UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

OR

☐ **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: 001-32567

Alon USA Energy, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	74-2966572
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7616 LBJ Freeway, Suite 300, Dallas, Texas 75251
(Address of principal executive offices) (Zip Code)

(972) 367-3600
(Registrant's telephone number, including area code)

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 ☑ No ☐

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 (§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 ☑ No ☐

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:

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

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

The number of shares of the Registrant's common stock, par value $0.01 per share, outstanding as of November 1, 2011, was 56,017,382.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands except per share data)

	September 30, 2011	December 31, 2010
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 175,601	$ 71,687
Accounts and other receivables, net	210,850	115,541
Income tax receivable	8,642	8,642
Inventories	254,164	141,050
Deferred income tax asset	36,699	49,052
Prepaid expenses and other current assets	8,555	7,875
Total current assets	694,511	393,847
Equity method investments	20,189	18,664
Property, plant, and equipment, net	1,510,063	1,488,532
Goodwill	105,943	105,943
Other assets, net	89,191	81,535
Total assets	$ 2,419,897	$ 2,088,521
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 330,965	$ 292,991
Accrued liabilities	139,281	88,354
Current portion of long-term debt	124,707	11,512
Total current liabilities	594,953	392,857
Other non-current liabilities	179,714	160,976
Long-term debt	929,301	904,793
Deferred income tax liability	298,013	288,128
Total liabilities	2,001,981	1,746,754
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, par value $0.01, 10,000,000 shares authorized; 4,000,000 issued and outstanding at September 30, 2011 and December 31, 2010, respectively	40,000	40,000
Common stock, par value $0.01, 100,000,000 shares authorized; 55,933,446 and 54,281,636 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	558	543
Additional paid-in capital	316,953	290,809
Accumulated other comprehensive loss, net of income tax	(20,433)	(21,917)
Retained earnings	79,270	33,052
Total stockholders' equity	416,348	342,487
Non-controlling interest in subsidiaries	1,568	(720)
Total equity	417,916	341,767
Total liabilities and equity	$ 2,419,897	$ 2,088,521

The accompanying notes are an integral part of these consolidated financial statements.

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ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, dollars in thousands except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales (1)	$ 2,056,653	$ 1,248,569	$ 5,303,388	$ 2,668,243
Operating costs and expenses:				
Cost of sales	1,827,098	1,153,743	4,717,673	2,443,533
Direct operating expenses	83,338	68,448	202,476	192,816
Selling, general and administrative expenses	34,680	35,012	107,595	96,001
Depreciation and amortization	29,812	26,781	80,046	78,471
Total operating costs and expenses	1,974,928	1,283,984	5,107,790	2,810,821
Gain on disposition of assets	229	—	161	474
Operating income (loss)	81,954	(35,415)	195,759	(142,104)
Interest expense	(22,582)	(24,091)	(63,780)	(72,411)
Equity earnings of investees	2,005	3,864	3,775	4,970
Gain on bargain purchase	—	17,480	—	17,480
Other income (loss), net	(14,272)	(494)	(51,065)	13,345
Income (loss) before income tax expense (benefit) and non-controlling interest in income (loss) of subsidiaries	47,105	(38,656)	84,689	(178,720)
Income tax expense (benefit)	17,004	(21,905)	26,952	(73,711)
Income (loss) before non-controlling interest in income (loss) of subsidiaries	30,101	(16,751)	57,737	(105,009)
Non-controlling interest in income (loss) of subsidiaries	1,480	(1,167)	2,317	(7,224)
Net income (loss) available to common stockholders	$ 28,621	$ (15,584)	$ 55,420	$ (97,785)
Income (loss) per share, basic	$ 0.51	$ (0.29)	$ 1.00	$ (1.80)
Weighted average shares outstanding, basic (in thousands)	55,755	54,181	55,290	54,177
Income (loss) per share, diluted	$ 0.46	$ (0.29)	$ 0.91	$ (1.80)
Weighted average shares outstanding, diluted (in thousands)	61,690	54,181	61,231	54,177
Cash dividends per share	$ 0.04	$ 0.04	$ 0.12	$ 0.12

(1) Includes excise taxes on sales by the retail segment of $15,476 and $14,204 for the three months and $44,887 and $40,521 for the nine months ended September 30, 2011, and 2010, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, dollars in thousands)

	For the Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income (loss) available to common stockholders	$ 55,420	$ (97,785)
Adjustments to reconcile net income (loss) available to common stockholders to cash provided by (used in) operating activities:		
Depreciation and amortization	80,046	78,471
Stock compensation	2,135	446
Deferred income tax expense	21,438	(73,715)
Non-controlling interest in income (loss) of subsidiaries	2,317	(7,224)
Equity earnings of investees (net of dividends)	(1,525)	(2,614)
Amortization of debt issuance costs	4,370	4,475
Amortization of original issuance discount	2,146	1,235
Write-off of unamortized debt issuance costs	—	6,659
Gain on bargain purchase	—	(17,480)
Gain on disposition of assets	(161)	(474)
Changes in operating assets and liabilities, net of acquisition effects:		
Accounts and other receivables, net	(95,309)	(22,001)
Income tax receivable	—	47,290
Inventories	(114,279)	34,644
Prepaid expenses and other current assets	(680)	(3,943)
Other assets, net	(13,705)	(30,461)
Accounts payable	37,974	36,480
Accrued liabilities	57,153	12,989
Other non-current liabilities	21,022	(4,267)
Net cash provided by (used in) operating activities	58,362	(37,275)
Cash flows from investing activities:		
Capital expenditures	(91,120)	(20,526)
Capital expenditures for turnarounds and catalysts	(6,995)	(12,668)
Proceeds from disposition of assets	547	20,095
Proceeds from sale of securities	—	36,852
Acquisition of Bakersfield refinery	—	(32,409)
Earnout payment related to Krotz Springs refinery acquisition	(6,562)	(6,562)
Net cash used in investing activities	(104,130)	(15,218)
Cash flows from financing activities:		
Dividends paid to stockholders	(6,652)	(6,501)
Dividends paid to non-controlling interest	(570)	(429)
Proceeds from issuance of common stock	11,900	—
Stock issuance costs	(537)	—
Inventory supply agreement	1,165	45,807
Deferred debt issuance costs	(2,169)	(2,450)
Revolving credit facilities, net	125,053	(6,527)
Additions to long-term debt	30,136	—
Payments on long-term debt	(8,644)	(8,209)
Additions to short-term debt	—	76,500
Payments on short-term debt	—	(46,500)
Net cash provided by financing activities	149,682	51,691
Net increase (decrease) in cash and cash equivalents	103,914	(802)
Cash and cash equivalents, beginning of period	71,687	40,437
Cash and cash equivalents, end of period	$ 175,601	$ 39,635
Supplemental cash flow information:		
Cash paid for interest	$ 49,784	$ 53,717
Cash paid (received) for income tax, net of refunds	$ 3,203	$ (46,748)

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, dollars in thousands except as noted)

(1) Basis of Presentation

(a) Basis of Presentation

The consolidated financial statements include the accounts of Alon USA Energy, Inc. and its subsidiaries (collectively, "Alon"). All significant intercompany balances and transactions have been eliminated. These consolidated financial statements of Alon are unaudited and have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. In the opinion of Alon's management, the information included in these consolidated financial statements reflects all adjustments, consisting of normal and recurring adjustments, which are necessary for a fair presentation of Alon's consolidated financial position and results of operations for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the operating results that may be obtained for the year ending December 31, 2011.

The consolidated balance sheet as of December 31, 2010, has been derived from the audited financial statements as of that date. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Alon's Annual Report on Form 10-K for the year ended December 31, 2010.

(b) New Accounting Standards

In September 2011, the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*, were amended to permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If the existence of events or circumstances leads an entity to believe that the fair value of the entity is not below its carrying amount, then performing the two-step impairment test is unnecessary. The adoption of this guidance will not affect Alon's financial position or results of operations.

In June 2011, the provisions of FASB ASC 220, *Comprehensive Income*, were amended to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. Under either option, the entity is required to present reclassification adjustments on the face of the financial statements for items that are reclassified from other comprehensive income to net income in the statement where those components are presented. These provisions are effective for the first interim or annual period beginning after December 15, 2011, and are to be applied retrospectively, with early adoption permitted. The adoption of this guidance will not affect Alon's financial position or results of operations because these requirements only affect disclosures.

(2) Segment Data

Alon's revenues are derived from three operating segments: (i) refining and unbranded marketing, (ii) asphalt and (iii) retail and branded marketing. The reportable operating segments are strategic business units that offer different products and services. The segments are managed separately as each segment requires unique technology, marketing strategies and distinct operational emphasis. Each operating segment's performance is evaluated primarily based on operating income.

(a) Refining and Unbranded Marketing Segment

Alon's refining and unbranded marketing segment includes sour and heavy crude oil refineries located in Big Spring, Texas; and Paramount, Bakersfield and Long Beach, California (the "California refineries"); and a light sweet crude oil refinery located in Krotz Springs, Louisiana. At these refineries, Alon refines crude oil into products including gasoline, diesel, jet fuel, petrochemicals, feedstocks, asphalts and other petroleum products, which are marketed primarily in the South Central, Southwestern and Western regions of the United States. In Bakersfield, Alon is converting intermediate products into finished products and is not refining crude oil. Finished products and blendstocks are also marketed through sales and exchanges with other major oil companies, state and federal governmental entities, unbranded wholesale distributors and various other third parties. Alon also acquires finished products through exchange agreements and third-party suppliers.

(b) Asphalt Segment

Alon's asphalt segment includes the Willbridge, Oregon refinery and 12 refinery/terminal locations in Texas (Big Spring), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Oregon (Willbridge), Washington

(Richmond Beach), Arizona (Phoenix, Flagstaff and Fredonia), and Nevada (Fernley) (50% interest) as well as a 50% interest in Wright Asphalt Products Company, LLC ("Wright") which specializes in marketing patented tire rubber modified asphalt products. Alon produces both paving and roofing grades of asphalt and, depending on the terminal, can manufacture performance-graded asphalts, emulsions and cutbacks. The operations in which Alon has a 50% interest (Fernley and Wright), are recorded under the equity method of accounting and the investments are included as part of total assets in the asphalt segment data.

