



April 26, 2010

Mr. Matthew T. Doyle
Mayor
City of Texas City
1801 9th Avenue North
P.O. Box 2608
Texas City, Texas 77592-2608

Re: Request for Job Retention Benefits for NuStar Energy L.P.
Texas City, Texas Enterprise Project Application – Tab 14

Dear Mayor Doyle:

NuStar Energy L.P. (“NuStar”) is pleased to present the relevant information required by Chapter 2303 of the Texas Government Code for your consideration and nomination of NuStar’s Texas City Terminal as an Enterprise Project for job retention benefits.

The partnership that is today known as NuStar Energy L.P. began in 2001 as part of the former Ultramar Diamond Shamrock Corp. (UDS), but soon after, Valero Energy Corporation (“VEC”) acquired UDS so the partnership subsequently became Valero L.P. In 2006, after years of dramatic growth and success, it became clear that complete separation of VEC and the partnership would be advantageous for both parties. A new organization, Valero GP Holdings, LLC, which was subsequently renamed NuStar GP Holdings, LLC, was formed to assume VEC’s ownership in the partnership. By December of 2006, VEC’s ownership in the partnership had been reduced to zero. With the separation complete, it was time for the partnership to forge its own path with a “Nu” name, and so the NuStar Energy L.P. name was born in February 2007.

NuStar is one of the largest asphalt refiners and marketers, and the second largest independent liquids terminal operator in the United States. The company currently has 8,417 miles of pipeline, 82 terminal facilities, four crude oil storage tank facilities, and two asphalt refineries with a combined throughput capacity of 104,000 barrels per day. Its 1,750 employees are located at operations in the United States, the Netherlands, the Netherlands Antilles, Canada, Mexico, and the United Kingdom. Ranked number 485 on the FORTUNE 500 list, NuStar has grown from a regional operator into a global leader with \$4.8 billion in revenue in 2008.

NuStar owns and operates a terminal at 201 Dock Road in Texas City, Texas where they store and distribute a variety of products including clean and light petroleum products, black oils, blendstocks, and various chemicals. Over the next five years, NuStar is planning to spend over \$50 million to upgrade and expand capacity at its Texas City terminal. The planned investment projects include modifying an administration building that was destroyed in Hurricane Ike,

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building a new control room, constructing 30 additional rail unloading spots, constructing a new boiler building, and upgrading fiber optics for its security and information technology systems. Additionally, NuStar is planning on expanding its storage capacity by as much as 1.2 million barrels by constructing new tanks on-site. As a result of this investment, NuStar respectfully requests to receive an Enterprise Project nomination for job retention benefits from the City of Texas City for the June 1, 2010 application round.

Section 2303.406(a)(4)(D) of the Texas Government Code allows a project or activity of a qualified business to be designated an Enterprise Project and receive job retention benefits if the company has clearly demonstrated that “the business is able to employ individuals in accordance with Section 2303.402.” NuStar qualifies for job retention benefits under this statutory provision because NuStar is an Equal Opportunity Employer, and the Texas City location will use a proprietary, voluntary questionnaire to actively track its new-hires to determine hiring patterns. Additionally, NuStar will geo-code its new-hires to identify employees that reside in state Enterprise Zones. The data collected from the questionnaires and geo-coding will be used to establish a best-practices model for hiring employees in accordance with Section 2303.402.

NuStar’s Texas City terminal is in Census Tract 7224, Block Group 4, in the City of Texas City with a 0.0% poverty level, as defined by the U.S. Census for 2000. NuStar commits to hiring thirty-five percent (35%) economically disadvantaged persons or enterprise zone residents, for its new or replacement personnel, for certified jobs during its Enterprise Project designation.

As of March 15, 2010, NuStar employed approximately 60 full-time employees at its Texas City terminal. NuStar expects to maintain its existing level of employment, and retain all of its existing full-time jobs for benefit under its Enterprise Project designation. These jobs meet the definition of a “retained job” in Texas Government Code § 2303.401(2) because they currently exist, provide and will continue to provide at least 1,820 hours of employment annually, and will be employment positions for the longer of the duration of the project’s designation period or three years after the expiration date of the claim period for receipt of state benefit. Additionally, NuStar anticipates creating approximately 5-10 new jobs at its Texas City terminal over the next five years as a result of the capital investment projects described above.

Community service is a core value at NuStar, and employees are strongly encouraged to give generously of their time and money. In 2009, NuStar’s 1,750 employees donated nearly 60,000 volunteer hours to communities across the globe. Additionally, they raised a record \$2.1 million for San Antonio’s Haven for Hope, and pledged a record \$2.2 million with company match to the United Way. Locally, NuStar was the 2009 and 2010 Galveston County United Way Gold Award recipient for having the largest per capita employee contributions (over \$1,000 per employee). Employees from NuStar’s Texas City terminal serve as board and committee members of many local organizations such as Texas City Chamber of Commerce, Galveston County Hospice, Galveston County Food Bank, and Salvation Army. In 2009, Texas City

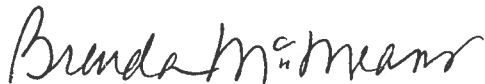
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employees donated over 3,000 hours of their time to the community through organizations and events like Shriner's Burn Institute, the Annual Trash Bash, Habitat for Humanity, Elizabeth's Place-Women's Health and Rehabilitation Center, and many others. NuStar also leverages its business relationships to encourage its vendors and contractors to support their local community by donating monetarily and with volunteer work.

NuStar's employees are highly motivated because of the company's commitment to provide a great corporate culture, outstanding compensation, and first-class benefits. In fact, according to a study performed by Hewitt Associates, NuStar offers the best health and welfare benefits plan in its industry. As a result of all these factors, NuStar has earned a rank of No. 21 on *FORTUNE* magazine's list of the "100 Best Companies to Work For," and is ranked No. 1 among large companies on the list of "Best Companies to Work for in Texas" by *Texas Monthly* magazine.

NuStar is proud to be a member of the Texas City community and is committed to taking a leadership role in the local community by providing company support and encouraging employee involvement. NuStar is excited about the planned upgrade and expansion of its Texas City terminal and the opportunities to come.

Sincerely,

A handwritten signature in cursive script that reads "Brenda McMeans".

Brenda McMeans
Director – Transaction Taxes
NuStar Energy L.P.

cc: Kyle Oppliger, NuStar Energy LP
Don Watts, NuStar Energy LP
Helen Lemmon, Ryan
Adam Glatz, Ryan