Delek US Holdings, Inc.
Form 10-K
March 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)

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

For the Fiscal Year Ended December 31, 2011

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 001-32868

DELEK US HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of incorporation or organization) | 52-2319066<br>(I.R.S. Employer Identification No.) |
| 7102 Commerce Way<br>Brentwood, Tennessee<br>(Address of principal executive offices) | 37027<br>(Zip Code) |

(615) 771-6701
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $.01 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ 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 (Section

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments of this Form 10-K. 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 Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2011 was approximately $271,711,328, based upon the closing sale price of the registrant's common stock on the New York Stock Exchange on that date. For purposes of this calculation only, all directors, officers subject to Section 16(b) of the Securities Exchange Act of 1934, and 10% stockholders are deemed to be affiliates.

At March 2, 2012, there were 58,158,971 shares of the registrant's common stock, $.01 par value, outstanding.

Documents incorporated by reference
Portions of the registrant's definitive Proxy Statement to be delivered to stockholders in connection with the 2012 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2011, are incorporated by reference into Part III of this Form 10-K.

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Unless otherwise indicated or the context requires otherwise, the terms “Delek,” “we,” “our,” “Company” and “us” are used in this report to refer to Delek US Holdings, Inc. and its consolidated subsidiaries. See also "Glossary of Terms" included in Item 1, Business, of this Annual Report on Form 10-K for definitions of certain business and industry terms used herein.

Statements in this Annual Report on Form 10-K, other than purely historical information, including statements regarding our plans, strategies, objectives, beliefs, expectations and intentions are forward looking statements. These forward looking statements generally are identified by the words “may,” “will,” “should,” “could,” “would,” “predicts,” “inten “believes,” “expects,” “plans,” “scheduled,” “goal,” “anticipates,” “estimates” and similar expressions. Forward- looking stater are based on current expectations and assumptions that are subject to risks and uncertainties, including those discussed below and in Item 1A, Risk Factors, which may cause actual results to differ materially from the forward-looking statements. See also “Forward-Looking Statements” included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 1, Business, of this Annual Report on Form 10-K.

# PART I

## ITEM 1. BUSINESS

### Company Overview

We are an integrated energy business focused on petroleum refining, the wholesale distribution of refined products and convenience store retailing. Delek US Holdings, Inc. ("Holdings"), a Delaware corporation formed in 2001, is the sole stockholder or member of MAPCO Express, Inc. (“Express”), MAPCO Fleet, Inc. (“Fleet”), Delek Refining, Inc. (“Refining”), Delek Finance, Inc. (“Finance”), Delek Marketing & Supply, Inc. (“Marketing”), Lion Oil Company ("Lion Oil") and Paline Pipeline Company, LLC ("Paline"). Our business consists of three operating segments: refining, marketing and retail. Our refining segment operates independent refineries in Tyler, Texas and El Dorado, Arkansas with a combined design crude distillation capacity of 140,000 bpd, along with product distribution terminals and associated logistics assets. Our marketing segment sells refined products on a wholesale basis in the Gulf Coast and Mid-Continent regions through company-owned and third-party terminals and transports and stores crude oil for our refining segment, as well as third parties, through company owned pipelines. Our retail segment markets gasoline, diesel, other refined petroleum products and convenience merchandise through a network of approximately 377 company-operated retail fuel and convenience stores located in Alabama, Arkansas, Georgia, Kentucky, Mississippi, Tennessee and Virginia.

We are a controlled company under the rules and regulations of the New York Stock Exchange where our shares are traded under the symbol “DK.” As of December 31, 2011, approximately 68.5% of our outstanding shares were beneficially owned by Delek Group Ltd. (“Delek Group”), a conglomerate that is domiciled and publicly traded in Israel. Delek Group owns significant interests in energy-related businesses and is controlled indirectly by Mr. Itshak Sharon (“Tshuva”).

