NuStar Energy L.P.
Form 10-Q
August 07, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from _______ to _______

Commission File Number 1-16417

NUSTAR ENERGY L.P.
(Exact name of registrant as specified in its charter)

Delaware	74-2956831
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2330 North Loop 1604 West San Antonio, Texas	78248
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Large accelerated filer	x	Accelerated filer	£
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	£

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

The number of common units outstanding as of July 31, 2012 was 70,756,078.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements
NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars, Except Unit Data)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$34,147	$17,497
Accounts receivable, net of allowance for doubtful accounts of $1,657 and $2,147 as of June 30, 2012 and December 31, 2011, respectively	487,565	547,808
Inventories	253,610	587,785
Income tax receivable	1,952	4,148
Other current assets	85,872	43,685
Assets held for sale	640,959	—
Total current assets	1,504,105	1,200,923
Property, plant and equipment, at cost	4,058,542	4,413,305
Accumulated depreciation and amortization	(979,111)	(982,837)
Property, plant and equipment, net	3,079,431	3,430,468
Intangible assets, net	28,226	38,923
Goodwill	822,701	846,717
Investment in joint venture	68,188	66,687
Deferred income tax asset	—	9,141
Other long-term assets, net	214,947	288,331
Total assets	$5,717,598	$5,881,190
Liabilities and Partners’ Equity		
Current liabilities:		
Current portion of long-term debt	$517,880	$364,959
Accounts payable	423,227	454,326
Payable to related party	17,562	6,735
Accrued interest payable	27,645	29,833
Accrued liabilities	119,768	71,270
Taxes other than income tax	14,335	13,455
Income tax payable	2,517	3,222
Total current liabilities	1,122,934	943,800
Long-term debt, less current portion	2,106,988	1,928,071
Long-term payable to related party	15,141	14,502
Deferred income tax liability	31,596	35,437
Other long-term liabilities	19,822	95,045
Commitments and contingencies (Note 6)		
Partners’ equity:		
Limited partners (70,756,078 common units outstanding as of June 30, 2012 and December 31, 2011)	2,426,602	2,817,069
General partner	54,175	62,539
Accumulated other comprehensive loss	(72,508)	(27,407)

Total NuStar Energy L.P. partners' equity	2,408,269	2,852,201
Noncontrolling interest	12,848	12,134
Total partners' equity	2,421,117	2,864,335
Total liabilities and partners' equity	$5,717,598	$5,881,190

See Condensed Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenues:				
Service revenues:				
Third parties	$207,794	$199,208	$413,242	$397,471
Related party	788	407	1,485	537
Total service revenues	208,582	199,615	414,727	398,008
Product sales	1,693,323	1,389,569	3,222,870	2,425,792
Total revenues	1,901,905	1,589,184	3,637,597	2,823,800
Costs and expenses:				
Cost of product sales	1,661,189	1,269,448	3,151,026	2,261,815
Operating expenses:				
Third parties	98,162	97,825	184,896	182,955
Related party	37,101	36,801	76,033	71,910
Total operating expenses	135,263	134,626	260,929	254,865
General and administrative expenses:				
Third parties	9,775	10,084	17,793	19,119
Related party	13,360	16,035	32,529	32,983
Total general and administrative expenses	23,135	26,119	50,322	52,102
Depreciation and amortization expense	45,576	41,640	90,257	81,936
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	2,108,203	1,471,833	3,795,574	2,650,718
Operating (loss) income	(206,298)	117,351	(157,977)	173,082
Equity in earnings of joint venture	2,381	2,010	4,767	4,398
Interest expense, net	(23,820)	(20,622)	(46,170)	(41,079)
Other expense, net	(2,812)	(967)	(1,444)	(6,466)
(Loss) income before income tax expense	(230,549)	97,772	(200,824)	129,935
Income tax expense	16,261	5,167	19,732	8,814
Net (loss) income	(246,810)	92,605	(220,556)	121,121
Less net (loss) income attributable to noncontrolling interest	(73)	6	(170)	20
Net (loss) income attributable to NuStar Energy L.P.	$(246,737)	$92,599	$(220,386)	$121,101
Net (loss) income per unit applicable to limited partners (Note 12)	$(3.56)	$1.27	$(3.33)	$1.57
Weighted-average limited partner units outstanding	70,756,078	64,610,549	70,756,078	64,610,549
Comprehensive (loss) income	$(254,001)	$59,999	$(264,773)	$100,498
Less comprehensive (loss) income attributable to noncontrolling interest	(308)	(821)	714	(255)
Comprehensive (loss) income attributable to NuStar Energy L.P.	$(253,693)	$60,820	$(265,487)	$100,753

