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HIGHER PRODUCT EXPORTS DEMONSTRATE U.S. REFINERY COMPETITIVENESS

Continued Mid-Continent Crude Oil Price Advantages Allow PADDs 2 and 4 Refinery Profitability to Outshine Other Regions

Houston, November 15, 2011

Baker & O'Brien, Inc.'s third quarter 2011 release to *PRISM*™[1] subscribers reflects little change from the previous quarter, on average. However, flat quarter-to-quarter cash margin[2] results for the United States (U.S.) as a whole masked continued improvement in the Midwest and Rocky Mountains, and declining margins in PADDs 1 and 5. Margins in PADDs 2 and 4 continued to benefit from the well-publicized Mid-Continent crude oil bottleneck.

PRISM Cash Margins vs. Previous Periods ($/Bbl.)

	11Q3 vs. 11Q2	11Q3 vs. 10Q3
PADD 1	-1.47	+4.37
PADD 2	+2.81	+19.79
PADD 3	-0.63	+5.04
PADD 4	+6.75	+19.59
PADD 5	-2.54	+0.10
U.S. Overall	**-0.14**	**+7.81**

Based on October Chicago crack spreads (below), inland refineries processing WTI-priced crude oil continued to enjoy exceptional margins due to discounted Mid-Continent crude oil pricing. However, these margins have recently declined from their peak, with the price of WTI at Cushing strengthening vs. LLS and Brent.

In contrast to favorable Mid-Continent margins, USGC coking refineries are struggling to maintain positive cash margins. While, by historical standards, the LLS-Maya price differential seems reasonably healthy ($12 per barrel [Bbl.]), this differential results in a Maya price discount of only 11 percent (%) below LLS, compared to an average of 12% in 2009 – one of the worst years on record for coking margins.

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[1] *PRISM* is Baker & O'Brien's refining database system that models the operational and economic performance details for all of the refineries in the U.S.

[2] Net Cash Margin (Refinery EBITA), US$/Bbl. of input.

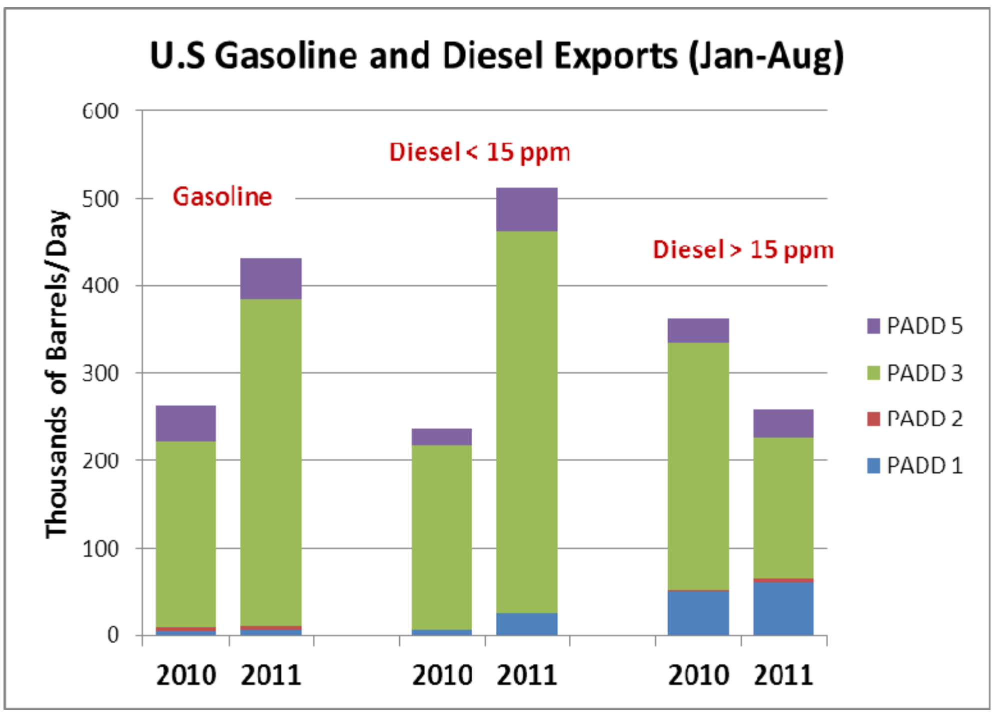
Key Refining Margin Metrics, $/Bbl.