### Acquisitions

#### Acquisition Strategy

Historically, strategic acquisitions have been an important component of our overall growth strategy. We continually review potential acquisitions and other growth opportunities in the refining, marketing, retail fuel and convenience store markets, as well as opportunities to acquire assets related to distribution logistics, such as pipelines, terminals and fuel storage facilities and may make acquisitions as we deem appropriate. In addition, we regularly assess the continued viability of our asset mix, reviewing it for asset profitability, market saturation and, in our retail segment, quality brand image.

Please see Item 1A, Risk Factors, of this Annual Report on Form 10-K for a description of the risks and uncertainties that are inherent in our acquisition strategy, as the occurrence of any of the events or circumstances described therein could have a material adverse effect on our business, results of operations or financial condition.

Since 2001, we have completed the acquisition of two independent refineries representing approximately 140,000 bpd of production capacity, seven convenience store chains, several hundred miles of crude oil and finished product pipelines and gathering systems, and multiple product distribution terminals near the Gulf Coast and Mid-Continent regions. Our principal acquisitions since inception are summarized below.

| Date | Acquired Company/Assets | Acquired From | Approximate Purchase Price(1) |
|---|---|---|---|
| May 2001 | MAPCO Express, Inc., with 198 retail fuel and convenience stores | Williams Express, Inc. | $162.5 million |
| June 2001 | 36 retail fuel and convenience stores in Virginia | East Coast Oil Corporation | $40.1 million |
| February 2003 | Seven retail fuel and convenience stores | Pilot Travel Centers | $11.9 million |
| April 2004 | Williamson Oil Co., Inc., with 89 retail fuel and convenience stores in Alabama, and a wholesale fuel and merchandise operation | Williamson Oil Co., Inc. | $19.8 million, plus assumed debt of $28.6 million |
| April 2005 | Refinery, pipeline and other refining, product terminal and crude oil pipeline assets located in and around Tyler, Texas, including physical inventories of crude oil, intermediates and light products | La Gloria Oil and Gas Company | $68.1 million, including $25.9 million of prepaid crude inventory and $38.4 million of assumed crude vendor liabilities |
| December 2005 | 21 retail fuel and convenience stores, a network of four dealer-operated stores, four undeveloped lots and inventory in the Nashville, Tennessee area | BP Products North America, Inc. | $35.5 million |
| July 2006 | 43 retail fuel and convenience stores located in Georgia and Tennessee | Fast Petroleum, Inc. and affiliates | $50.0 million, including $0.1 million of cash acquired |
| August 2006 | Refined petroleum product terminals, seven pipelines, storage tanks, idle oil refinery equipment and rights under supply contracts | Pride Companies, L.P. and affiliates | $55.1 million |
| April 2007 | 107 retail fuel and convenience stores located in northern Georgia and southeastern Tennessee | Calfee Company of Dalton, Inc. and affiliates | $71.8 million, including $0.1 million of cash acquired |
| April 2011 - October 2011 | Lion Oil Company, with a refinery, pipeline and other refining, product terminal and crude oil pipeline assets in and around El Dorado, Arkansas, and product terminals in Memphis and Nashville, Tennessee | Ergon, Inc. and other stockholders | $228.7 million |
| December 2011 | Paline Pipeline Company, LLC, with a 185-mile pipeline system | Ergon Terminaling, Inc. | $50.0 million |
| January 2012 | The Nettleton Pipeline, a 35 miles long, eight and ten inch pipeline system | Plains Marketing, L.P. | $12.3 million |

| | | | |
|---|---|---|---|
| February 2012 | The Big Sandy Terminal, a light petroleum products terminal and eight and five-eighths inch diameter Hopewell - Big Sandy Pipeline originating at Hopewell Junction, Texas and terminating at the Big Sandy Station in Big Sandy, Texas | Sunoco Pipeline L.P. and Sunoco Partners Marketing & Terminals, L.P. | $11.0 million |

(1) Excludes transaction costs

During 2011, we completed the acquisitions of Lion Oil, a privately held Arkansas corporation, and Paline. Each acquisition is discussed in more detail below.