See Condensed Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30, 2012	2011
Cash Flows from Operating Activities:		
Net (loss) income	$(220,556)	$121,121
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	90,257	81,936
Amortization of debt related items	(4,652)	(4,690)
Asset and goodwill impairment loss	271,778	—
Gain on legal settlement	(28,738)	—
Deferred income tax expense	5,054	1,487
Equity in earnings of joint venture	(4,767)	(4,398)
Distributions of equity in earnings of joint venture	3,266	6,729
Changes in current assets and current liabilities (Note 13)	(76,088)	(201,736)
Other, net	(3,436)	1,375
Net cash provided by operating activities	32,118	1,824
Cash Flows from Investing Activities:		
Reliability capital expenditures	(12,718)	(20,573)
Strategic capital expenditures	(198,421)	(135,821)
Acquisitions	—	(100,448)
Investment in other long-term assets	(2,286)	(5,580)
Proceeds from sale or disposition of assets	31,006	289
Net cash used in investing activities	(182,419)	(262,133)
Cash Flows from Financing Activities:		
Proceeds from long-term debt borrowings	1,361,798	585,764
Proceeds from short-term debt borrowings	71,880	31,600
Proceeds from senior note offering, net of issuance costs	247,408	—
Long-term debt repayments	(1,259,878)	(225,993)
Short-term debt repayments	(71,880)	(31,600)
Distributions to unitholders and general partner	(178,152)	(159,232)
(Payments for) proceeds from termination of interest rate swaps	(5,678)	9,112
Other, net	(408)	(2,811)
Net cash provided by financing activities	165,090	206,840
Effect of foreign exchange rate changes on cash	1,861	1,224
Net increase (decrease) in cash and cash equivalents	16,650	(52,245)
Cash and cash equivalents as of the beginning of the period	17,497	181,121
Cash and cash equivalents as of the end of the period	$34,147	$128,876

See Condensed Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization and Operations
NuStar Energy L.P. (NuStar Energy) (NYSE: NS) is engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and petroleum refining and marketing. Unless otherwise indicated, the terms “NuStar Energy,” “the Partnership,” “we,” “our” and “us” are used in this report to refer to NuSt 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 16.2% total interest in us as of June 30, 2012.
We conduct our operations through our subsidiaries, primarily NuStar Logistics, L.P. (NuStar Logistics) and NuStar Pipeline Operating Partnership L.P. (NuPOP). We have three business segments: storage, transportation, and asphalt and fuels marketing.
Basis of Presentation
These unaudited condensed consolidated financial statements include the accounts of the Partnership and subsidiaries in which the Partnership has a controlling interest. Noncontrolling interests are separately disclosed on the financial statements. Inter-partnership balances and transactions have been eliminated in consolidation. We account for investments in 50% or less-owned entities using the equity method.
These unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included, and all disclosures are adequate. All such adjustments are of a normal recurring nature unless disclosed otherwise. Financial information for the three and six months ended June 30, 2012 and 2011 included in these Condensed Notes to Consolidated Financial Statements is derived from our unaudited condensed consolidated financial statements. Operating results for the three and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The consolidated balance sheet as of December 31, 2011 has been derived from the audited consolidated financial statements as of that date. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011.

2. ASSETS HELD FOR SALE AND ASSET IMPAIRMENTS

Asphalt Operations. On July 3, 2012, we entered into an agreement with an affiliate of Lindsay Goldberg LLC (Lindsay Goldberg), a private investment firm, to create a joint venture that will own and operate NuStar Energy’s asphalt refining assets, including the asphalt refineries located in Paulsboro, New Jersey and Savannah, Georgia (collectively, the Asphalt Operations). NuStar Energy and Lindsay Goldberg will each have a 50% voting interest in NuStar Asphalt LLC (Asphalt JV), currently a wholly owned subsidiary of NuStar Energy, which was formed for the purpose of entering into this joint venture and which will own all the assets of the Asphalt Operations. Lindsay Goldberg will pay $175.0 million for the Class A equity interests (Class A Interests) of Asphalt JV, while we will retain the Class B equity interests (Class B Interests) of Asphalt JV. The Class A Interests will have a distribution preference over the Class B Interests, as well as a liquidation preference.