(c) Retail and Branded Marketing Segment

Alon's retail and branded marketing segment operates 303 convenience stores located primarily in Central and West Texas and New Mexico. These convenience stores typically offer various grades of gasoline, diesel fuel, general merchandise and food and beverage products to the general public, primarily under the 7-Eleven and FINA brand names. Alon's branded marketing business markets gasoline and diesel under the FINA brand name, primarily in the Southwestern and South Central United States, through a network of approximately 640 locations, including Alon's convenience stores. Historically, substantially all of the motor fuel sold through Alon's convenience stores and the majority of the motor fuels marketed in Alon's branded business have been supplied by Alon's Big Spring refinery.

(d) Corporate

Operations that are not included in any of the three segments are included in the corporate category. These operations consist primarily of corporate headquarters operating and depreciation expenses.

Segment data as of and for the three and nine month periods ended September 30, 2011 and 2010, are presented below:

	Refining and Unbranded Marketing	Asphalt	Retail and Branded Marketing	Corporate	Consolidated Total
Three Months Ended September 30, 2011					
Net sales to external customers	$ 1,471,936	$ 201,081	$ 383,636	$ —	$ 2,056,653
Intersegment sales/purchases	390,245	(114,492)	(275,753)	—	—
Depreciation and amortization	25,179	1,522	2,707	404	29,812
Operating income (loss)	77,380	(4,114)	9,280	(592)	81,954
Total assets	2,047,354	145,788	212,253	14,502	2,419,897
Turnaround, chemical catalyst and capital expenditures	17,664	125	7,777	329	25,895

	Refining and Unbranded Marketing	Asphalt	Retail and Branded Marketing	Corporate	Consolidated Total
Three Months Ended September 30, 2010					
Net sales to external customers	$ 830,478	$ 144,610	$ 273,481	$ —	$ 1,248,569
Intersegment sales/purchases	226,000	(55,052)	(170,948)	—	—
Depreciation and amortization	21,315	1,716	3,353	397	26,781
Operating income (loss)	(52,601)	8,962	8,809	(585)	(35,415)
Total assets	1,818,774	153,104	184,694	18,992	2,175,564
Turnaround, chemical catalyst and capital expenditures	5,844	465	1,322	1,344	8,975

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

	Refining and Unbranded Marketing	Asphalt	Retail and Branded Marketing	Corporate	Consolidated Total
Nine Months Ended September 30, 2011					
Net sales to external customers	$ 3,784,798	$ 435,135	$ 1,083,455	$ —	$ 5,303,388
Intersegment sales/purchases	1,012,327	(232,971)	(779,356)	—	—
Depreciation and amortization	64,799	4,999	9,037	1,211	80,046
Operating income (loss)	200,523	(27,439)	24,450	(1,775)	195,759
Total assets	2,047,354	145,788	212,253	14,502	2,419,897
Turnaround, chemical catalyst and capital expenditures	83,114	1,458	12,271	1,272	98,115

	Refining and Unbranded Marketing	Asphalt	Retail and Branded Marketing	Corporate	Consolidated Total
Nine Months Ended September 30, 2010					
Net sales to external customers	$ 1,598,064	$ 316,715	$ 753,464	$ —	$ 2,668,243
Intersegment sales/purchases	632,785	(158,754)	(474,031)	—	—
Depreciation and amortization	62,150	5,148	10,209	964	78,471
Operating income (loss)	(146,506)	(8,754)	14,684	(1,528)	(142,104)
Total assets	1,818,774	153,104	184,694	18,992	2,175,564
Turnaround, chemical catalyst and capital expenditures	27,902	991	2,149	2,152	33,194

Operating income (loss) for each segment consists of net sales less cost of sales, direct operating expenses, selling, general and administrative expenses, depreciation and amortization, and gain on disposition of assets. Intersegment sales are intended to approximate wholesale market prices. Consolidated totals presented are after intersegment eliminations.

Total assets of each segment consist of net property, plant and equipment, inventories, cash and cash equivalents, accounts and other receivables and other assets directly associated with the segment's operations. Corporate assets consist primarily of corporate headquarters information technology and administrative equipment.

(3) Fair Value

The carrying amounts of Alon's cash and cash equivalents, receivables, payables and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The reported amounts of long-term debt approximate fair value. Derivative financial instruments are carried at fair value, which is based on quoted market prices.

Alon must determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As required, Alon utilizes valuation techniques that maximize the use of observable inputs (levels 1 and 2) and minimize the use of unobservable inputs (level 3) within the fair value hierarchy. Alon generally applies the "market approach" to determine fair value. This method uses pricing and other information generated by market transactions for identical or comparable assets and liabilities. Assets and liabilities are classified within the fair value hierarchy based on the lowest level (least observable) input that is significant to the measurement in its entirety.

The following table sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the consolidated balance sheets at September 30, 2011, and December 31, 2010, respectively:

	Quoted Prices in Active Markets For Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Consolidated Total
As of September 30, 2011				
Assets:				
Commodity contracts (futures and forwards)	$ 3,618	$ —	$ —	$ 3,618
Liabilities:				
Commodity contracts (swaps)	—	2,540	—	2,540
Commodity contracts (call options)	—	33,429	—	33,429
Interest rate swap	—	5,217	—	5,217
As of December 31, 2010				
Assets:				
Commodity contracts (futures and forwards)	$ 1,214	$ —	$ —	$ 1,214
Liabilities:				
Commodity contracts (swaps)	—	681	—	681
Commodity contracts (call options)	—	8,876	—	8,876
Interest rate swap	—	7,501	—	7,501

(4) Derivative Financial Instruments

Commodity Derivatives — Mark to Market

Alon selectively utilizes commodity derivatives to manage its exposure to commodity price fluctuations and uses crude oil, refined product and precious metal (catalyst) commodity derivative contracts to reduce risk associated with potential price changes on committed obligations. Alon does not speculate using derivative instruments. Credit risk on Alon's derivative instruments is mitigated by transacting with counterparties meeting established collateral and credit criteria.

Cash Flow Hedges

To designate a derivative as a cash flow hedge, Alon documents at the inception of the hedge the assessment that the derivative will be highly effective in offsetting expected changes in cash flows from the item hedged. This assessment, which is updated at least quarterly, is generally based on the most recent relevant historical correlation between the derivative and the item hedged. If, during the term of the derivative, the hedge is determined to be no longer highly effective, hedge accounting is prospectively discontinued and any remaining unrealized gains or losses, based on the effective portion of the derivative at that date, are reclassified to earnings when the underlying transaction occurs.

Interest Rate Derivatives. Alon selectively utilizes interest rate related derivative instruments to manage its exposure to floating-rate debt instruments. Alon periodically uses interest rate swap agreements to manage its floating to fixed rate position by converting certain floating-rate debt to fixed-rate debt. As of September 30, 2011, Alon had an interest rate swap agreement with a notional amount of $100,000, a remaining period of 15 months and a fixed interest rate of 4.25%. This swap was accounted for as a cash flow hedge.

For cash flow hedges, gains and losses reported in equity are reclassified into interest expense when the forecasted transaction affects income. During the nine months ended September 30, 2011 and 2010, Alon recognized in equity unrealized after-tax gains of $1,484 and $3,973, respectively, for the fair value measurement of the interest rate swap agreements. There were no amounts reclassified from equity into interest expense as a result of the discontinuance of cash flow hedge accounting.

For the nine months ended September 30, 2011 and 2010, there was no hedge ineffectiveness recognized in income. No component of the derivative instruments' gains or losses was excluded from the assessment of hedge effectiveness.

Commodity Derivatives. In May 2008, as part of financing the acquisition of the Krotz Springs refinery, Alon entered into futures contracts for the forward purchase of crude oil and the forward sale of heating oil of 14,849,750 barrels. These futures contracts were designated as cash flow hedges for accounting purposes. In the fourth quarter of 2008, Alon determined during its retrospective assessment of hedge effectiveness that the hedge was no longer highly effective. Cash flow hedge

accounting was discontinued in the fourth quarter of 2008 and all changes in value subsequent to the discontinuance were recognized into earnings. An after-tax loss of $4,003 for the nine months ended September 30, 2010 was reclassified from equity to earnings due to the discontinuance of cash flow hedge accounting. No component of the derivative instruments' gains or losses was excluded from the assessment of hedge effectiveness.

The following table presents the effect of derivative instruments on the consolidated statements of financial position.

	As of September 30, 2011			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Commodity contracts (swaps)		$ —	Accrued liabilities	$ (2,540)
Commodity contracts (call options)		—	Accrued liabilities	(33,429)
Commodity contracts (futures and forwards)	Accounts receivable	7,090	Accrued liabilities	(3,472)
Total derivatives not designated as hedging instruments		$ 7,090		$ (39,441)
Derivatives designated as hedging instruments:				
Interest rate swap		$ —	Other non-current liabilities	$ (5,217)
Total derivatives designated as hedging instruments		—		(5,217)
Total derivatives		$ 7,090		$ (44,658)

	As of December 31, 2010			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Commodity contracts (swaps)		$ —	Accounts Payable	$ (681)
Commodity contracts (call options)		—	Accrued liabilities	(5,748)
Commodity contracts (futures and forwards)	Accounts receivable	1,364	Accrued liabilities	(150)
Commodity contracts (call options)		—	Other non-current liabilities	(3,128)
Total derivatives not designated as hedging instruments		$ 1,364		$ (9,707)
Derivatives designated as hedging instruments:				
Interest rate swap		$ —	Other non-current liabilities	$ (7,501)
Total derivatives designated as hedging instruments		—		(7,501)
Total derivatives		$ 1,364		$ (17,208)

The following tables present the effect of derivative instruments on Alon's consolidated statements of operations and accumulated other comprehensive income ("OCI").

Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Location	Amount	Location	Amount
For the Three Months Ended September 30, 2011					
Interest rate swap	$ 918	Interest expense	$ (1,058)		$ —
Total derivatives	$ 918		$ (1,058)		$ —
For the Three Months Ended September 30, 2010					
Commodity contracts (swaps)	$ —	Cost of sales	$ (2,825)		$ —
Interest rate swaps	2,494	Interest expense	(3,693)		—
Total derivatives	$ 2,494		$ (6,518)		$ —

Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Location	Amount	Location	Amount
For the Nine Months Ended September 30, 2011					
Interest rate swap	$ 2,284	Interest expense	$ (3,053)		$ —
Total derivatives	$ 2,284		$ (3,053)		$ —
For the Nine Months Ended September 30, 2010					
Commodity contracts (swaps)	$ —	Cost of sales	$ (6,354)		$ —
Interest rate swaps	6,112	Interest expense	(10,917)		—
Total derivatives	$ 6,112		$ (17,271)		$ —

Derivatives not designated as hedging instruments:

	Gain (Loss) Recognized in Income	
	Location	Amount
For the Three Months Ended September 30, 2011		
Commodity contracts (futures & forwards)	Cost of sales	$ (469)
Commodity contracts (swaps)	Cost of sales	(1,038)
Commodity contracts (call options)	Other income (loss), net	(14,269)
Total derivatives		$ (15,776)
For the Three Months Ended September 30, 2010		
Commodity contracts (futures & forwards)	Cost of sales	$ 1,796
Commodity contracts (swaps)	Cost of sales	$ (126)
Commodity contracts (swaps)	Other income (loss), net	(671)
Total derivatives		$ 999

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

	Gain (Loss) Recognized in Income	
	Location	Amount
For the Nine Months Ended September 30, 2011		
Commodity contracts (futures & forwards)	Cost of sales	$ 10,290
Commodity contracts (swaps)	Cost of sales	(3,716)
Commodity contracts (call options)	Other income (loss), net	(51,093)
Total derivatives		$ (44,519)
For the Nine Months Ended September 30, 2010		
Commodity contracts (futures & forwards)	Cost of sales	$ 3,536
Commodity contracts (swaps)	Cost of sales	$ (501)
Commodity contracts (swaps)	Other income (loss), net	(873)
Total derivatives		$ 2,162

(5) Inventories

Alon's inventories are stated at the lower of cost or market. Cost is determined under the last-in, first-out (LIFO) method for crude oil, refined products, asphalt, and blendstock inventories. Materials and supplies are stated at average cost. Cost for convenience store merchandise inventories is determined under the retail inventory method and cost for convenience store fuel inventories is determined under the first-in, first-out (FIFO) method.

Carrying value of inventories consisted of the following:

	September 30, 2011	December 31, 2010
Crude oil, refined products, asphalt and blendstocks	$ 146,377	$ 60,588
Crude oil inventory consigned to others	59,301	38,445
Materials and supplies	21,675	19,059
Store merchandise	19,451	17,237
Store fuel	7,360	5,721
Total inventories	$ 254,164	$ 141,050

Crude oil, refined products, asphalt and blendstock inventories totaled 2,733 thousand barrels and 2,441 thousand barrels as of September 30, 2011 and December 31, 2010, respectively. A reduction of inventory volumes resulted in a liquidation of LIFO inventory layers associated with refined products and asphalt carried at lower costs which prevailed in previous years. The liquidation decreased cost of sales by approximately $44,570 for the nine months ended September 30, 2011. An increase in LIFO inventory associated with crude oil resulted in an increase to cost of sales of $21,074 for the nine months ended September 30, 2011.

Market values of crude oil, refined products, asphalt and blendstock inventories exceeded LIFO costs by $100,522 and $115,072 at September 30, 2011 and December 31, 2010, respectively.

Crude oil inventory consigned to others represents inventory that was sold to third parties with an obligation by Alon to repurchase the inventory at the end of the respective agreements. As a result of this requirement to repurchase inventory, no revenue was recorded on these transactions and the inventory volumes remain valued under the LIFO method.

Alon had 929 thousand barrels and 674 thousand barrels of crude oil consigned to others at September 30, 2011 and December 31, 2010, respectively. Alon recorded liabilities associated with this consigned inventory of $26,916 in accounts payable and $56,994 in other non-current liabilities and $27,034 in accounts payable and $32,433 in other non-current liabilities at September 30, 2011 and December 31, 2010, respectively.

Additionally, Alon recorded accrued liabilities of $3,131 and accounts receivable of $1,073 at September 30, 2011 and December 31, 2010, respectively, for forward commitments related to month-end consignment inventory target levels differing

from projected levels and the associated pricing with these inventory level differences.

Normal Purchase Normal Sale

Effective January 1, 2011, Alon elected to account for all inventory financing agreements it has under the "Normal Purchase Normal Sales" exemption of FASB ASC 815, *Derivatives and Hedging*. This exemption applies to situations where commodities are physically delivered. In previous periods Alon recorded changes in the fair value of the estimated settlement liability of these contracts through the statement of operations. Beginning January 1, 2011 and forward, changes in fair value of the estimated settlement liability will no longer be recorded due to the Normal Purchase Normal Sale exemption. If the contracts were settled September 30, 2011, the payment would be in excess of the liabilities recorded by $8,946.

(6) Property, Plant and Equipment, Net

Property, plant and equipment, net consisted of the following:

	September 30, 2011	December 31, 2010
Refining facilities	$ 1,704,182	$ 1,628,039
Pipelines and terminals	41,708	40,686
Retail	144,326	137,771
Other	18,418	16,773
Property, plant and equipment, gross	1,908,634	1,823,269
Less accumulated depreciation	(398,571)	(334,737)
Property, plant and equipment, net	$ 1,510,063	$ 1,488,532

The increase in refining facilities at September 30, 2011 is mainly due to the investment in the integration of the hydrocracker unit in Bakersfield, California.

(7) Additional Financial Information

The tables that follow provide additional financial information related to the consolidated financial statements.

(a) Other Assets, Net

	September 30, 2011	December 31, 2010
Deferred turnaround and chemical catalyst cost	$ 24,202	$ 23,047
Environmental receivables	16,338	17,426
Deferred debt issuance costs	14,083	16,284
Intangible assets, net	7,539	7,901
Receivable from supply agreements	12,095	5,805
Other, net	14,934	11,072
Total other assets	$ 89,191	$ 81,535

(b) Accrued Liabilities and Other Non-Current Liabilities

	September 30, 2011	December 31, 2010
Accrued Liabilities:		
Taxes other than income taxes, primarily excise taxes	$ 32,943	$ 23,584
Employee costs	10,804	11,571
Commodity contracts	39,441	5,898
Accrued finance charges	19,023	12,246
Environmental accrual	7,349	7,349
Valero earnout liability	—	6,562
Other	29,721	21,144
Total accrued liabilities	$ 139,281	$ 88,354
Other Non-Current Liabilities:		
Pension and other postemployment benefit liabilities, net	$ 33,481	$ 33,157
Environmental accrual (Note 14)	59,387	61,657
Asset retirement obligations	11,314	10,932
Interest rate swap valuations	5,217	7,501
Consignment inventory	56,994	32,433
Commodity contracts	—	3,128
Other	13,321	12,168
Total other non-current liabilities	$ 179,714	$ 160,976

(c) Comprehensive Income (Loss)

The following table displays the computation of total comprehensive income (loss):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Income (loss) before non-controlling interest in income (loss) of subsidiaries	$ 30,101	$ (16,751)	$ 57,737	$ (105,009)
Other comprehensive gain, net of tax:				
Unrealized gain on cash flow hedges, net of tax	597	3,401	1,484	7,976
Total other comprehensive income, net of tax	597	3,401	1,484	7,976
Comprehensive gain (loss)	30,698	(13,350)	59,221	(97,033)
Comprehensive income (loss) attributable to non-controlling interest	1,463	(956)	2,300	(6,834)
Comprehensive income (loss) attributable to common stockholders	$ 29,235	$ (12,394)	$ 56,921	$ (90,199)

The following table displays the components of accumulated other comprehensive loss, net of tax.

	September 30, 2011	December 31, 2010
Unrealized losses on cash flow hedges, net of tax	$ (3,857)	$ (5,341)
Pension and post-employment benefits, net of tax	(16,576)	(16,576)
Accumulated other comprehensive loss, net of tax	$ (20,433)	$ (21,917)

(8) Postretirement Benefits

Alon has three defined benefit pension plans covering substantially all of its refining and unbranded marketing segment employees. The benefits are based on years of service and the employee's final average monthly compensation. Alon's funding policy is to contribute annually not less than the minimum required nor more than the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those benefits expected to be earned in the future. Alon's estimated contributions during 2011 to its pension plans has not

changed significantly from amounts previously disclosed in Alon's consolidated financial statements for the year ended December 31, 2010. For the nine months ended September 30, 2011 and 2010, Alon contributed $4,410 and $5,000, respectively, to its qualified pension plans.

The components of net periodic benefit cost related to Alon's benefit plans were as follows for the three and nine months ended September 30, 2011 and 2010:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Components of net periodic benefit cost:				
Service cost	$ 914	$ 1,018	$ 2,743	$ 3,055
Interest cost	1,035	946	3,105	2,837
Expected return on plan assets	(932)	(904)	(2,798)	(2,715)
Amortization of net loss	447	385	1,343	1,157
Net periodic benefit cost	$ 1,464	$ 1,445	$ 4,393	$ 4,334

(9) Indebtedness

Debt consisted of the following:

	September 30, 2011	December 31, 2010
Term loan credit facility	$ 426,375	$ 429,750
Revolving credit facilities	310,172	185,120
Senior secured notes	208,804	207,378
Retail credit facilities	108,657	94,057
Total debt	1,054,008	916,305
Less current portion	(124,707)	(11,512)
Total long-term debt	$ 929,301	$ 904,793

Alon Brands Term Loans. In March 2011, Alon Brands issued $30,000 five-year unsecured notes (the "Alon Brands Term Loans") to a group of investors including certain shareholders of Alon Israel and their affiliates. The notes will mature in March 2016. The group of investors have the right to request that principal payments of the loan will be paid in four equal, consecutive annual payments, starting in March 2013. Otherwise, the principal amount will be paid at the maturity date in March 2016. During the third quarter of 2011, certain shareholders of Alon Israel assigned $6,000 of the Alon Brands Term Loans to Alon Israel.

Borrowings under the Alon Brands Term Loans bear interest at a rate of 7% per annum, payable on a semi-annual basis, provided that the interest rate will increase to 9% per annum solely with respect to the portion of the loan equal to the unexercised portion of the warrants described below.