Lion Oil Acquisition

In 2007, we acquired approximately 34.6% of the issued and outstanding shares of common stock, par value $0.10 per share, of Lion Oil . In April 2011, we acquired an additional 53.7% of the issued and outstanding shares of common stock of Lion Oil from the then majority stockholder, Ergon, Inc. (“Ergon”). In October 2011, we acquired the remaining equity interests in Lion Oil, thereby assuming full equity ownership of Lion Oil.

Through Lion Oil, we currently own and operate the following assets:

- An 80,000 bpd refinery located in El Dorado, Arkansas;
- an 80-mile Magnolia to El Dorado crude oil transportation system that runs between Shreveport, Louisiana and the Magnolia crude terminal (west of the El Dorado refinery);
- a 28-mile El Dorado crude oil transportation system that runs from the Magnolia terminal to the El Dorado refinery, as well as two associated product pipelines which connect the El Dorado refinery to the Enterprise Pipeline system;
- a crude oil gathering system with approximately 600 miles of operable pipeline;
- three light product distribution terminals located in Memphis and Nashville, Tennessee and El Dorado, Arkansas; and
- an asphalt distribution terminal located in El Dorado, Arkansas

Our acquisition of Lion Oil was a critical strategic development in our ongoing effort to become an integrated downstream energy company. Some of the related opportunities resulting from this transaction include, but are not limited to, the following:

Opportunity for increased integration between our refining, wholesale and retail distribution channels. Given the El Dorado refinery's ability to supply a portion of our convenience store network in Arkansas and Tennessee, we intend to pursue a strategy where our refining segment will supply higher portions of our retail segment. The El Dorado refinery is equipped with two product pipelines, one gasoline and one diesel, that connect the refinery tank farm to a junction point on the Enterprise Pipeline System. Through the Enterprise Pipeline system, the El Dorado refinery is able to directly supply Lion Oil's light products terminal in Memphis, Tennessee and beyond. The El Dorado refinery also has the ability to indirectly supply Lion Oil's light products terminal in Nashville, Tennessee through product exchange agreements. Longer-term, we intend to pursue a strategy that may include the construction of new convenience store locations that can be supplied directly by the El Dorado refinery. We believe this strategy would allow us to capitalize further on potential supply chain synergies.

Opportunity to limit risks associated with operating a single refinery. Prior to our majority equity investment in Lion Oil, we owned and operated a single refinery located in Tyler, Texas. Consequently, the performance of the refining segment hinged entirely on the operational performance of the Tyler refinery. With the addition of a second refining asset, we have diversified our asset-specific risk.

Opportunity to increase our total refining production capacity. As the sole owner of Lion Oil, we have operational control of the Lion Oil assets, including the El Dorado refinery. On a combined, post-transaction basis, our total production capacity increased to approximately140,000 bpd, compared to 60,000 bpd prior to the transaction. By more than doubling the production capacity of our refining segment, we have increased our exposure to the refining markets.

Opportunity to realize increased crude procurement efficiencies. With crude procurement operations for two regional refineries under our control, our feedstock sourcing options increased, allowing for greater efficiency. With the addition of the El Dorado refinery, we are responsible for procuring increased quantities of crude oil from a wide array of domestic, domestic offshore and foreign crude sources. We believe our access to a broader mix of crude oil types and prices represents a distinct competitive advantage for us as we seek to maintain a high level of crude slate flexibility.

Opportunity to sell refined products on a wholesale basis throughout the Mid-Continent. The acquisition of the El Dorado refinery significantly expands our wholesale distribution footprint from east and west Texas into the Mid-Continent region. While the Tyler refinery sells nearly all of its production into the local market, the El Dorado refinery enjoys a much larger distribution footprint given its connection to the Enterprise Pipeline system. With multiple third-party supply points on the Enterprise Pipeline System, we believe there is a significant opportunity for us to refocus marketing and supply efforts toward those markets that, from time to time, carry the highest margins.