At the time of closing, Asphalt JV will purchase the inventory of the Asphalt Operations from NuStar Energy at market prices. Asphalt JV intends to fund the purchase of those inventories with proceeds from borrowings under a third-party asset-based revolving credit facility (Third-Party Financing) and an unsecured revolving credit facility provided by NuStar Energy (NuStar Facility). The NuStar Facility will also be available to fund working capital needs of Asphalt JV in an aggregate principal amount not to exceed $250.0 million for a term of seven years. In addition, during the term of the NuStar Facility, NuStar Energy has agreed to provide guarantees or credit support, as applicable, of up to $150.0 million for operating contracts assumed by Asphalt JV related to the Asphalt Operations. NuStar Energy also expects to enter into an administrative services agreement, a terminal lease agreement and a crude oil supply agreement with Asphalt JV.

This transaction is expected to close in the third quarter of 2012, subject to the consummation of the Third-Party Financing and the NuStar Facility, as well as the satisfaction of certain other customary closing conditions, such as regulatory approval. Upon closing, we expect to deconsolidate Asphalt JV and prospectively report our remaining investment in Asphalt JV using the equity method of accounting. Therefore, as of June 30, 2012, we have presented the assets related to the Asphalt Operations as "Assets held for sale" on the consolidated balance sheet. Because of our expected continued involvement with Asphalt JV discussed above, we have not presented the results of operations for the Asphalt Operations as discontinued operations.

Asset Impairments. In connection with our expected sale of 50% of Asphalt JV, 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 $244.2 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 is reported in the asphalt and fuels marketing segment.

In the second quarter of 2012, we reduced the carrying value of the fixed assets of one of our refined product terminals to its estimated fair value and recorded an asset impairment loss of $2.1 million. The impairment loss resulted from changing market conditions that reduced the estimated cash flows for that terminal. The impairment loss associated with this refined product terminal was reported in the storage segment. In addition, we recorded an asset impairment loss of $3.3 million in the second quarter of 2012 in order to reduce the carrying value of certain corporate assets we intend to sell to their estimated sales price.

The total asset impairment loss consisted of the following:

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

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Assets Held for Sale. As of June 30, 2012, we reclassified the assets of the Asphalt Operations and certain corporate assets we intend to sell as “Assets held for sale” on the consolidated balance sheet. The total assets held for sale consisted of the following:

	June 30, 2012 (Thousands of Dollars)
Asphalt Operations	
Inventories	$410,977
Other current assets	135
Property, plant and equipment, net	204,946
Other long-term assets, net	22,054
Assets held for sale	638,112
Other	
Property, plant and equipment, net	2,847
Total assets held for sale	$640,959

3. DISPOSITIONS

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.

4. INVENTORIES

Inventories consisted of the following:

	June 30, 2012	December 31, 2011
	(Thousands of Dollars)	
Crude oil	$23,013	$157,297
Finished products	223,608	421,288
Materials and supplies	6,989	9,200
Total	$253,610	$587,785

5. DEBT

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

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

On June 29, 2012, we amended the 2012 Revolving Credit Agreement to permit unlimited investments in joint ventures and unconsolidated subsidiaries, provided that no default exists, and to modify the consolidated debt coverage ratio to include up to 20% of cash distributions for such joint ventures and unconsolidated subsidiaries (the Amendment). In addition, the Amendment provides that we will be in compliance with the consolidated debt coverage ratio as long as it does not exceed 6.50-to-1.00 for the rolling period ended June 30, 2012 or 6.00-to-1.00 for the rolling period ending September 30, 2012. However, the consolidated debt coverage ratio will revert to a maximum of 5.00-to-1.00 for any four consecutive quarters, if our Asphalt Operations are owned by an unconsolidated joint venture. 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 June 30, 2012, our consolidated debt coverage ratio was 6.0x, and we had $668.4 million available for borrowing.

