

NuStar Energy L.P.
Form 424B5
March 27, 2008
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The information in this preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933 but is not complete and may be changed. This preliminary prospectus supplement and the accompanying base prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)

SEC File No. 333-143095

SUBJECT TO COMPLETION, DATED MARCH 26, 2008

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated May 18, 2007)

4,000,000 Common Units

Representing Limited Partner Interests

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

Our common units are listed on the New York Stock Exchange under the symbol NS. The last reported sales price of our common units on the New York Stock Exchange on March 25, 2008 was \$50.72 per common unit.

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

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

	Per	Total
	Common Unit	
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds to NuStar Energy L.P. (before expenses)	\$	\$

We have granted the underwriters a 30-day option to purchase up to an additional 600,000 common units from us on the same terms and conditions as set forth above if the underwriters sell more than 4,000,000 common units in this offering.

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

Goldman, Sachs & Co.

Wachovia Securities

Citi
Morgan Stanley

Lehman Brothers
UBS Investment Bank

Credit Suisse

Deutsche Bank Securities

JPMorgan

Prospectus Supplement dated March , 2008.

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

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

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SUMMARY

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

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

NuStar Energy L.P.

NuStar Energy is a publicly traded master limited partnership organized in 1999 under the laws of the State of Delaware. We are primarily engaged in the crude oil and refined product transportation, terminalling and storage business and have terminal facilities in 28 U.S. states, the Netherlands Antilles, Canada, Mexico, the Netherlands and the United Kingdom. Our operations are managed by NuStar GP, LLC, an indirect wholly owned subsidiary of NuStar GP Holdings, LLC (NuStar GP Holdings), which is a publicly traded Delaware limited liability company that indirectly owns our 2% general partner interest, an approximate 18.74% limited partner interest and 100% of the incentive distribution rights.

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

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

two asphalt refineries with a combined throughput capacity of 104,000 barrels per day, three owned terminals with a combined capacity of 4.8 million barrels and terminal storage agreements for 15 terminals owned by third parties at which we market asphalt;

51 refined product terminals and one crude oil terminal in the United States and ten international terminals on the island of St. Eustatius in the Caribbean, Point Tupper in Nova Scotia, Canada, the United Kingdom, the Netherlands and Nuevo Laredo, Mexico;

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common carrier refined product pipelines that cover approximately 6,251 miles in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota and a 2,000 mile anhydrous ammonia pipeline located in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska;

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

60 crude oil and intermediate feedstock storage tanks that store and deliver crude oil and intermediate feedstock to Valero Energy Corporation's refineries in Benicia, California, Corpus Christi, Texas, Texas City, Texas, and Three Rivers, Texas.

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

Refined Product Terminals. Our terminal facilities provide storage and handling services on a fee basis for petroleum products, specialty chemicals, and other liquids, including crude oil and other feedstocks. In addition, our international terminal operations located on the island of St. Eustatius in the Caribbean and Point Tupper in Nova Scotia provide services, such as pilotage, tug assistance, line handling, launch service, emergency response services and other ship services. Our five largest terminal facilities are located on the island of St. Eustatius, Netherlands Antilles, in Point Tupper, Nova Scotia, in Piney Point, Maryland, in Linden, New Jersey (50% owned joint venture), and in St. James, Louisiana.

Refined Product Pipelines. We own common carrier pipelines in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota covering approximately 6,251 miles. The Central West System is connected to Valero Energy Corporation refineries in Texas and Oklahoma, the North Pipeline is connected to Tesoro Corporation's Mandan refinery in North Dakota, and the East Pipeline is connected to various refineries in the Midwest. In addition, we own a 2,000 mile anhydrous ammonia pipeline located in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska.

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

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

Marketing. The marketing segment consists primarily of purchasing petroleum products for resale to third parties. We primarily market heavy fuels, including bunker fuel used to supply

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marine vessels and refinery feed stocks, refined products consisting primarily of gasoline and distillates and asphalt. Revenues for our marketing segment include the mark-to-market results for our limited trading program.

Business Strategies

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

continuous improvement of our operations by improving safety and environmental stewardship, cost controls and asset reliability and integrity;

internal growth through enhancing the utilization of our existing assets by expanding our business with current and new customers as well as investments in strategic expansion projects;

external growth from acquisitions that meet our financial and strategic criteria; and

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

Competitive Strengths

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

our ability to grow and expand our customer base through acquisitions, such as our acquisition of the East Coast Asphalt Operations;

the strategic location of our assets in areas with high demand for our services;

the geographic diversity of our assets, which encompass important aspects of the crude oil and refined product transportation, terminalling and storage businesses;

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

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

Recent Developments

Acquisition of the East Coast Asphalt Operations

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

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

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

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

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

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

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

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

The East Coast Asphalt Operations products include:

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

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

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

In 2006, the East Coast Asphalt Operations served over 295 customers in the road construction and building materials industries, with no single customer representing more than 8% of total volume

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sales. We believe that integration of the acquisition of the East Coast Asphalt Operations will be largely facilitated by a skilled asphalt team that has extensive asphalt refining and marketing experience.