Paline Acquisition

On December 19, 2011, we acquired all of the outstanding membership interests of Paline from Ergon Terminaling, Inc ("Ergon Terminaling"). Paline owns and operates a 10-inch, 185-mile pipeline system. The Paline Pipeline System is a 36,000 bpd crude line that runs between Nederland, Texas and Longview, Texas. Under the prior owner, Paline had been used to transport Gulf Coast and offshore crudes north into Longview; however, we are nearly finished with a project that will reverse the flow of crude on Paline. We currently have a lease agreement with a major oil company to ship crude that expires in 2014. We acquired Paline and all related assets for a purchase price of $50.0 million, consisting of $25.0 million cash and a three-year, $25.0 million note payable to Ergon Terminaling, which was subsequently assigned to Ergon.

Nettleton Acquisition

On January 31, 2012, Delek, through its marketing segment, completed the acquisition of an approximately 35 miles long, eight and ten inch pipeline system from Plains Marketing, L.P. (“Plains”) (“Nettleton Acquisition”). The purchase price, including the reimbursement by Delek of certain costs incurred by Plains, was approximately $12.3 million.

The Nettleton Pipeline is used exclusively to transport crude oil from our tank farms in and around Nettleton, Texas to our refinery in Tyler, Texas. During the year ended December 31, 2011, more than half of the crude oil processed at the Tyler refinery was supplied through the Nettleton Pipeline. The remainder of the crude oil was supplied through the McMurrey Pipeline, which also begins at our tank farms in and around Nettleton, Texas and then supplies crude to the Tyler refinery. Prior to the Nettleton Acquisition, Delek leased the Nettleton Pipeline under the terms of the Pipeline Capacity Lease Agreement with Plains as the lessor and Delek as the lessee, dated April 12, 1999, as amended (“Plains Lease”). As a condition to the closing of the Nettleton Acquisition, Delek and Plains mutually terminated the Plains Lease. Going forward, however, our refining segment will pay our marketing segment for the lease of the Nettleton Pipeline under similar terms as the original Plains Lease.

Big Sandy Acquisition

On February 7, 2012, Delek, through its marketing segment purchased (“Big Sandy Acquisition”) (i) a light petroleum products terminal located in Big Sandy, Texas, the underlying real property, and other related assets from Sunoco Partners Marketing & Terminals L.P. and (ii) the eight inch diameter Hopewell - Big Sandy Pipeline originating at Hopewell Junction, Texas and terminating at the Big Sandy Station in Big Sandy, Texas from Sunoco Pipeline L.P. The purchase price was approximately $11.0 million.

The Big Sandy Terminal had previously been supplied by the Tyler refinery but has been idle since November 2008.

Information About Our Segments

We prepare segment information on the same basis that we review financial information for operational decision making purposes. Additional segment and financial information is contained in our segment results included in Item 6, Selected Financial Data, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and in Note 13, Segment Data, of our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Refining Segment

Overview

We own and operate two independent refineries located in Tyler, Texas and El Dorado, Arkansas, currently representing a combined 140,000 bpd of crude throughput capacity. Our refining system produces a variety of petroleum-based products used in transportation and industrial markets which are sold to a wide range of customers located principally in inland, domestic markets.

Both of our refineries are located in the U.S. Gulf Coast region, which is one of five PADD regional zones established by the U.S. Department of Energy where refined products are produced and sold. Refined product prices generally differ within each of the five PADDs.

Refining System Feedstock Purchases

Our refining system purchases crude oil and other feedstocks through term agreements, some of which may include renewal provisions, and through spot market transactions. The vast majority of our crude oil purchased is sourced from inland domestic and offshore Gulf of Mexico sources. The majority of our domestic inland crude purchased originates in areas of Texas and Arkansas. The pricing for a majority of crude oil purchased at the El Dorado refinery, in addition to a portion of the crude purchased at the Tyler refinery, takes into account the differential between the price per barrel of WTI and the price per barrel of Brent crude oil. This differential is established during the month prior to the month in which the crude oil is processed at our refineries.