During the six months ended June 30, 2012, we borrowed an aggregate $1,332.9 million under our revolving credit agreements to fund working capital requirements, our capital expenditures and distributions. Additionally, we repaid $1,009.9 million during the six months ended June 30, 2012 under our revolving credit agreements. These borrowings and repayments include borrowings under the 2012 Revolving Credit Agreement to pay down the 2007 Revolving Credit Agreement.

The 2012 Revolving Credit Agreement bears interest, at our option, based on either an alternative base rate or a LIBOR-based rate. The interest rate on the 2012 Revolving Credit Agreement is subject to adjustment if our debt rating is downgraded (or subsequently upgraded) by certain credit rating agencies. As of June 30, 2012, our weighted average borrowing interest rate was 1.9%.

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

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

Gulf Opportunity Zone Revenue Bonds
In 2008, 2010 and 2011, the Parish of St. James, Louisiana issued, pursuant to the Gulf Opportunity Zone Act of 2005, tax-exempt revenue bonds (GoZone Bonds) associated with our St. James terminal expansions. The GoZone

Bonds bear interest based on a weekly tax-exempt bond market interest rate, and we pay interest monthly. The interest rate was 0.2% as of June 30, 2012. The proceeds are deposited with a trustee and disbursed to us upon our request for reimbursement of expenditures related to our St. James terminal expansions. We include the amount remaining in trust related to the GoZone Bonds in “Other long-term assets, net,” and the amount of bonds issued in “Long-term debt, less current portion” on the consolidated balance sheets. For the six months ended June 30, 2012, we received $34.5 million from the trustee. As of June 30, 2012, the amount remaining in trust totaled $138.9 million.

Subsequent Events

NuStar Logistics’ 6.875% Senior Notes. In July 2012, we repaid the $100.0 million of 6.875% senior notes due July 15, 2012 with borrowings under our 2012 Revolving Credit Agreement. As the senior notes were refinanced using long-term debt, the $100.0 million principal balance was moved from “Current portion of long-term debt” to “Long-term debt, less current portion” in our consolidated balance sheet as of June 30, 2012.

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

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

6. COMMITMENTS AND CONTINGENCIES

Contingencies

We have contingent liabilities resulting from various litigation, claims and commitments, as discussed below. We record accruals for loss contingencies when losses are considered probable and can be reasonably estimated. Legal fees associated with defending the Partnership in legal matters are expensed as incurred. As of June 30, 2012, we have accrued $13.3 million for contingent losses. The amount that will ultimately be paid related to these matters may differ from the recorded accruals, and the timing of such payments is uncertain.

Grace Energy Corporation Matter. In 1997, Grace Energy Corporation (Grace Energy) sued subsidiaries of Kaneb Pipeline Partners, L.P. (KPP) and Kaneb Services LLC (KSL and collectively with KPP and their respective subsidiaries, Kaneb) in Texas state court. We acquired Kaneb on July 1, 2005. The complaint sought recovery of the cost of remediation of fuel leaks in the 1970s from a pipeline that had once connected a former Grace Energy terminal with Otis Air Force Base in Massachusetts (Otis AFB). Grace Energy alleges the Otis AFB pipeline and related environmental liabilities had been transferred in 1978 to an entity that was part of Kaneb's acquisition of Support Terminal Services, Inc. and its subsidiaries from Grace Energy in 1993. Kaneb contends that it did not acquire the Otis AFB pipeline and never assumed any responsibility for any associated environmental damage.

In 2000, the court entered final judgment that: (i) Grace Energy could not recover its own remediation costs of $3.5 million, (ii) Kaneb owned the Otis AFB pipeline and its related environmental liabilities and (iii) Grace Energy was awarded $1.8 million in attorney costs. Both Kaneb and Grace Energy appealed the final judgment of the trial court to the Texas Court of Appeals in Dallas. In 2001, Grace Energy filed a petition in bankruptcy, which created an automatic stay of actions against Grace Energy. In September 2008, Grace Energy filed its Joint Plan of Reorganization and Disclosure Statement.