	2011 Oct	2011 Q3	2010 Q3	2010 Annual	2009 Annual
LLS crude price	111.81	**112.61**	79.64	82.73	64.34
LLS – Maya	12.09	**14.02**	12.12	12.55	7.80
USGC LLS 321*	4.70	**8.36**	7.82	4.89	4.70
USGC LLS 6321**	2.45	**5.01**	1.70	2.14	2.56
Chicago WTI 321***	29.55	**34.77**	11.00	10.09	9.26

** LLS deemed conversion to 67% conventional 87R gasoline and 33% ULSD*
*** LLS deemed conversion to 50% conventional 87R gasoline, 33% ULSD and 17% Fuel Oil*
**** WTI deemed conversion to 33% conventional 87R gasoline, 33% RBOB and 33% ULSD*

As noted in various press reports, the "phenomenon" of increased U.S. exports of refined products demonstrates that U.S. refineries remain competitive in the Atlantic Basin. A combination of lower crude oil acquisition costs and much lower natural gas costs, among other factors, is driving this enhanced competitiveness versus their European counterparts.

Through the first eight months of 2011, gasoline and diesel exports have shown remarkable growth, reaching record highs. During this time period, gasoline exports averaged 431 thousand barrels per day (MB/D), a 64% increase from the 264 MB/D exported during the same period in 2010. Gasoline export growth does not seem to be slowing down, as August gasoline exports averaged 536 MB/D. The main destinations are Central and South American countries, which received nearly 90% of the exports (Mexico accounting for about 60% of the total). Essentially 100% of incremental gasoline exports have originated from PADD 3 refineries. Import volumes of gasoline (primarily into the PADD 1) have remained relatively steady, near 900 MB/D.



Source: EIA- October Petroleum Supply Monthly With Data for August 2011.

Meanwhile, diesel fuel exports have continued to climb, adding to their record levels from previous years. Through the first eight months of 2011, volumes have climbed almost 30% to an average of 771 MB/D, with August volumes reaching nearly 900 MB/D. Exports to Europe have more than doubled year-to-year, rising from about 120 MB/D to over 250 MB/D, due mainly to the decrease in European refining utilization attributable to their low margins. As a result, the total portion of diesel making its way from the U.S. to European countries has increased to over 30% of the total, from just 20% during the same time period of 2010. The total amount of diesel exports with less than 15 parts per million (ppm) sulfur has now surpassed diesel with sulfur content greater than 15 ppm. The majority of the exports are being shipped to Central and South America, with Europe closing the gap. As with gasoline, PADD 3 is the primary source of the increased diesel exports, although PADD 1 (mostly >15 ppm) and PADD 5 (mostly <15 ppm) are also contributing to the increased export volumes.

About Baker & O'Brien

Baker & O'Brien is an independent professional consulting firm specializing in technology, economics, and management practice for the international oil, gas, chemical, and related industries. With offices in Dallas, Houston, and London, the firm focuses primarily on the downstream industry and assists clients with strategic studies, mergers and acquisitions, and technology evaluations. The firm also provides expert services to support insurance claims and a wide range of commercial disputes in the energy industry.

About PRISM

Baker & O'Brien's *PRISM* software is used to perform detailed analysis of individual refineries and the refining value chain from crude oil load port to products truck rack. The system combines a large historical database with a robust refinery simulator to provide analytical support to competitive analysis, strategic planning, crude oil valuation, and delivered cost of supply. The *PRISM* database currently includes operational and economic performance details for all refineries in the U.S. and Canada, most refineries in Europe, and selected refineries in the Asia Pacific region. The *PRISM* system is available for license and is used in consulting assignments for Baker & O'Brien clients.