Refining System Production Slate

Our refining system processes a combination of light sweet and medium sour crude oils which, when refined, results in a product mix consisting principally of higher-value transportation fuels such as gasoline, distillate and jet fuel. A lesser portion of our overall production consists of residual products, including paving asphalt, roofing flux and other products with industrial applications.

Refined Product Sales and Distribution

Our refining segment sells products on a wholesale basis to inter-company and third-party customers located around east Texas, Arkansas, Tennessee and the Ohio River Valley.

Refining Segment Seasonality

Demand for gasoline and asphalt products is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic and road and home construction. As a result, the operating results of our refining segment are generally lower for the first and fourth quarters of each year.

Refining Segment Competition

The refining industry is highly competitive and includes fully integrated national and multinational oil companies engaged in many segments of the petroleum business, including exploration, production, transportation, refining, marketing and retail fuel and convenience stores. Our principal competitors are petroleum refiners in the Mid-Continent and Gulf Coast regions, in addition to wholesale distributors operating in these markets.

The principal competitive factors affecting our refinery operations are crude oil and other feedstock costs, the differential in price between various grades of crude oil, refinery product margins, refinery efficiency, refinery product mix, and distribution and transportation costs.

Certain of our competitors operate refineries that are larger and more complex and in different geographical regions than ours, and, as a result, could have lower per barrel costs, higher margins per barrel and throughput or utilization rates which are better than ours.

Refining Segment - Tyler, Texas Refinery

Our Tyler, Texas refinery has a crude throughput capacity of 60,000 bpd. The Tyler refinery is the only major distributor of a full range of refined petroleum products within a radius of approximately 100 miles of its location. The refinery is situated on approximately 100 out of a total of approximately 600 contiguous acres of land (excluding pipelines) that we own in Tyler and adjacent areas.

In November 2008, an explosion and fire occurred at our Tyler refinery. The event caused damage to both our saturates gas plant and naphtha hydrotreater and resulted in a suspension of our refining operations until May 2009 when reconstruction of the damaged units was completed.

The Tyler refinery is designed to mainly process light, sweet crude oil, which is typically a higher quality than heavier, sour crudes. The Tyler refinery has access to crude oil pipeline systems that allow us access to East Texas, West Texas, Gulf of Mexico and foreign crude oils. Most of the crude supplied to the Tyler refinery is delivered by third-party pipelines and through pipelines owned by our marketing segment. The majority of crude oil received at the Tyler refinery via pipeline passes through a regional crude distribution center in Longview, Texas.

The table below sets forth information concerning crude oil received at the Tyler refinery in 2011:

| Source | Percentage of Crude Oil Received | |
|---|---|---|
| East Texas crude oil | 17.4 | % |
| WTI crude oil | 79.5 | % |
| West Texas sour ("WTS") crude oil | 3.1 | % |

The Tyler refinery has a crude oil processing unit with a 60,000 bpd atmospheric column and a 21,000 bpd vacuum tower. The other major process units at the Tyler refinery include a 20,200 bpd fluid catalytic cracking unit, a 6,500 bpd delayed coking unit, a 22,000 bpd naphtha hydrotreating unit, a 13,000 bpd gasoline hytrotreating unit, a 22,000 bpd distillate hydrotreating unit, a 17,500 bpd continuous regeneration reforming unit, a 5,000 bpd isomerization unit, and a sulfuric alkylation unit with a alkylate production capacity of 4,720 bpd. The Tyler refinery has a complexity factor of 9.5.

The fluid catalytic cracking unit and delayed coker enabled us to produce approximately 95.7% light products in 2011, including primarily a full range of gasoline, diesel, jet fuels, liquefied petroleum gas and natural gas liquids.