The Alon Brands Term Loans contain certain restrictive covenants, including maintenance financial covenants.

In conjunction with the issuance of the Alon Brands Term Loans, Alon issued 3,092,783 warrants to purchase shares of Alon USA Energy, Inc. common stock at an initial exercise price per share of $9.70. The warrants are exercisable in whole or in part until March 2016, five years from the date of issuance. The allocated fair value of the warrants was $10,988 and was recorded as additional paid-in capital at the time of issuance.

At September 30, 2011, the Alon Brands Term Loans had an outstanding balance of $19,731 (net of unamortized discount of $10,269). Alon is utilizing the effective interest method to amortize the discount over the five-year life of the Alon Brands Term Loans and has amortized $362 and $719 to interest expense for the three and nine months ended September 30, 2011, respectively.

Paramount Petroleum Revolving Credit Facility. Paramount Petroleum Corporation has a $300,000 revolving credit facility (the "Paramount Credit Facility") that will mature on February 28, 2012. The Paramount Credit Facility can be used both for borrowings and the issuance of letters of credit subject to a limit of the lesser of the facility or the amount of the borrowing base under the facility.

Borrowings under the Paramount Credit Facility bear interest at the Eurodollar rate plus a margin based on excess availability. Based on the excess availability at September 30, 2011, the margin was 1.75%.

Borrowings of $113,172, which are included in current portion of long-term debt, and $63,120, which are included in long-term debt, were outstanding under the Paramount Credit Facility at September 30, 2011 and December 31, 2010, respectively. At September 30, 2011 and December 31, 2010, outstanding letters of credit under the Paramount Credit Facility were $130,272 and $1,250, respectively.

Financial Covenants. Alon has certain credit facilities that contain restrictive covenants, including maintenance financial covenants. At September 30, 2011, Alon was in compliance with these covenants.

(10) Stock-Based Compensation

Alon has two employee incentive compensation plans, (i) the Amended and Restated 2005 Incentive Compensation Plan and (ii) the 2000 Incentive Stock Compensation Plan.

(a) Amended and Restated 2005 Incentive Compensation Plan (share value in dollars)

Alon's original incentive compensation plan, the Alon USA Energy, Inc. 2005 Incentive Compensation Plan, was approved by its stockholders in 2006. In May 2010, Alon's stockholders approved an amended and restated incentive compensation plan, the Alon USA Energy, Inc. Amended and Restated 2005 Incentive Compensation Plan, which is a component of Alon's overall executive incentive compensation program. The Amended and Restated 2005 Incentive Compensation Plan permits the granting of awards in the form of options to purchase common stock, Stock Appreciation Rights ("SARs"), restricted shares of common stock, restricted common stock units, performance shares, performance units and senior executive plan bonuses to Alon's directors, officers and key employees.

Restricted Stock. Non-employee directors are awarded an annual grant of shares of restricted stock valued at $25. The restricted shares granted to the non-employee directors vest over a period of three years, assuming continued service at vesting.

In May 2011, Alon granted awards of 180,000 restricted shares to certain executive officers at a grant date price of $13.53. These May 2011 restricted shares will vest as follows: 50% on May 10, 2012 and 50% on May 10, 2016, assuming continued service at vesting.

Compensation expense for the restricted stock grants amounted to $389 and $22 for the three months ended September 30, 2011 and 2010, respectively, and $665 and $53 for the nine months ended September 30, 2011 and 2010, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations. There is no material difference between intrinsic value and fair value under FASB ASC Topic 718-10 for pro forma disclosure purposes.

The following table summarizes the restricted share activity from January 1, 2010:

Nonvested Shares	Shares	Weighted Average Grant Date Fair Values (per share)
Nonvested at January 1, 2010	10,226	$ 14.67
Granted	10,416	7.20
Vested	(4,473)	16.77
Forfeited	—	—
Nonvested at December 31, 2010	16,169	$ 9.28
Granted	186,015	13.50
Vested	(7,278)	10.31
Forfeited	—	—
Nonvested at September 30, 2011	194,906	$ 13.26

As of September 30, 2011, there was $1,908 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Amended and Restated 2005 Incentive Compensation Plan. That cost is expected to be recognized over a weighted-average period of 2.5 years. The fair value of shares vested in 2011 was $88.

Restricted Stock Units. In May 2011, Alon granted 500,000 restricted stock units to the CEO and President of Alon at a

grant date fair value of $11.47. Each restricted unit represents the right to receive one share of Alon common stock upon the vesting of the restricted stock unit. All 500,000 restricted stock units vest on March 1, 2015, assuming continued service at vesting. Compensation expense for the restricted stock units amounted to $374 and $623 for the three and nine months ended September 30, 2011, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

Stock Appreciation Rights. Through December 31, 2010, Alon has granted awards of 580,915 SARs to certain officers and key employees of Alon of which 62% of these SARs have a grant price of $28.46 and the remaining SARs have grant prices ranging from $10.00 to $16.00.

In January 2011, Alon granted awards of 18,250 SARs to certain officers and key employees at a grant price equal to $16.00. The January 2011 SARs vest as follows: 50% on January 5, 2013, 25% on January 5, 2014, and 25% on January 5, 2015, and are exercisable during the 365-day period following the date of vesting.

When exercised, all SARs are convertible into shares of Alon common stock, the number of which will be determined at the time of exercise by calculating the difference between the closing price of Alon common stock on the exercise date and the grant price of the SARs (the "Spread"), multiplying the Spread by the number of SARs being exercised and then dividing the product by the closing price of Alon common stock on the exercise date.

Compensation expense for the SARs grants amounted to $31 and $97 for the three months ended September 30, 2011 and 2010, respectively, and $305 and $403 for the nine months ended September 30, 2011 and 2010, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

(b) 2000 Incentive Stock Compensation Plan

On August 1, 2000, Alon Assets, Inc. ("Alon Assets") and Alon USA Operating, Inc. ("Alon Operating"), majority owned, consolidated subsidiaries of Alon, adopted the 2000 Incentive Stock Compensation Plan pursuant to which Alon's board of directors may grant stock options to certain officers and members of executive management. The 2000 Incentive Stock Compensation Plan authorized grants of options to purchase up to 16,154 shares of common stock of Alon Assets and 6,066 shares of common stock of Alon Operating. This plan was closed to new participants subsequent to August 1, 2000, the initial grant date. All remaining stock options outstanding were exercised during the three months ended March 31, 2011. Total compensation expense recognized under this plan was $(11) for the nine months ended September 30, 2010 and is included in selling, general and administrative expenses in the consolidated statements of operations.

During the three months ended September 30, 2011, an agreement was reached with one of the participants whereby the participant would exchange 2,019 shares of common stock of Alon Assets and 758 shares of Alon Operating for 377,710 shares of common stock of Alon USA Energy, Inc. One-third of the shares were exchanged in October 2011 and the remaining two-thirds will be exchanged equally in October 2012 and October 2013. Compensation expense of $542 associated with the difference in value between the participants ownership of Alon Assets and Alon Operating stock compared to Alon USA Energy, Inc. stock was recognized for the three and nine months ended September 30, 2011 and is included in selling, general and administrative expenses in the consolidated statements of operations.

The following table summarizes the stock option activity for Alon Assets and Alon Operating for the nine months ended September 30, 2011, and for the year ended December 31, 2010:

	Alon Assets		Alon Operating	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding at January 1, 2010	2,793	$ 100.00	1,049	$ 100.00
Granted	—	—	—	—
Exercised	(2,187)	100.00	(822)	100.00
Forfeited and expired	—	—	—	—
Outstanding at December 31, 2010	606	$ 100.00	227	$ 100.00
Granted	—	—	—	—
Exercised	(606)	100.00	(227)	100.00
Forfeited and expired	—	—	—	—
Outstanding at September 30, 2011	—	$ —	—	$ —

The intrinsic value of total options exercised in 2011 was $471.

(11) Stockholders' Equity (per share in dollars)

Common Stock Dividends. On September 15, 2011, Alon paid a regular quarterly cash dividend of $0.04 per share on Alon's common stock to stockholders of record at the close of business on September 1, 2011.

Preferred Stock Dividends. On September 30, 2011, shares of Alon common stock were issued for payment of the quarterly 8.5% preferred stock dividend to preferred stockholders of record at the close of business on September 20, 2011.

Warrants. In conjunction with the issuance of the Alon Brands Term Loans, Alon issued 3,092,783 warrants to purchase shares of Alon USA Energy, Inc. common stock at an initial exercise price per share of $9.70. The warrants are exercisable in whole or in part until March 2016, five years from the date of issuance.

Standby Equity Distribution Agreement. In January 2011, Alon entered into a Standby Equity Distribution Agreement (the "SEDA") with YA Global Master SPV Ltd. ("YA Global") to purchase up to $25,000 of Alon USA Energy, Inc. common stock ("Common Stock"). At any time during the effective period of the agreement, Alon may require YA Global to purchase shares of Common Stock by delivering an advance notice (as provided for in the SEDA) to YA Global. The purchase price of the Common Stock is 98.5% of the market price during the five consecutive trading days after the receipt of the advance notice is provided to YA Global. In no event shall the number of shares of Common Stock owned by YA Global and its affiliates exceed 4.99% of the outstanding Common Stock at that time. The SEDA automatically terminates in January 2013. During the first nine months of 2011, Alon sold Common Stock with total proceeds of $11,900.

(12) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated as net income (loss) available to common stockholders divided by the average number of participating shares of common stock outstanding. Diluted earnings per share include the dilutive effect of SARs using the treasury stock method and the dilutive effect of convertible preferred shares, warrants and granted restricted stock units using the if-converted method.