The Otis AFB is a part of a Superfund Site pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). The site contains a number of groundwater contamination plumes, two of which are allegedly associated with the Otis AFB pipeline. Relying on the final judgment of the Texas state court assigning ownership of the Otis AFB pipeline to Kaneb, the United States Department of Justice (the DOJ) advised Kaneb in 2001 that it intends to seek reimbursement from Kaneb for the remediation costs associated with the two plumes. In November 2008, the DOJ forwarded information to us indicating that the past and estimated future remediation expenses associated with one plume are $71.9 million. We reached an agreement to settle the claims of the United States government with respect to the Otis AFB pipeline and to resolve the underlying dispute between Kaneb and Grace. The settlement was approved by the United States Bankruptcy Court for the District of Delaware and a consent decree was entered by the United States District Court for the District of Massachusetts. Pursuant to the terms of the settlement, we paid approximately $13.1 million to the United States government in July 2012 and received releases of claims from various private parties and a covenant not to sue from the United States government. In connection with the settlement, we recognized a gain of $28.7 million during the second quarter of 2012.

Other

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

7. FAIR VALUE MEASUREMENTS

We segregate the inputs used in measuring fair value into three levels: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists. We consider counterparty credit risk and our own credit risk in the determination of all estimated fair values.

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

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

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

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

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Other current assets:				
Product imbalances	$448	$—	$—	$448
Commodity derivatives	44,605	1,270	—	45,875
Other long-term assets, net:				
Commodity derivatives	—	9,096	—	9,096
Accrued liabilities:				
Product imbalances	(450)	—	—	(450)
Commodity derivatives	(26,790)	(10,347)	—	(37,137)
Interest rate swaps	—	(37,291)	—	(37,291)
Other long-term liabilities:				
Commodity derivatives	—	(1,345)	—	(1,345)
Total	$17,813	$(38,617)	$—	$(20,804)

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

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Non-recurring Fair Value Measurements
The following assets are measured at fair value on a non-recurring basis:

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	(Thousands of Dollars)			
Long-lived assets held for sale - Asphalt Operations	—	—	$ 227,000	$ 227,000
Long-lived assets held for sale - other	—	—	$ 2,847	$ 2,847

We estimated the fair value of the long-lived assets associated with our Asphalt Operations reporting unit as the sum of the purchase price to be paid by Lindsay Goldberg for the Class A Interests of Asphalt JV and the fair value of the Class B Interests of Asphalt JV that we would retain. We determined the fair value of the Class B Interests using a combination of valuation methods, including an income approach method, a market approach method and an option model. The significant inputs used in the income approach method include estimated future cash flows and a discount rate equal to the estimated weighted average cost of capital of 14.0%. Inputs used in the market approach method include observable multiples applied to key financial statistics derived from peer companies. Inputs to the option model include an underlying asset value, a five-year expected date of liquidity, a discount rate of 0.7%, an expected volatility of 62.0% and exercise prices consistent with the distribution and liquidation rights for the Class A Interests and Class B Interests. The other long-lived assets held for sale in the table above represent certain corporate assets that we wrote down to their estimated sales price. See Note 2. Assets Held for Sale and Asset Impairments for additional discussion on our plan to sell 50% of the Asphalt Operations.

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

	June 30, 2012	December 31, 2011
	(Thousands of Dollars)	
Fair value	$ 2,648,915	$ 2,377,565
Carrying amount	$ 2,624,868	$ 2,293,030

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

8. DERIVATIVES AND RISK MANAGEMENT ACTIVITIES

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

Interest Rate Risk

We are a party to certain interest rate swap agreements to manage our exposure to changes in interest rates. We entered into fixed-to-floating interest rate swap agreements associated with a portion of our fixed-rate senior notes. During the six months ended June 30, 2012, we entered into and terminated fixed-to-floating interest rate swap agreements with an aggregate notional amount of $200.0 million related to the 4.75% senior notes issued on February 2, 2012. Under the terms of these interest rate swap agreements, we received a fixed 4.75% and paid a variable rate based on one month USD LIBOR plus a percentage that varied with each agreement. We also terminated fixed-to-floating interest rate swap agreements with an aggregate notional amount of $270.0 million associated with our 4.80% senior notes. We received $19.7 million in connection with the terminations, which we are amortizing into "Interest expense, net" over the remaining lives of the 4.80% and 4.75% senior notes. We had no fixed-to-floating interest rate swaps as of June 30, 2012, and the total aggregate notional amount of the fixed-to-floating interest rate swaps was $270.0 million as of December 31, 2011.