The table below sets forth information concerning the throughput at the Tyler refinery for the last three years.

| | Year Ended December 31, 2011 | | | Year Ended December 31, 2010 | | | Year Ended December 31, 2009[1] | | |
|---|---|---|---|---|---|---|---|---|---|
| | Bpd | % | | Bpd | % | | Bpd | % | |
| Refinery throughput (average barrels per day): | | | | | | | | | |
| Crude: | | | | | | | | | |
| Sweet | 54,291 | 89.7 | % | 48,300 | 89.0 | % | 46,053 | 85.6 | % |
| Sour | 1,737 | 2.9 | % | 1,700 | 3.1 | % | 3,251 | 6.0 | % |
| Total crude | 56,028 | 92.6 | % | 50,000 | 92.1 | % | 49,304 | 91.6 | % |
| Other blendstocks[2] | 4,492 | 7.4 | % | 4,286 | 7.9 | % | 4,498 | 8.4 | % |
| Total refinery throughput | 60,520 | 100.0 | % | 54,286 | 100.0 | % | 53,802 | 100.0 | % |

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(1) The Tyler refinery did not operate during the period from the November 20, 2008 explosion and fire through May 18, 2009. This information has been calculated based on the 228 days that the Tyler refinery was operational in 2009. See Note 3 to the consolidated financial statements, contained in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for further discussion of the explosion and fire.

(2) Includes denatured ethanol and biodiesel.

The Tyler refinery primarily produces two grades of gasoline (premium - 93 octane and regular - 87 octane), as well as aviation gasoline. Diesel and jet fuel products produced at the Tyler refinery include military specification jet fuel (“JP8”), commercial jet fuel, low sulfur diesel and ultra-low sulfur diesel. Since September 2006, the Tyler refinery has produced primarily ultra-low sulfur diesel, in compliance with current clean fuels standards. The Tyler refinery offers both E-10 and biodiesel blended products.

In addition to higher-value gasoline and distillate fuels, the Tyler refinery produced small quantities of propane, refinery grade propylene and butanes, petroleum coke, slurry oil, sulfur and other blendstocks.

The table below sets forth information concerning the Tyler refinery's production slate for the last three years:

| | Year Ended December 31, 2011 | | Year Ended December 31, 2010 | | Year Ended December 31, 2009[1] | |
|---|---|---|---|---|---|---|
| | Bpd | % | Bpd | % | Bpd | % |
| Products produced (average barrels per day): | | | | | | |
| Gasoline[2] | 32,407 | 54.3 % | 30,019 | 56.3 % | 28,707 | 54.9 % |
| Diesel[3]/jet | 22,521 | 37.7 % | 19,669 | 36.9 % | 19,206 | 36.7 % |
| Petrochemicals, LPG, NGLs | 2,205 | 3.7 % | 1,623 | 3.0 % | 2,064 | 3.9 % |
| Other | 2,564 | 4.3 % | 2,012 | 3.8 % | 2,350 | 4.5 % |
| Total production | 59,697 | 100.0 % | 53,323 | 100.0 % | 52,327 | 100.0 % |

(1) The Tyler refinery did not operate during the period from the November 20, 2008 explosion and fire through May 18, 2009. This information has been calculated based on the 228 days that the Tyler refinery was operational in 2009. See Note 3 to the consolidated financial statements, contained in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for further discussion of the explosion and fire.

(2) Includes E-10 product.

(3) Includes biodiesel.

As the only full range product supplier within 100 miles, we believe our location gives us a natural advantage over more distant competitors.

We believe we have an advantage of being able to deliver nearly all of our gasoline and diesel fuel production into the local market through our terminal located at the Tyler refinery. Our customers include major oil companies, independent refiners and marketers, jobbers, distributors, utility and transportation companies, the U.S. government and independent retail fuel operators.

The Tyler refinery's ten largest customers accounted for $1,574.7 million, or 61.1%, of net sales for the Tyler refinery in 2011. One customer accounted for $325.6 million, or 12.6% of the Tyler refinery's net sales in 2011. We have a contract with the U.S. government to supply JP8 to various military facilities that expires on March 31, 2012. The U.S. government solicits competitive bids for this contract annually. We have submitted a proposal in the formal process for a new contract, but there can be no assurance that we will be awarded a new contract or, if awarded, the contract will be on acceptable terms. Sales under this contract totaled $76.0 million, or 2.9%, of the Tyler refinery's 2011 net sales.

