid for income taxes, net of tax refunds received	$11,386	$21,032	$14,920

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25. INCOME TAXES

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

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Current:			
U.S.	$3,098	$4,416	$3,769
Foreign	9,273	16,480	8,596
Total current	12,371	20,896	12,365
Deferred:			
U.S.	1,687	7,494	2,962
Foreign	(1,305)	(3,940)	3,228
Total deferred	382	3,554	6,190
Total income tax expense	$12,753	$24,450	$18,555

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

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

	December 31,	
	2013	2012
	(Thousands of Dollars)	
Deferred income tax assets:		
Net operating losses	$28,945	$25,567
Environmental and legal reserves	433	291
Valuation allowance	(12,237)	(78)
Other	1,772	—
Total deferred income tax assets	18,913	25,780
Deferred income tax liabilities:		
Property, plant and equipment	(40,494)	(54,155)
Other	—	(631)
Total deferred income tax liabilities	(40,494)	(54,786)
Net deferred income tax liability	$(21,581)	$(29,006)
Reported on the consolidated balance sheets as:		
Deferred income tax asset	$5,769	$3,108
Deferred income tax liability	(27,350)	(32,114)
Net deferred income tax liability	$(21,581)	$(29,006)

As of December 31, 2013, our U.S. and foreign corporate operations have net operating loss carryforwards for tax purposes totaling approximately $80.0 million and $4.7 million, respectively, which are subject to various limitations on use and expire in years 2021 through 2033 for U.S. losses and in years 2017 and 2018 for foreign losses.

As of December 31, 2013 and 2012, we recorded a valuation allowance of $12.2 million and $0.1 million, respectively, related to our deferred tax assets. We estimate the amount of valuation allowance based upon our expectations of taxable income in the various jurisdictions in which we operate and the period over which we can utilize those future deductions. The valuation allowance reflects uncertainties related to our ability to utilize certain net operating loss carryforwards before they expire. In 2013, we increased the valuation allowance for the U.S. and foreign net operating loss by $10.3 million and $1.8 million, respectively, due to changes in our estimates of the amount of those loss carryforwards that will be realized, based upon future taxable income.

The realization of net deferred income tax assets recorded as of December 31, 2013 is dependent upon our ability to generate future taxable income in the United States. We believe it is more likely than not that the deferred income tax assets as of December 31, 2013 will be realized, based on expected future taxable income.

Grace Energy Corporation Matter

In connection with the settlement of a legal matter, we recognized a pre-tax gain of $28.7 million in 2012 within one of our taxable subsidiaries. As a result, we recorded related income tax expense of $10.1 million, resulting from the reduction of the related deferred income tax asset.

Canadian Income Tax Audit

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

St. Eustatius Tax Agreement

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

Effective January 1, 2011, the Netherlands Antilles ceased to exist, and St. Eustatius became part of the Netherlands. The Netherlands Tax Ministry contends that as of January 2011, we are subject to real estate tax rather than profit tax as expressed in our tax agreement. In 2013, the Ministry issued a property tax assessment for years 2011 through 2012. We objected to and appealed the assessment. In 2013, we filed a lawsuit in the Netherlands civil court seeking to enforce the terms of our existing St. Eustatius tax agreement. We believe it is likely that we will prevail in the lawsuit.

26. SEGMENT INFORMATION

Our reportable business segments consist of storage, pipeline (formerly known as the transportation segment), and fuels marketing. In 2013, we changed the name of the “Asphalt and Fuels Marketing” segment to the “Fuels Marketing” segment since this name more accurately reflects the operations that remain after the Asphalt Sale and the San Antonio Refinery Sale.

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

Results of operations for the reportable segments were as follows:

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Revenues:			
Storage:			
Third parties	$518,253	$517,699	$500,303
Intersegment	32,044	59,168	46,324
Related party	6,252	1,199	—
Total storage	556,549	578,066	546,627
Pipeline:			
Third parties	411,529	340,455	311,449
Intersegment	—	—	65
Total pipeline	411,529	340,455	311,514
Fuels marketing:			
Third parties	2,519,053	5,085,592	5,445,877
Intersegment	—	—	9,782
Related party	8,645	791	—
Total fuels marketing	2,527,698	5,086,383	5,455,659
Consolidation and intersegment eliminations	(32,044)	(59,168)	(56,171)
Total revenues	$3,463,732	$5,945,736	$6,257,629
Depreciation and amortization expense:			
Storage	$99,868	$88,217	$82,921
Pipeline	68,871	52,878	51,165
Fuels marketing	27	11,253	20,949
Total segment depreciation and amortization expense	168,766	152,348	155,035
Other depreciation and amortization expense	10,155	7,441	6,738
Total depreciation and amortization expense	$178,921	$159,789	$161,773
Operating (loss) income:			
Storage	$(127,484)	$198,842	$196,508
Pipeline	208,293	158,590	146,403
Fuels marketing	(126)	(296,785)	71,854
Consolidation and intersegment eliminations	1,437	7,939	5,906
Total segment operating income	82,120	68,586	420,671
Less general and administrative expenses	91,086	104,756	103,050
Less other depreciation and amortization expense	10,155	7,441	6,738
Other asset impairment loss	—	3,295	—
Gain on legal settlement	—	(28,738)	—
Total operating (loss) income	$(19,121)	$(18,168)	$310,883

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Revenues by geographic area are shown in the table below.

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
United States	$2,340,694	$4,230,607	$4,521,553
Netherlands	1,027,260	1,438,297	1,564,062
Other	95,778	276,832	172,014
Consolidated revenues	$3,463,732	$5,945,736	$6,257,629

For the years ended December 31, 2013, 2012 and 2011, Valero Energy Corporation accounted for approximately 15%, or $534.2 million, 11%, or $668.1 million, and 11%, or $684.1 million, of our consolidated revenues, respectively. These revenues were included in all of our reportable business segments. No other single customer accounted for 10% or more of our consolidated revenues.

Total amounts of property, plant and equipment, net by geographic area were as follows:

	December 31,	
	2013	2012
	(Thousands of Dollars)	
United States	$2,635,792	$2,560,608
Netherlands	467,660	454,560
Other	207,201	223,292
Consolidated long-lived assets	$3,310,653	$3,238,460

Total assets by reportable segment were as follows:

	December 31,	
	2013	2012
	(Thousands of Dollars)	
Storage	$2,275,183	$2,627,946
Pipeline	1,797,698	1,720,711
Fuels marketing	445,882	885,661
Total segment assets	4,518,763	5,234,318
Other partnership assets	513,423	378,771
Total consolidated assets	$5,032,186	$5,613,089

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

	Year Ended December 31,		
	2013	2012	2011
	(Thousands of Dollars)		
Storage	$170,637	$161,672	$263,918
Pipeline	165,096	493,028	45,170
Fuels marketing	69	20,333	90,683
Other partnership assets	7,518	53,982	45,569
Total capital expenditures	$343,320	$729,015	