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

Commodity Price Risk

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

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

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

The volume of commodity contracts is based on open derivative positions and represents the combined volume of our long and short positions on an absolute basis, which totaled 32.0 million barrels and 27.8 million barrels as of June 30, 2012 and December 31, 2011, respectively.

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

	Balance Sheet Location	Asset Derivatives June 30, 2012	Asset Derivatives December 31, 2011	Liability Derivatives June 30, 2012	Liability Derivatives December 31, 2011
		(Thousands of Dollars)			
Derivatives Designated as Hedging Instruments:					
Commodity contracts	Other current assets	$5,776	$36,116	$(5,010)	$(33,616)
Commodity contracts	Other long-term assets, net	36,782	86,052	(27,220)	(66,175)
Interest rate swaps	Other long-term assets, net	—	2,335	—	—
Commodity contracts	Accrued liabilities	35,863	—	(50,514)	—
Interest rate swaps	Accrued liabilities	—	—	(37,291)	(22,009)
Commodity contracts	Other long-term liabilities	9,652	—	(16,496)	—
Interest rate swaps	Other long-term liabilities	—	—	—	(27,190)
Total		88,073	124,503	(136,531)	(148,990)
Derivatives Not Designated as Hedging Instruments:					
Commodity contracts	Other current assets	91,480	15,568	(46,371)	(5,956)
Commodity contracts	Other long-term assets, net	13,921	7,207	(14,387)	—
Commodity contracts	Accrued liabilities	32,997	519	(55,483)	(5,943)
Commodity contracts	Other long-term liabilities	20,279	—	(14,780)	—
Total		158,677	23,294	(131,021)	(11,899)
Total Derivatives		$246,750	$147,797	$(267,552)	$(160,889)

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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)		
Three months ended June 30, 2012:				
Interest rate swaps	Interest expense, net	$(19,573)	$19,573	$ —
Commodity contracts	Cost of product sales	5,222	(5,837)	(615)
Total		$(14,351)	$13,736	$ (615)
Three months ended June 30, 2011				
Interest rate swaps	Interest expense, net	$14,528	$(14,812)	$ (284)
Commodity contracts	Cost of product sales	1,002	(1,650)	(648)
Total		$15,530	$(16,462)	$ (932)
Six months ended June 30, 2012:				
Interest rate swaps	Interest expense, net	$(17,345)	$17,345	$ —
Commodity contracts	Cost of product sales	2,635	(3,447)	(812)
Total		$(14,710)	$13,898	$ (812)
Six months ended June 30, 2011:				
Interest rate swaps	Interest expense, net	$8,614	$(8,852)	$ (238)
Commodity contracts	Cost of product sales	(11,064)	10,720	(344)
Total		$(2,450)	$1,868	$ (582)

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Derivatives Designated as Cash Flow Hedging Instruments	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Income Statement Location (a)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
	(Thousands of Dollars)		(Thousands of Dollars)	
Three months ended June 30, 2012:				
Interest rate swaps	$ (16,749)	Interest expense, net	$ (629)	$ —
Commodity contracts	4,461	Cost of product sales	(8,518)	—
Total	$ (12,288)		$ (9,147)	$ —
Three months ended June 30, 2011				
Interest rate swaps	$ (15,708)	Interest expense, net	$ —	$ —
Commodity contracts	(16,454)	Cost of product sales	(1,225)	—
Total	$ (32,162)		$ (1,225)	$ —
Six months ended June 30, 2012:				
Interest rate swaps	$ (13,451)	Interest expense, net	$ (1,052)	$ —
Commodity contracts	(52,660)	Cost of product sales	(15,862)	4,010
Total	$ (66,111)		$ (16,914)	$ 4,010
Six months ended June 30, 2011:				
Interest rate swaps	$ (12,830)	Interest expense, net	$ —	$ —
Commodity contracts	(16,454)	Cost of product sales	(1,225)	—
Total	$ (29,284)		$ (1,225)	$ —