The calculation of earnings (loss) per share, basic and diluted, for the three and nine months ended September 30, 2011 and 2010, is as follows:

	For the Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income (loss) available to common stockholders	$ 28,621	$ (15,584)	$ 55,420	$ (97,785)
Average number of shares of common stock outstanding	55,755	54,181	55,290	54,177
Dilutive SARs, RSUs, convertible preferred stock and warrants	5,935	—	5,941	—
Average number of shares of common stock outstanding assuming dilution	61,690	54,181	61,231	54,177
Income (loss) per share – basic	$ 0.51	$ (0.29)	$ 1.00	$ (1.80)
Income (loss) per share – diluted	$ 0.46	$ (0.29)	$ 0.91	$ (1.80)

(13) Related-Party Transactions

Alon Brands Term Loans

In March 2011, Alon Brands issued $12,000 five-year unsecured notes to certain shareholders of Alon Israel and their affiliates as part of the Alon Brands Term Loans. The Alon Brands Term Loans will mature in March 2016. The shareholders have the right to request that principal payments of the loan will be paid in four equal, consecutive annual payments, starting in March 2013. Otherwise, the principal amount will be paid at the maturity date in March 2016. During the third quarter of 2011, these shareholders assigned the Alon Brands Term Loans to Alon Israel.

Borrowings under the Alon Brands Term Loans bear interest at a rate of 7% per annum, payable on a semi-annual basis, provided that the interest rate will increase to 9% per annum solely with respect to the portion of the loan equal to the unexercised portion of the warrants described below.

In conjunction with the issuance of the Alon Brands Term Loans, Alon issued to certain shareholders of Alon Israel 1,237,113 warrants to purchase shares of Alon USA Energy, Inc. common stock at an initial exercise price per share of $9.70.

The warrants are exercisable in whole or in part until March 2016, five years from the date of issuance.

(14) Commitments and Contingencies

(a) Commitments

In the normal course of business, Alon has long-term commitments to purchase utilities such as natural gas, electricity and water for use by its refineries, terminals, pipelines and retail locations. Alon is also party to various refined product and crude oil supply and exchange agreements. These agreements are typically short-term in nature or provide terms for cancellation.

Supply and Offtake Agreement with J. Aron & Company

In February 2011, Alon entered into a Supply and Offtake Agreement (the "Supply and Offtake Agreement"), with J. Aron & Company ("J. Aron"). Pursuant to the Supply and Offtake Agreement (i) J. Aron agreed to sell to Alon, and Alon agreed to buy from J. Aron, at market prices, crude oil for processing at the Big Spring refinery and (ii) Alon agreed to sell, and J. Aron agreed to buy, at market prices, certain refined products produced at the Big Spring refinery.

In connection with the execution of the Supply and Offtake Agreement, Alon also entered into agreements that provided for the sale, at market prices, of Alon's crude oil and certain refined product inventories to J. Aron, the lease to J. Aron of crude oil and refined product storage tanks located at the Big Spring refinery, and an agreement to identify prospective purchasers of refined products on J. Aron's behalf. The Supply and Offtake Agreement has an initial term that expires in May 2016. J. Aron may elect to terminate the agreement prior to the initial term beginning in May 2013, provided Alon receives notice of termination at least six months prior to that date. Following expiration or termination of the Supply and Offtake Agreement, Alon is obligated to purchase the crude oil and refined product inventories then owned by J. Aron and located at the Big Spring refinery.

(b) Contingencies

Alon is involved in various other claims and legal actions arising in the ordinary course of business. In August 2011, Alon received from the Federal Trade Commission a civil investigative demand to provide documents as part of an industry-wide investigation related to petroleum industry practices and pricing. Alon believes the ultimate disposition of this and all other matters will not have a material effect on Alon's financial position, results of operations or liquidity.

(c) Environmental

Alon is subject to federal, state, and local environmental laws and regulations. These rules regulate the discharge of materials into the environment and may require Alon to incur future obligations to investigate the effects of the release or disposal of certain petroleum, chemical, and mineral substances at various sites; to remediate or restore these sites; to compensate others for damage to property and natural resources and for remediation and restoration costs. These possible obligations relate to sites owned by Alon and associated with past or present operations. Alon is currently participating in environmental investigations, assessments and cleanups under these regulations at refineries, service stations, pipelines and terminals. Alon may in the future be involved in additional environmental investigations, assessments and cleanups. The magnitude of future costs will depend on factors such as the unknown nature and contamination at many sites, the timing, extent and method of the remedial actions which may be required, and the determination of Alon's liability in proportion to other responsible parties.

Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefit are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Substantially all amounts accrued are expected to be paid out over the next 15 years. The level of future expenditures for environmental remediation obligations cannot be determined with any degree of reliability.

Alon has accrued environmental remediation obligations of $66,736 ($7,349 current payable and $59,387 non-current liability) at September 30, 2011, and $69,006 ($7,349 current payable and $61,657 non-current liability) at December 31, 2010.

In connection with the acquisition of the Bakersfield refinery on June 1, 2010, a subsidiary of Alon entered into an indemnification agreement with a prior owner for remediation expenses of conditions that existed at the refinery on the acquisition date. Alon is required to make indemnification claims to the prior owner by March 15, 2015. Alon has recorded a current receivable of $2,675 and a non-current receivable of $13,840, and a current receivable of $2,675 and a non-current receivable of $14,386 at September 30, 2011 and December 31, 2010, respectively.

Paramount Petroleum Corporation has indemnification agreements with a prior owner for part of the remediation

expenses at its refineries and offsite tank farm and, as a result, has recorded a current receivable of $1,323 and a non-current receivable of $2,498, and a current receivable of $1,323 and a non-current receivable of $3,039 at September 30, 2011 and December 31, 2010, respectively.

(15) Subsequent Event

Dividend Declared

On November 2, 2011, Alon declared its regular quarterly cash dividend of $0.04 per share on Alon's common stock, payable on December 15, 2011, to stockholders of record at the close of business on December 1, 2011.

Crude Oil Supply Arrangements

In October 2011, Alon entered into arrangements that will allow the Krotz Springs refinery to process on average 20,000 to 25,000 barrels per day of West Texas Intermediate priced crude oil during 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010. In this document, the words "Alon," "the Company," "we" and "our" refer to Alon USA Energy, Inc. and its subsidiaries.

Forward-Looking Statements

Certain statements contained in this report and other materials we file with the SEC, or in other written or oral statements made by us, other than statements of historical fact, are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "future" and similar terms and phrases to identify forward-looking statements.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows.

Actual events, results and outcomes may differ materially from our expectations due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, the following:

- changes in general economic conditions and capital markets;
- changes in the underlying demand for our products;
- the availability, costs and price volatility of crude oil, other refinery feedstocks and refined products;
- changes in the sweet/sour spread;
- changes in the spread between West Texas Intermediate ("WTI") crude oil and Light Louisiana Sweet and Heavy Louisiana Sweet crude oils, as well as the spread between California crudes such as Buena Vista and WTI;
- the effects of transactions involving forward contracts and derivative instruments;
- actions of customers and competitors;
- changes in fuel and utility costs incurred by our facilities;
- disruptions due to equipment interruption, pipeline disruptions or failure at our or third-party facilities;
- the execution of planned capital projects;
- adverse changes in the credit ratings assigned to our trade credit and debt instruments;
- the effects of and cost of compliance with current and future state and federal environmental, economic, safety and other laws, policies and regulations;
- operating hazards, natural disasters such as flooding, casualty losses and other matters beyond our control;
- the global financial crisis' impact on our business and financial condition; and
- the other factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2010 under the caption "Risk Factors".

Any one of these factors or a combination of these factors could materially affect our future results of operations and could influence whether any forward-looking statements ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and actual results and future performance may differ materially from those suggested in any forward-looking statements. We do not intend to update these statements unless we are required by the securities laws to do so.

Company Overview

We are an independent refiner and marketer of petroleum products operating primarily in the South Central, Southwestern and Western regions of the United States. Our crude oil refineries are located in Texas, California, Oregon and Louisiana and have a combined throughput capacity of approximately 250,000 barrels per day ("bpd"). Our refineries produce petroleum products including various grades of gasoline, diesel fuel, jet fuel, petrochemicals, petrochemical feedstocks, asphalt, and other petroleum-based products.

Refining and Unbranded Marketing Segment. Our refining and unbranded marketing segment includes sour and heavy crude oil refineries located in Big Spring, Texas; and Paramount, Bakersfield and Long Beach, California; and a light sweet crude oil refinery located in Krotz Springs, Louisiana. We refer to the Long Beach, Bakersfield and Paramount refineries together as our "California refineries." The refineries in our refining and unbranded marketing segment have a combined throughput capacity of approximately 240,000 bpd. At these refineries we refine crude oil into petroleum products, including gasoline, diesel fuel, jet fuel, petrochemicals, feedstocks and asphalts, which are marketed primarily in the South Central, Southwestern, and Western United States. In Bakersfield, we are converting intermediate products into finished products and are not refining crude oil.

We market transportation fuels produced at our Big Spring refinery in West and Central Texas, Oklahoma, New Mexico and Arizona. We refer to our operations in these regions as our "physically integrated system" because we supply our retail convenience stores, branded and unbranded distributors in this region with motor fuels produced at our Big Spring refinery and distributed through a network of pipelines and terminals which we either own or have access to through leases or long-term throughput agreements.

We market refined products produced from our California refineries to wholesale distributors, other refiners and third parties primarily on the West Coast. We started up the hydrocracker unit in Bakersfield in late June 2011 and began processing vacuum gas oil produced at our other California refineries.

The Krotz Springs refinery's processing units are structured to yield approximately 101.5% of total feedstock input, meaning that for each 100 barrels of crude oil and feedstocks input into the refinery, it produces 101.5 barrels of refined products. Of the 101.5%, on average 99.0% is light finished products such as gasoline and distillates, including diesel and jet fuel, petrochemical feedstocks and liquefied petroleum gas, and the remaining 2.5% is primarily heavy oils. We market refined products from Krotz Springs to wholesale distributors, other refiners, and third parties. The refinery's location provides access to upriver markets on the Mississippi and Ohio Rivers and its docking facilities along the Atchafalaya River allow barge access. The refinery also uses its direct access to the Colonial Pipeline to transport products to markets in the Southern and Eastern United States.

Asphalt Segment. Our asphalt segment markets asphalt produced at our Big Spring and California refineries included in the refining and marketing segment and at our Willbridge, Oregon refinery. Asphalt produced by the refineries in our refining and marketing segment is transferred to the asphalt segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate wholesale market prices. Our asphalt segment markets asphalt through 12 refinery/terminal locations in Texas (Big Spring), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Oregon (Willbridge), Washington (Richmond Beach), Arizona (Phoenix, Flagstaff and Fredonia) and Nevada (Fernley) (50% interest) as well as a 50% interest in Wright Asphalt Products Company, LLC ("Wright"). We produce both paving and roofing grades of asphalt, including performance-graded asphalts, emulsions and cutbacks.