The vast majority of our transportation fuels and other products are sold directly from the Tyler refinery's terminal. We operate a nine-lane transportation fuels truck rack with a wide range of additive options, including proprietary packages dedicated for use by our major oil company customers. Capabilities at our rack include the ability to simultaneously blend finished components prior to loading trucks. LPG, NGLs and clarified slurry oil are sold by truck from dedicated loading facilities at the Tyler refinery.

Taking into account the Tyler refinery's crude and product slate, as well as the refinery's location near the Gulf Coast region, we apply a Gulf Coast 5-3-2 crack spread to calculate the approximate gross margin resulting from processing one barrel of crude oil into three fifths of a barrel of gasoline and two fifths of a barrel of high sulfur diesel. We calculate the Gulf Coast crack spread using the market values of U.S. Gulf Coast Pipeline Conventional 87 CBOB and U.S. Gulf Coast Pipeline No. 2 Heating Oil (high-sulfur diesel) and the market value of WTI crude oil. U.S. Gulf Coast Pipeline Conventional 87 CBOB and U.S. Gulf Coast Pipeline No. 2 Heating Oil are prices for which the products trade in the Gulf Coast region.

Refining Segment - El Dorado, Arkansas Refinery

Our El Dorado, Arkansas refinery has a crude throughput capacity of 80,000 bpd. The El Dorado refinery is the largest refinery in Arkansas and represents more than 90% of the state-wide refining capacity.

The El Dorado refinery is designed to mainly process a combination of sweet and medium-sour crude oils that blend into a medium gravity sour crude oil. The primary delivery point for crudes sent to the refinery by common carrier pipeline is the company-owned Magnolia Pipeline near Magnolia, Arkansas. The El Dorado Pipeline segment runs from Magnolia to the El Dorado refinery.

In 2011, approximately 66.8% of the crude oil received at the El Dorado refinery was from Gulf Coast or foreign sources and 33.2% was from inland and local sources, including crude gathered through our local domestic crude oil gathering system in the adjacent Arkansas area production fields. Transportation constraints limit the local producers ability to ship crude oil economically to regional refineries. Therefore, we are able to purchase the local crude at a discount to other crudes, such as WTI or WTS. At present, J. Aron and Company ("J. Aron"), through arrangements with various oil companies, supplies the majority of the El Dorado refinery's crude oil input requirements.

The table below sets forth information concerning crude oil received at the El Dorado refinery for the 247 days we operated the refinery in 2011, following our acquisition of majority ownership:

| Source | Percentage of Crude Oil Received | |
|---|---|---|
| Gulf Coast crude oil | 56.1 | % |
| Inland/local crude oil | 33.2 | % |
| Foreign crude oil | 10.7 | % |

The El Dorado refinery is equipped with a crude oil processing unit with a 100,000 bpd capacity. The actual average annual crude unit throughput will vary based on economics and market requirements, as well as other physical limitations that affect the daily throughput or the utilization rate of the refinery. Because expansion projects for the downstream conversion of units had not been completed at the time that we became the majority owner, the operable capacity of the El Dorado refinery is estimated at approximately 80,000 bpd. The El Dorado refinery is also equipped with a 55,000 bpd vacuum unit, a 20,000 bpd FCC unit, a 15,300 bpd continuous regenerative catalytic reforming unit, a 7,000 bpd isomerization unit and a 5,000 bpd alkylation unit.

The table below sets forth information concerning the throughput at the El Dorado refinery in 2011.

| | Year Ended December 31, 2011 | | |
|---|---|---|---|
| | Bpd | % | |
| Refinery throughput (average barrels per day)[(1)]: | | | |
| Crude: | | | |
| Sweet | 11,063 | 13.8 | % |
| Sour | 62,733 | 78.4 | % |
| Total crude | 73,796 | | |