

BAKER & O'BRIEN INCORPORATED

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HEAVY CRUDE OIL REFINING ECONOMICS IMPROVE

Baker & O'Brien's First Quarter 2010 PRISM™ Results Show Substantial Margin Improvement, Especially for Heavy Crude Refiners

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Key Refining Margin Metrics, \$/Bbl.

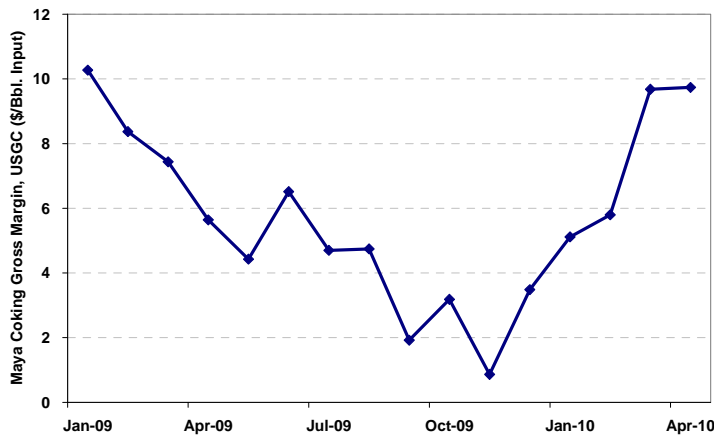
	Apr 2010	Q1 2010	Q4 2009	2009	2008
LLS crude price	88.03	80.02	77.80	64.34	102.54
LLS – Maya	14.48	10.27	8.44	7.80	18.55
USGC LLS 321*	5.36	6.07	2.95	5.16	7.95
USGC LLS 6321**	2.13	3.47	1.15	2.85	2.56

* 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

During the first quarter of 2010 (10Q1), U.S. refining industry performance improved relative to the prior quarter (09Q4). These improvements were evidenced by higher overall industry crack spreads, as well as by a widening of the light-heavy crude oil price differential (LLS-Maya). The closing of several refineries, combined with seasonal maintenance turnaround activity, resulted in 10Q1 refinery production more in line with demand, contributing to the improving crack spreads. The trend toward wider light-heavy differentials has continued into the second quarter, substantially improving the economics of full conversion heavy crude refiners, as shown in the chart below. The light-heavy differential is now almost double its average for all of 2009.

Maya Coking Gross Margin, USGC

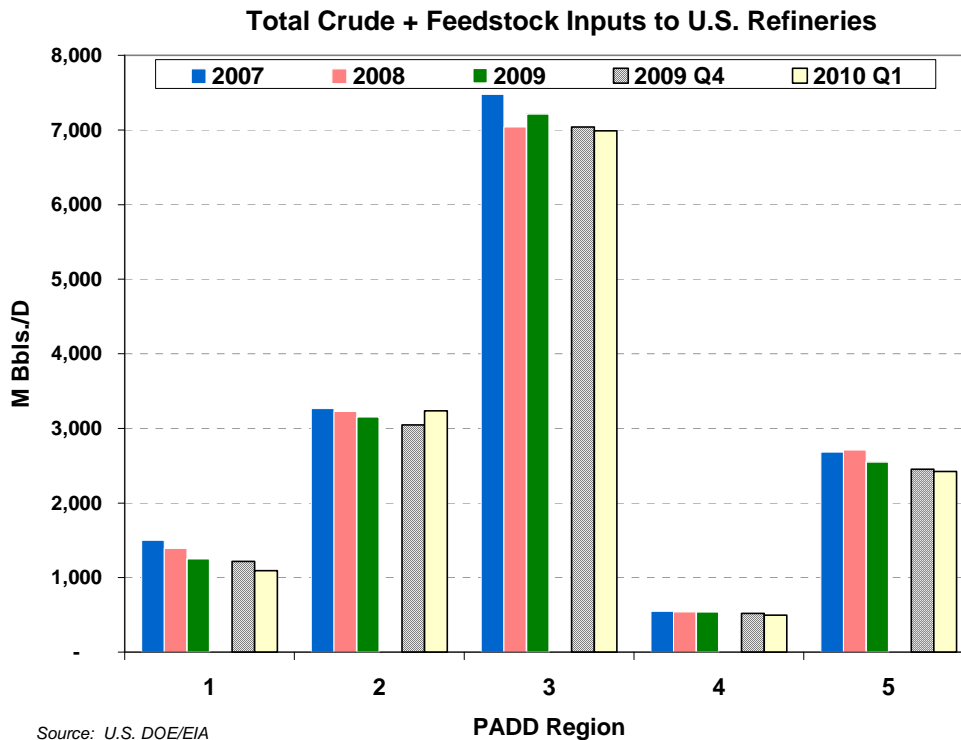


Baker & O'Brien, Inc.'s recent quarterly release to *PRISM* subscribers highlights how refinery cash margins (EBITDA¹) have increased relative to 09Q4. PADD² 3, the Gulf Coast region, enjoyed the largest relative improvement. However, margins in PADD 4, the Rocky Mountain region, have continued to outpace those observed in other areas.

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

	<u>10Q1 vs. 09Q4</u>	<u>10Q1 vs. 09Q1</u>
PADD 1	+1.84	(0.12)
PADD 2	+1.36	(2.19)
PADD 3	+3.34	(0.68)
PADD 4	+1.83	+1.51
PADD 5	+2.05	(2.97)
U.S. Total	+2.47	(1.32)

The 10Q1 industry data also revealed a continuing decline in total inputs of crude oil and feedstocks to domestic refineries since 2007. However, this varies widely across regions: PADD 2 (the Midwest) shows only a 1% decrease, while PADD 1 inputs have declined 27% since 2007. With the exception of PADD 2, 10Q1 average refinery inputs were lower in every district as compared to their 2009 averages.



¹ EBITDA = Earnings before interest, income taxes, depreciation, and amortization.

² PADD = Petroleum Administration for Defense District.

Domestic refiners have clearly entered 2010 in a much stronger position than they ended 2009. However, three key questions remain:

- Can light-heavy crude oil price differentials be sustained at current levels despite the somewhat weak worldwide demand for crude oil?
- Assuming a continuing economic recovery, will the demand for light refined products increase sufficiently to support the existing crack spreads? and,
- Will additional rationalization of refining capacity be necessary to create a sustainable balance between capacity and demand?

About Baker & O'Brien, Inc.

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

PRISM is Baker & O'Brien's refining database system that provides detailed analysis of individual refineries as well as the full refining value chain from crude load port to 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* system currently includes operational and economic performance details for refineries in the U.S., Canada, Europe, and Asia Pacific.