Retail and Branded Marketing Segment. Our retail and branded marketing segment operates 303 convenience stores located primarily in Central and West Texas and New Mexico. These convenience stores typically offer various grades of gasoline, diesel fuel, general merchandise and food and beverage products to the general public, primarily under the 7-Eleven and FINA brand names. Substantially all of the motor fuel sold through our retail operations and the majority of the motor fuel marketed in our branded business is supplied by our Big Spring refinery. In 2011, approximately 90% of the motor fuel requirements of our branded marketing operations, including retail operations, were supplied by our Big Spring refinery. Branded distributors that are not part of our integrated supply system, primarily in Central Texas, are supplied with motor fuels we obtain from third-party suppliers.

We market gasoline and diesel under the FINA brand name through a network of approximately 640 locations, including our convenience stores. Approximately 58% of the gasoline and 21% of the diesel motor fuel produced at our Big Spring refinery was transferred to our retail and branded marketing segment at prices substantially determined by reference to commodity pricing information published by Platts. Additionally, our retail and branded marketing segment licenses the use of the FINA brand name and provides credit card processing services to approximately 240 licensed locations that are not under fuel supply agreements with us.

Third Quarter Operational and Financial Highlights

Operating income for the third quarter of 2011 was $82.0 million, compared to an operating loss of $(35.4) in the same period last year. Our operational and financial highlights for the third quarter of 2011 include the following:

- Combined refinery throughput for the third quarter of 2011 averaged 162,214 bpd, consisting of 56,828 bpd at the Big Spring refinery, 39,056 bpd at the California refineries and 66,330 bpd at the Krotz Springs refinery, compared to a combined average throughput of 138,253 bpd for third quarter of 2010, consisting of 53,060 bpd at the Big Spring refinery, 21,035 bpd at the California refineries and 64,158 bpd at the Krotz Springs refinery.
- Operating margin at the Big Spring refinery was $23.05 per barrel for the third quarter of 2011, compared to $5.04 per barrel for the same period in 2010. This increase is due to higher Gulf Coast 3/2/1 crack spreads and improved operating efficiencies at higher throughputs.
- Operating margin at the California refineries was $3.64 per barrel for the third quarter of 2011, compared to $0.12 per barrel for the same period in 2010. This increase reflects higher margin received on greater yield of light products due to the integration of the Bakersfield hydrocracker and a slight increase in the West Coast 3/1/1/1 crack spread.
- Operating margin at the Krotz Springs refinery was $7.77 per barrel for the third quarter of 2011, compared to $0.97 per barrel for the same period in 2010. This increase is due to higher Gulf Coast 2/1/1 crack spreads.
- The average sweet/sour spread for the third quarter of 2011 was $0.82 per barrel compared to $2.16 per barrel for the same period in 2010. The average LLS to WTI spread for the third quarter of 2011 was $18.87 per barrel compared to $3.11 per barrel for the same period in 2010. The average WTI to Buena Vista spread for the third quarter of 2011 was $(17.52) per barrel compared to $0.87 per barrel for the same period in 2010.
- The average Gulf Coast 3/2/1 crack spread was $31.28 per barrel for the third quarter of 2011 compared to $7.76 per barrel for the third quarter of 2010. The average West Coast 3/1/1/1 crack spread for the third quarter of 2011 was $11.22 per barrel compared to $9.09 per barrel for the third quarter of 2010. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the third quarter of 2011 was $12.44 per barrel compared to $3.91 per barrel for the third quarter of 2010.
- Asphalt margins in the third quarter of 2011 were $25.68 per ton compared to $77.59 per ton in the third quarter of 2010. This decrease was due primarily to higher crude oil costs without having the ability to increase asphalt sales prices accordingly. The average blended asphalt sales price increased 12.8% from $478.65 per ton in the third quarter of 2010 to $540.07 per ton in the third quarter of 2011 and the average non-blended asphalt sales price increased 10.0% from $348.89 per ton in the third quarter of 2010 to $383.87 per ton in the third quarter of 2011. The average price of Buena Vista crude increased 42.7% from $75.18 per barrel in the third quarter of 2010 to $107.27 per barrel in the third quarter of 2011.
- Retail fuel sales volume increased by 10.9% from 36.8 million gallons in the third quarter of 2010 to 40.8 million gallons in the third quarter of 2011. Our branded fuel sales volume increased by 12.4% from 84.7 million gallons in the third quarter of 2010 to 95.2 million gallons in the third quarter of 2011.
- On September 15, 2011, we paid a regular quarterly cash dividend of $0.04 per share on our common stock to stockholders of record at the close of business on September 1, 2011.
- On September 30, 2011, shares of our common stock were issued for payment of the quarterly 8.5% preferred stock dividend to preferred stockholders of record at the close of business on September 20, 2011.

Major Influences on Results of Operations

Refining and Unbranded Marketing. Earnings and cash flow from our refining and unbranded marketing segment are primarily affected by the difference between refined product prices and the prices for crude oil and other feedstocks. The cost to acquire crude oil and other feedstocks and the price of the refined products we ultimately sell depend on numerous factors beyond our control, including the supply of, and demand for, crude oil, gasoline and other refined products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, production levels, the availability of imports, the marketing of competitive fuels and government regulation. While our sales and operating revenues fluctuate significantly with movements in crude oil and refined product prices, it is the spread between crude oil and refined product prices, and not necessarily fluctuations in those prices, that affect our earnings.

In order to measure our operating performance, we compare our per barrel refinery operating margins to certain industry benchmarks. We compare our Big Spring refinery's per barrel operating margin to the Gulf Coast 3/2/1 crack spreads. A 3/2/1

crack spread is calculated assuming that three barrels of a benchmark crude oil are converted, or cracked, into two barrels of gasoline and one barrel of diesel. We calculate the Gulf Coast 3/2/1 crack spread using the market values of Gulf Coast conventional gasoline and ultra-low sulfur diesel and the market value of West Texas Intermediate, or WTI, a light, sweet crude oil. We calculate the per barrel operating margin for our Big Spring refinery by dividing the Big Spring refinery's gross margin by its throughput volumes. Gross margin is the difference between net sales and cost of sales (exclusive of substantial unrealized hedge positions and inventories adjustments related to acquisitions).

We compare our California refineries' per barrel operating margin to the West Coast 3/1/1/1 crack spread. A 3/1/1/1 crack spread is calculated assuming that three barrels of a benchmark crude oil are converted into one barrel of gasoline, one barrel of diesel and one barrel of fuel oil. This is calculated using the market values of West Coast LA CARBOB pipeline gasoline, LA ultra-low sulfur pipeline diesel, LA 380 pipeline CST (fuel oil) and the market value of Buena Vista crude oil.

We compare our Krotz Springs refinery's per barrel margin to the Gulf Coast 2/1/1 crack spread. The 2/1/1 crack spread is calculated assuming that two barrels of a benchmark crude oil are converted into one barrel of gasoline and one barrel of diesel. We calculate the Gulf Coast 2/1/1 crack spread using the market values of Gulf Coast conventional gasoline and Gulf Coast high sulfur diesel and the market value of Light Louisiana Sweet, or LLS, crude oil.

Our Big Spring refinery and California refineries are capable of processing substantial volumes of sour crude oil, which has historically cost less than intermediate and sweet crude oils. We measure the cost advantage of refining sour crude oil by calculating the difference between the value of WTI crude oil less the value of West Texas Sour, or WTS, a medium, sour crude oil. We refer to this differential as the sweet/sour spread. A widening of the sweet/sour spread can favorably influence the operating margin for our Big Spring and California refineries. In addition, our California refineries are capable of processing significant volumes of heavy crude oils which historically have cost less than light crude oils. We measure the cost advantage of refining heavy crude oils by calculating the difference between the value of WTI crude oil less the value of Buena Vista crude oil. A widening of this spread can favorably influence the refinery operating margins for our California refineries.

The Krotz Springs refinery has the capability to process substantial volumes of low-sulfur, or sweet, crude oils to produce a high percentage of light, high-value refined products. Sweet crude oil typically comprises 100% of the Krotz Springs refinery's crude oil input. This input was primarily comprised of Heavy Louisiana Sweet, or HLS crude oil, and LLS crude oil. We measure the cost of refining these lighter sweet crude oils by calculating the difference between the average value of LLS crude oil (which also approximates the value of HLS crude oil) to the average value of WTI crude oil. A narrowing of this spread can favorably influence the refinery operating margins of our Krotz Springs refinery.

The results of operations from our refining and unbranded marketing segment are also significantly affected by our refineries' operating costs, particularly the cost of natural gas used for fuel and the cost of electricity. Natural gas prices have historically been volatile. Typically, electricity prices fluctuate with natural gas prices.

Demand for gasoline products is generally higher during summer months than during winter months due to seasonal increases in highway traffic. As a result, the operating results for our refining and unbranded marketing segment for the first and fourth calendar quarters are generally lower than those for the second and third calendar quarters. The effects of seasonal demand for gasoline are partially offset by seasonality in demand for diesel, which in our region is generally higher in winter months as east-west trucking traffic moves south to avoid winter conditions on northern routes.

Safety, reliability and the environmental performance of our refineries are critical to our financial performance. The financial impact of planned downtime, such as a turnaround or major maintenance project, is mitigated through a diligent planning process that considers expectations for product availability, margin environment and the availability of resources to perform the required maintenance.

The nature of our business requires us to maintain substantial quantities of crude oil and refined product inventories. Crude oil and refined products are essentially commodities, and we have no control over the changing market value of these inventories. Because our inventory is valued at the lower of cost or market value under the LIFO inventory valuation methodology, price fluctuations generally have little effect on our financial results.