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

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Derivatives Not Designated as Hedging Instruments	Income Statement Location	Amount of Gain (Loss) Recognized in Income (Thousands of Dollars)	
Three months ended June 30, 2012:			
Commodity contracts	Revenues	$(8,164	)
Commodity contracts	Cost of product sales	28,255	
		$20,091	
Three months ended June 30, 2011			
Commodity contracts	Revenues	$(29	)
Commodity contracts	Cost of product sales	4,462	
		$4,433	
Six months ended June 30, 2012:			
Commodity contracts	Revenues	$(7,654	)
Commodity contracts	Cost of product sales	23,937	
		$16,283	
Six months ended June 30, 2011:			
Commodity contracts	Revenues	$235	
Commodity contracts	Cost of product sales	(11,167	)
Commodity contracts	Operating expenses	46	
		$(10,886	)

For derivatives designated as cash flow hedging instruments, once a hedged transaction occurs, we reclassify the effective portion from accumulated OCI to “Cost of product sales” or “Interest expense, net.” As of June 30, 2012, we expect to reclassify a loss of $9.1 million to “Cost of product sales” and a loss of $2.5 million to “Interest expense, net” within the next twelve months. The maximum length of time over which we are hedging our exposure to the variability in future cash flows is approximately three years for our commodity contracts and one year for our forward-starting interest rate swaps.

9. RELATED PARTY TRANSACTIONS

Our operations are managed by NuStar GP, LLC, the general partner of our general partner. Under a services agreement between NuStar Energy and NuStar GP, LLC, employees of NuStar GP, LLC perform services for our United States operations. Certain of our wholly owned subsidiaries employ persons who perform services for our international operations. Employees of NuStar GP, LLC provide services to both NuStar Energy and NuStar GP Holdings; therefore, we reimburse NuStar GP, LLC for all costs related to its employees, other than costs associated with NuStar GP Holdings. Related party revenues result from storage agreements between our Turkey subsidiary and the noncontrolling shareholder.

The following table summarizes information pertaining to related party transactions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(Thousands of Dollars)			
Revenues	$788	$407	$1,485	$537

Operating expenses	$37,101	$36,801	$76,033	$71,910
General and administrative expenses	$13,360	$16,035	$32,529	$32,983

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We had a payable to NuStar GP, LLC of $17.6 million and $6.7 million as of June 30, 2012 and December 31, 2011, respectively, with both amounts representing payroll, employee benefit plan expenses and unit-based compensation. We also had a long-term payable to NuStar GP, LLC as of June 30, 2012 and December 31, 2011 of $15.1 million and $14.5 million, respectively, related to amounts payable for retiree medical benefits and other post-employment benefits.

10. OTHER EXPENSE

Other expense, net consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(Thousands of Dollars)			
Storage agreement early termination costs	$—	$—	—	(5,000)
Foreign exchange (losses) gains	(2,878)	34	(2,498)	(576)
Other, net	66	(1,001)	1,054	(890)
Other expense, net	$(2,812)	$(967)	$(1,444)	$(6,466)

For the six months ended June 30, 2011, “Other expense, net” included $5.0 million in costs associated with the early termination of a third-party storage agreement at our Paulsboro, New Jersey asphalt refinery.

11. PARTNERS’ EQUITY

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

	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
	NuStar Energy L.P. Partners’ Equity	Noncontrolling Interest	Total Partners’ Equity	NuStar Energy L.P. Partners’ Equity	Noncontrolling Interest	Total Partners’ Equity
	(Thousands of Dollars)					
Beginning balance	$2,751,062	$13,156	$2,764,218	$2,663,017	$15,566	$2,678,583
Net (loss) income	(246,737)	(73)	(246,810)	92,599	6	92,605
Other comprehensive (loss) income:						
Foreign currency translation adjustment	(3,815)	(235)	(4,050)	(842)	(827)	(1,669)
Net unrealized loss on cash flow hedges	(12,288)	—	(12,288)	(32,162)	—	(32,162)
Net loss reclassified into income on cash flow hedges	9,147	—	9,147	1,225	—	1,225
Total other comprehensive (loss) income	(6,956)	(235)	(7,191)	(31,779)	(827)	(32,606)