New Term Credit Facility

On March 20, 2008, we entered into a new unsecured \$124.0 million term credit facility and borrowed all \$124.0 million in order to fund a portion of the purchase price of the acquisition of the East Coast Asphalt Operations. Our obligations under the new term credit facility are guaranteed by NuStar Energy and KPOP. The terms of the new term credit facility, as amended on March 26, 2008, are substantially similar to the terms of our five-year revolving credit facility, with the exception that:

the new term credit facility is subject to mandatory prepayment upon the issuance by us of any equity securities (excluding the common units we are selling in this offering), hybrid equity securities, convertible securities or indebtedness,

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

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

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

Partnership Structure and Management

Management of NuStar Energy L.P.

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

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

Principal Executive Offices and Internet Address

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

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Ownership Chart

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

- ¹ Includes 6,256,828 units owned by officers and directors (excluding our chairman, Mr. Greehey).
- ² Includes 595,718 common units (including 87,606 exercisable options), or a 1.18% Limited Partner Interest, owned by officers and directors of NuStar GP, LLC.

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The Offering

Common units offered by us 4,000,000 common units.
 4,600,000 common units if the underwriters exercise their option to purchase an additional 600,000 common units in full.

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

Units outstanding after this offering 53,409,749 common units, or 54,009,749 if the underwriters exercise their option to purchase additional units in full.

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

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

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

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

New York Stock Exchange symbol NS.

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

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

	NuStar Energy Historical For the Year Ended December 31, 2005 2006 2007 (Dollars in thousands, except per unit amounts)		
Statement of Income Data:			
Revenues:			
Service revenues	\$ 423,057	\$ 636,154	\$ 696,623
Product sales	236,500	501,107	778,391
Total revenues	659,557	1,137,261	1,475,014
Costs and expenses:			
Costs of product sales	229,806	466,276	742,972
Operating expenses	185,351	312,604	357,235
General and administrative expenses	26,553	45,216	67,915
Depreciation and amortization	64,895	100,266	114,293
Total costs and expenses	506,605	924,362	1,282,415
Operating income	152,952	212,899	192,599
Equity earnings from joint ventures	2,319	5,882	6,833
Interest expense, net	(41,388)	(66,266)	(76,516)
Other income (expense), net	(1,495)	3,252	38,830
Income from continuing operations before income tax expense	112,388	155,767	161,746
Income tax expense	4,713	5,861	11,448
Income from continuing operations	107,675	149,906	150,298
Income (loss) from discontinued operations, net of income tax expense	3,398	(376)	
Net income	111,073	149,530	150,298
Less net income applicable to general partner	(10,758)	(16,910)	(21,063)
Net income applicable to limited partners	\$ 100,315	\$ 132,620	\$ 129,235
Weighted average number of basic and diluted units outstanding	35,023,250	46,809,749	47,158,790
Net income (loss) per unit applicable to limited partners:			
Continuing operations	\$ 2.76	\$ 2.84	\$ 2.74
Discontinued operations	0.10	(0.01)	
Net income	\$ 2.86	\$ 2.83	\$ 2.74
Balance sheet data:			
Total assets	\$ 3,366,992	\$ 3,494,208	\$ 3,783,087
Total debt	1,170,705	1,354,367	1,446,289
Total partners' equity	1,900,779	1,875,681	1,994,832
Other financial data:			

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Net cash provided by operating activities	\$ 186,430	\$ 250,811	\$ 222,672
Net cash used in investing activities	(89,000)	(213,234)	(238,396)
Net cash provided by (used in) financing activities	(77,178)	(3,899)	37,060
Selected operating income (loss) by segment¹:			
Refined product terminals	\$ 51,377	\$ 79,315	\$ 88,865
Refined product pipelines	56,621	85,946	93,812
Crude oil pipelines	30,439	36,768	32,696
Crude oil storage tanks	29,751	29,171	25,770
Marketing	11,317	26,915	21,111
Consolidation and intersegment eliminations			(1,740)
Total segment operating income	179,505	258,115	260,514
Less general and administrative expenses	26,553	45,216	67,915
Total operating income	\$ 152,952	\$ 212,899	\$ 192,599

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- ¹ During the fourth quarter of 2007, we revised the manner in which we internally evaluate our segment performance and made certain organizational changes. As a result, we changed the way we report our segmental results such that all product sales and related costs are included in the marketing segment.

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RISK FACTORS

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

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

Risk Related to the Acquisition of the East Coast Asphalt Operations

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

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

earnings volatility;

additional working capital requirements;

dependence on PDVSA as supplier of crude oil; and

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

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

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

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