Asphalt. Earnings from our asphalt segment depend primarily upon the margin between the price at which we sell our asphalt and the transfer prices for asphalt produced at our refineries in the refining and unbranded marketing segment. Asphalt is transferred to our asphalt segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate wholesale market prices. The asphalt segment also conducts operations at and markets asphalt produced by our refinery located in Willbridge, Oregon. In addition to producing asphalt at our refineries, at times when refining margins are unfavorable we opportunistically purchase asphalt from other producers for resale. A portion of our asphalt sales are made using fixed price contracts for delivery at future dates. Because these contracts are priced at the market prices for asphalt at the time of the contract, a change in the cost of crude oil between the time we enter into the contract and the time we produce the asphalt can positively or negatively influence the earnings of our asphalt segment. Demand for paving asphalt products is higher during warmer months than during colder months due to seasonal increases in road construction work. As a result,

revenues from our asphalt segment for the first and fourth calendar quarters are expected to be lower than those for the second and third calendar quarters.

Retail and Branded Marketing. Earnings and cash flows from our retail and branded marketing segment are primarily affected by merchandise and motor fuel sales volumes and margins at our convenience stores and the motor fuel sales volumes and margins from sales to our FINA-branded distributors, together with licensing and credit card related fees generated from our FINA-branded distributors and licensees. Retail merchandise gross margin is equal to retail merchandise sales less the delivered cost of the retail merchandise, net of vendor discounts and rebates, measured as a percentage of total retail merchandise sales. Retail merchandise sales are driven by convenience, branding and competitive pricing. Motor fuel margin is equal to motor fuel sales less the delivered cost of fuel and motor fuel taxes, measured on a cents per gallon ("cpg") basis. Our motor fuel margins are driven by local supply, demand and competitor pricing. Our convenience store sales are seasonal and peak in the second and third quarters of the year, while the first and fourth quarters usually experience lower overall sales.

Factors Affecting Comparability

Our financial condition and operating results over the nine months ended September 30, 2011 and 2010, have been influenced by the following factors which are fundamental to understanding comparisons of our period-to-period financial performance.

Throughput at the Big Spring refinery was higher over the nine months ended September 30, 2011, after we implemented new operating procedures. The California refineries were shut down for most of the first quarter of 2011 to redeploy resources for the integration of the Bakersfield hydrocracker unit acquired in June 2010. Crude throughput was reduced at the Krotz Springs refinery during the second quarter of 2011 due to the flooding in Louisiana and its impact on crude oil supply to the refinery. Additionally, the Krotz Springs refinery was shut down during November 2009 for a scheduled turnaround and remained down until its restart in June 2010.

Results of Operations

Net Sales. Net sales consist primarily of sales of refined petroleum products through our refining and unbranded marketing segment and asphalt segment and sales of merchandise, including food products, and motor fuels, through our retail and branded marketing segment.

For the refining and unbranded marketing segment, net sales consist of gross sales, net of customer rebates, discounts and excise taxes and includes inter-segment sales to our asphalt and retail and branded marketing segments, which are eliminated through consolidation of our financial statements. Asphalt sales consist of gross sales, net of any discounts and applicable taxes. Retail net sales consist of gross merchandise sales, less rebates, commissions and discounts, and gross fuel sales, including motor fuel taxes. For our petroleum and asphalt products, net sales are mainly affected by crude oil and refined product prices and volume changes caused by operations. Our retail merchandise sales are affected primarily by competition and seasonal influences.

Cost of Sales. Refining and unbranded marketing cost of sales includes crude oil and other raw materials, inclusive of transportation costs. Asphalt cost of sales includes costs of purchased asphalt, blending materials and transportation costs. Retail cost of sales includes cost of sales for motor fuels and for merchandise. Motor fuel cost of sales represents the net cost of purchased fuel, including transportation costs and associated motor fuel taxes. Merchandise cost of sales includes the delivered cost of merchandise purchases, net of merchandise rebates and commissions. Cost of sales excludes depreciation and amortization expense.

Direct Operating Expenses. Direct operating expenses, which relate to our refining and unbranded marketing and asphalt segments, include costs associated with the actual operations of our refineries and asphalt terminals, such as energy and utility costs, routine maintenance, labor, insurance and environmental compliance costs. Environmental compliance costs, including monitoring and routine maintenance, are expensed as incurred. All operating costs associated with our crude oil and product pipelines are considered to be transportation costs and are reflected as cost of sales.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses consist primarily of costs relating to the operations of our convenience stores, including labor, utilities, maintenance and retail corporate overhead costs. Refining and marketing and asphalt segment corporate overhead and marketing expenses are also included in SG&A expenses.

ALON USA ENERGY, INC. AND SUBSIDIARIES CONSOLIDATED

Summary Financial Tables. The following tables provide summary financial data and selected key operating statistics for Alon and our three operating segments for the three and nine months ended September 30, 2011 and 2010. The summary financial data for our three operating segments does not include certain SG&A expenses and depreciation and amortization related to our corporate headquarters. The following data should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q. All information in "Management's Discussion and Analysis of Financial Condition and Results of Operations" except for Balance Sheet data as of December 31, 2010 is unaudited.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
	(dollars in thousands, except per share data)			
STATEMENT OF OPERATIONS DATA:				
Net sales (1)	$ 2,056,653	$ 1,248,569	$ 5,303,388	$ 2,668,243
Operating costs and expenses:				
Cost of sales	1,827,098	1,153,743	4,717,673	2,443,533
Direct operating expenses	83,338	68,448	202,476	192,816
Selling, general and administrative expenses (2)	34,680	35,012	107,595	96,001
Depreciation and amortization (3)	29,812	26,781	80,046	78,471
Total operating costs and expenses	1,974,928	1,283,984	5,107,790	2,810,821
Gain on disposition of assets	229	—	161	474
Operating income (loss)	81,954	(35,415)	195,759	(142,104)
Interest expense (4)	(22,582)	(24,091)	(63,780)	(72,411)
Equity earnings of investees	2,005	3,864	3,775	4,970
Gain on bargain purchase (5)	—	17,480	—	17,480
Other income (loss), net (6)	(14,272)	(494)	(51,065)	13,345
Income (loss) before income tax expense (benefit) and non-controlling interest in income (loss) of subsidiaries	47,105	(38,656)	84,689	(178,720)
Income tax expense (benefit)	17,004	(21,905)	26,952	(73,711)
Income (loss) before non-controlling interest in income (loss) of subsidiaries	30,101	(16,751)	57,737	(105,009)
Non-controlling interest in income (loss) of subsidiaries	1,480	(1,167)	2,317	(7,224)
Net income (loss) available to common stockholders	$ 28,621	$ (15,584)	$ 55,420	$ (97,785)
Income (loss) per share, basic	$ 0.51	$ (0.29)	$ 1.00	$ (1.80)
Weighted average shares outstanding, basic (in thousands)	55,755	54,181	55,290	54,177
Income (loss) per share, diluted	$ 0.46	$ (0.29)	$ 0.91	$ (1.80)
Weighted average shares outstanding, diluted (in thousands)	61,690	54,181	61,231	54,177
Cash dividends per share	$ 0.04	$ 0.04	$ 0.12	$ 0.12
CASH FLOW DATA:				
Net cash provided by (used in):				
Operating activities	$ 109,478	$ 24,285	$ 58,362	$ (37,275)
Investing activities	(28,055)	(11,162)	(104,130)	(15,218)
Financing activities	(22,964)	18,799	149,682	51,691
OTHER DATA:				
Adjusted EBITDA (7)	99,270	(5,264)	228,354	(45,792)
Capital expenditures (8)	23,162	7,838	91,120	20,526
Capital expenditures for turnaround and chemical catalyst	2,733	1,137	6,995	12,668

BALANCE SHEET DATA (end of period):	September 30, 2011	December 31, 2010
Cash and cash equivalents	175,601	71,687
Working capital	99,558	990
Total assets	2,419,897	2,088,521
Total debt	1,054,008	916,305
Total equity	417,916	341,767

(1) Includes excise taxes on sales by the retail and branded marketing segment of $15,476 and $14,204 for the three months ended September 30, 2011 and 2010, respectively, and $44,887 and $40,521 for the nine months ended September 30, 2011 and 2010, respectively.

(2) Includes corporate headquarters selling, general and administrative expenses of $188 and $188 for the three months ended September 30, 2011 and 2010, respectively, and $564 and $564 for the nine months ended September 30, 2011 and 2010, respectively, which are not allocated to our three operating segments.

(3) Includes corporate depreciation and amortization of $404 and $397 for the three months ended September 30, 2011 and 2010, respectively, and $1,211 and $964 for the nine months ended September 30, 2011 and 2010, respectively, which are not allocated to our three operating segments.

(4) Interest expense of $72,411 for the nine months ended September 30, 2010, includes a charge of $6,659 for the write-off of debt issuance costs associated with our prepayment of the Alon Refining Krotz Springs, Inc. revolving credit facility.

(5) In connection with the Bakersfield refinery acquisition in 2010, the acquisition date fair value of the identifiable net assets acquired exceeded the fair value of the consideration transferred, resulting in a $17,480 bargain purchase gain.

(6) Other income (loss), net for the three and nine months ended September 30, 2011 is substantially the loss on heating oil crack spread contracts. Other income (loss), net for the nine months ended September 30, 2010 substantially represents the gain from the sale of our investment in Holly Energy Partners.

(7) Adjusted EBITDA represents earnings before non-controlling interest in income of subsidiaries, income tax expense, interest expense, depreciation and amortization, gain on bargain purchase and gain on disposition of assets. Adjusted EBITDA is not a recognized measurement under GAAP; however, the amounts included in Adjusted EBITDA are derived from amounts included in our consolidated financial statements. Our management believes that the presentation of Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. In addition, our management believes that Adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of Adjusted EBITDA generally eliminates the effects of non-controlling interest in income of subsidiaries, income tax expense, interest expense, gain on disposition of assets and the accounting effects of capital expenditures and acquisitions, items that may vary for different companies for reasons unrelated to overall operating performance.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect the prior claim that non-controlling interest have on the income generated by non-wholly-owned subsidiaries;
- Adjusted EBITDA does not reflect changes in or cash requirements for our working capital needs; and
- Our calculation of Adjusted EBITDA may differ from EBITDA calculations of other companies in our industry, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.