Cash distributions to partners	(89,076)	—	(89,076)	(79,616)	—	(79,616)
Other	(24)	—	(24)	—	—	—
Ending balance	$2,408,269	$12,848	$2,421,117	$2,644,221	$14,745	$2,658,966

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	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
	NuStar Energy L.P. Partners' Equity	Noncontrolling Interest	Total Partners' Equity	NuStar Energy L.P. Partners' Equity	Noncontrolling Interest	Total Partners' Equity
	(Thousands of Dollars)					
Beginning balance	$2,852,201	$12,134	$2,864,335	$2,702,700	$—	$2,702,700
Acquisition	—	—	—	—	15,000	15,000
Net (loss) income	(220,386)	(170)	(220,556)	121,101	20	121,121
Other comprehensive (loss) income:						
Foreign currency translation adjustment	4,096	884	4,980	7,711	(275)	7,436
Net unrealized loss on cash flow hedges	(66,111)	—	(66,111)	(29,284)	—	(29,284)
Net loss reclassified into income on cash flow hedges	16,914	—	16,914	1,225	—	1,225
Total other comprehensive (loss) income	(45,101)	884	(44,217)	(20,348)	(275)	(20,623)
Cash distributions to partners	(178,152)	—	(178,152)	(159,232)	—	(159,232)
Other	(293)	—	(293)	—	—	—
Ending balance	$2,408,269	$12,848	$2,421,117	$2,644,221	$14,745	$2,658,966

Allocations of Net Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(Thousands of Dollars)			
Net (loss) income attributable to NuStar Energy L.P.	$(246,737)	$92,599	$(220,386)	$121,101
Less general partner incentive distribution	9,816	8,963	19,632	17,531
Net (loss) income after general partner incentive distribution	(256,553)	83,636	(240,018)	103,570
General partner interest	2%	2%	2%	2%
	(5,131)	1,673	(4,800)	2,071

General partner allocation of net (loss) income after general partner incentive distribution				
General partner incentive distribution	9,816	8,963	19,632	17,531
Net income applicable to general partner	$4,685	$10,636	$14,832	$19,602

Cash Distributions

On May 11, 2012, we paid a quarterly cash distribution totaling $89.1 million, or $1.095 per unit, related to the first quarter of 2012. On July 27, 2012, we announced a quarterly cash distribution of $1.095 per unit related to the second quarter of 2012. This distribution will be paid on August 10, 2012 to unitholders of record on August 7, 2012 and will total $89.1 million.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(Thousands of Dollars, Except Per Unit Data)			
General partner interest	$1,782	$1,627	$3,564	$3,219
General partner incentive distribution	9,816	8,963	19,632	17,531
Total general partner distribution	11,598	10,590	23,196	20,750
Limited partners' distribution	77,478	70,749	154,956	140,205
Total cash distributions	$89,076	$81,339	$178,152	$160,955
Cash distributions per unit applicable to limited partners	$1.095	$1.095	$2.190	$2.170

12. NET INCOME PER UNIT

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

The following table details the calculation of earnings per unit:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(Thousands of Dollars, Except Unit and Per Unit Data)			
Net (loss) income attributable to NuStar Energy L.P.	$(246,737)	$92,599	$(220,386)	$121,101
Less general partner distribution (including IDR)	11,598	10,590	23,196	20,750
Less limited partner distribution	77,478	70,749	154,956	140,205
Distributions (greater than) less than earnings	$(335,813)	$11,260	$(398,538)	$(39,854)
General partner earnings:				
Distributions	$11,598	$10,590	$23,196	$20,750
Allocation of distributions (greater than) less than earnings (2%)	(6,717)	225	(7,972)	(798)
Total	$4,881	$10,815	$15,224	$19,952
Limited partner earnings:				
Distributions	$77,478	$70,749	$154,956	$140,205
Allocation of distributions (greater than) less than earnings (98%)	(329,096)	11,035	(390,566)	(39,056)
Total	$(251,618)	$81,784	$(235,610)	$101,149
Weighted-average limited partner units outstanding	70,756,078	64,610,549		