The following table reconciles net income (loss) available to common stockholders to Adjusted EBITDA for the three and nine months ended September 30, 2011 and 2010, respectively:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
	(dollars in thousands)			
Net income (loss) available to common stockholders	$ 28,621	$ (15,584)	$ 55,420	$ (97,785)
Non-controlling interest in income (loss) of subsidiaries	1,480	(1,167)	2,317	(7,224)
Income tax expense (benefit)	17,004	(21,905)	26,952	(73,711)
Interest expense	22,582	24,091	63,780	72,411
Depreciation and amortization	29,812	26,781	80,046	78,471
Gain on bargain purchase	—	(17,480)	—	(17,480)
Gain on disposition of assets	(229)	—	(161)	(474)
Adjusted EBITDA	$ 99,270	$ (5,264)	$ 228,354	$ (45,792)

Adjusted EBITDA does not exclude loss on heating oil crack spread contracts of $14,269 and $51,093 for the three and nine months ended September 30, 2011, respectively.

(8) Includes corporate capital expenditures of $329 and $1,344 for the three months ended September 30, 2011 and 2010, respectively, and $1,272 and $2,152 for the nine months ended September 30, 2011 and 2010, respectively, which are not allocated to our three operating segments.

REFINING AND UNBRANDED MARKETING SEGMENT

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
	(dollars in thousands, except per barrel data and pricing statistics)			
STATEMENTS OF OPERATIONS DATA:				
Net sales (1)	$ 1,862,181	$ 1,056,478	$ 4,797,125	$ 2,230,849
Operating costs and expenses:				
Cost of sales	1,681,163	1,022,950	4,336,655	2,138,284
Direct operating expenses	72,271	57,711	170,214	159,556
Selling, general and administrative expenses	6,189	7,103	24,946	17,365
Depreciation and amortization	25,179	21,315	64,799	62,150
Total operating costs and expenses	1,784,802	1,109,079	4,596,614	2,377,355
Gain on disposition of assets	1	—	12	—
Operating income (loss)	$ 77,380	$ (52,601)	$ 200,523	$ (146,506)
KEY OPERATING STATISTICS:				
Per barrel of throughput:				
Refinery operating margin – Big Spring (2)	$ 23.05	$ 5.04	$ 20.67	$ 6.39
Refinery operating margin – CA Refineries (2)	3.64	0.12	(0.16)	0.86
Refinery operating margin – Krotz Springs (2)	7.77	0.97	5.61	0.35
Refinery direct operating expense – Big Spring (3)	4.68	4.66	4.40	5.58
Refinery direct operating expense – CA Refineries (3)	7.20	6.86	6.13	7.66
Refinery direct operating expense – Krotz Springs (3)	3.61	3.39	3.42	5.82
Capital expenditures	14,931	4,707	76,119	15,234
Capital expenditures for turnaround and chemical catalyst	2,733	1,137	6,995	12,668
PRICING STATISTICS:				
WTI crude oil (per barrel)	$ 89.75	$ 76.05	$ 95.42	$ 77.50
WTS crude oil (per barrel)	88.93	73.89	92.95	75.55
Buena Vista crude oil (per barrel)	107.27	75.18	106.62	75.89
LLS crude oil (per barrel)	112.94	79.18	110.50	80.37
Crack spreads (3/2/1) (per barrel):				
Gulf Coast	$ 31.28	$ 7.76	$ 24.53	$ 8.20
Crack spreads (3/1/1/1) (per barrel):				
West Coast	11.22	9.09	11.09	8.60
Crack spreads (2/1/1) (per barrel):				
Gulf Coast high sulfur diesel	$ 12.44	$ 3.91	$ 9.87	$ 4.59
Crude oil differentials (per barrel):				
WTI less WTS	$ 0.82	$ 2.16	$ 2.47	$ 1.95
LLS less WTI	18.87	3.11	14.55	2.81
WTI less Buena Vista	(17.52)	0.87	(11.20)	1.61
Product price (dollars per gallon):				
Gulf Coast unleaded gasoline	$ 2.82	$ 1.95	$ 2.80	$ 2.01
Gulf Coast ultra-low sulfur diesel	3.01	2.09	2.97	2.09
Gulf Coast high sulfur diesel	2.95	2.01	2.91	2.03
West Coast LA CARBOB (unleaded gasoline)	2.89	2.18	2.92	2.18
West Coast LA ultra-low sulfur diesel	3.03	2.16	3.05	2.14
Natural gas (per MMBTU)	4.05	4.23	4.21	4.52

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THROUGHPUT AND PRODUCTION DATA: BIG SPRING REFINERY	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2011		2010		2011		2010	
	bpd	%	bpd	%	bpd	%	bpd	%
Refinery throughput:								
Sour crude	42,769	75.2	42,680	80.4	48,882	80.2	36,836	79.7
Sweet crude	10,904	19.2	7,938	15.0	9,845	16.2	7,021	15.1
Blendstocks	3,155	5.6	2,442	4.6	2,162	3.6	2,387	5.2
Total refinery throughput (4)	56,828	100.0	53,060	100.0	60,889	100.0	46,244	100.0
Refinery production:								
Gasoline	26,846	47.3	25,937	49.2	28,969	47.8	23,096	50.5
Diesel/jet	18,570	32.6	17,772	33.7	19,704	32.5	14,738	32.2
Asphalt	4,619	8.1	3,193	6.1	4,505	7.4	2,636	5.8
Petrochemicals	3,422	6.0	3,382	6.4	3,664	6.0	2,664	5.8
Other	3,423	6.0	2,419	4.6	3,837	6.3	2,620	5.7
Total refinery production (5)	56,880	100.0	52,703	100.0	60,679	100.0	45,754	100.0
Refinery utilization (6)		89.9%		72.3%		88.3%		64.6%

THROUGHPUT AND PRODUCTION DATA: CALIFORNIA REFINERIES	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2011		2010		2011		2010	
	bpd	%	bpd	%	bpd	%	bpd	%
Refinery throughput:								
Medium sour crude	9,363	24.0	4,635	22.0	4,632	21.7	4,065	20.7
Heavy crude	23,928	61.2	15,886	75.6	14,707	68.9	15,082	77.0
Blendstocks	5,765	14.8	514	2.4	2,018	9.4	443	2.3
Total refinery throughput (4)	39,056	100.0	21,035	100.0	21,357	100.0	19,590	100.0
Refinery production:								
Gasoline	10,178	26.1	3,401	16.6	4,433	20.9	2,888	15.2
Diesel/jet	14,863	38.3	4,758	23.3	6,933	32.9	4,067	21.4
Asphalt	10,918	28.0	6,974	34.1	6,456	30.5	6,554	34.3
Light unfinished	525	1.3	—	—	177	0.8	—	—
Heavy unfinished	960	2.5	4,831	23.6	2,462	11.6	5,099	26.8
Other	1,498	3.8	498	2.4	708	3.3	439	2.3
Total refinery production (5)	38,942	100.0	20,462	100.0	21,169	100.0	19,047	100.0
Refinery utilization (6)		45.9%		28.3%		26.7%		26.4%

THROUGHPUT AND PRODUCTION DATA: KROTZ SPRINGS REFINERY	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2011		2010		2011		2010	
	bpd	%	bpd	%	bpd	%	bpd	%
Refinery throughput:								
Light sweet crude	64,420	97.1	38,597	60.1	48,895	78.5	16,460	56.9
Heavy sweet crude	1,845	2.8	23,854	37.2	12,528	20.1	11,603	40.1
Blendstocks	65	0.1	1,707	2.7	846	1.4	878	3.0
Total refinery throughput (4)	66,330	100.0	64,158	100.0	62,269	100.0	28,941	100.0
Refinery production:								
Gasoline	27,396	41.1	26,442	40.9	25,905	41.5	11,720	40.3
Diesel/jet	30,491	45.7	31,383	48.5	28,757	46.0	13,609	46.9
Heavy Oils	2,828	4.2	1,487	2.3	2,577	4.1	1,437	4.9
Other	6,017	9.0	5,368	8.3	5,245	8.4	2,304	7.9
Total refinery production (5)	66,732	100.0	64,680	100.0	62,484	100.0	29,070	100.0
Refinery utilization (6)		79.7%		75.2%		80.2%		33.8%

(1) Net sales include intersegment sales to our asphalt and retail and branded marketing segments at prices which approximate wholesale market prices. These intersegment sales are eliminated through consolidation of our financial statements.

(2) Refinery operating margin is a per barrel measurement calculated by dividing the margin between net sales and cost of sales (exclusive of substantial unrealized hedge positions and inventory adjustments related to acquisitions) attributable to each refinery by the refinery's throughput volumes. Industry-wide refining results are driven and measured by the margins between refined product prices and the prices for crude oil, which are referred to as crack spreads. We compare our refinery operating margins to these crack spreads to assess our operating performance relative to other participants in our industry. The refinery operating margin for the nine months ended September 30, 2011, excludes a benefit from inventory reductions of $22,460. The refinery operating margin for the three and nine months ended September 30, 2010, excludes a benefit of $2,990 and $4,515, respectively, to cost of sales for inventory adjustments related to the Bakersfield refinery acquisition.

(3) Refinery direct operating expense is a per barrel measurement calculated by dividing direct operating expenses at our Big Spring, California, and Krotz Springs refineries, exclusive of depreciation and amortization, by the applicable refinery’s total throughput volumes. Direct operating expenses related to the Bakersfield refinery of $3,356 for the nine months ended September 30, 2011 and $2,122 for the three and nine months ended September 30, 2010, respectively, have been excluded from the per barrel measurement calculation.

(4) Total refinery throughput represents the total barrels per day of crude oil and blendstock inputs in the refinery production process. The throughput data of the California refineries for the nine months ended September 30, 2011, reflects substantially six months of operations beginning in late March 2011 due to the integration of the Bakersfield hydrocracker unit. The throughput data of the Krotz Springs refinery for the nine months ended September 30, 2011, reflects approximately a one month shutdown due to flooding in Louisiana and the impact on crude supply to the refinery. The throughput data of the Krotz Springs refinery for the nine months ended September 30, 2010, reflects substantially four months of operations beginning in June 2010 due to the restart after major turnaround activity.

(5) Total refinery production represents the barrels per day of various products produced from processing crude and other refinery feedstocks through the crude units and other conversion units at the refineries.

(6) Refinery utilization represents average daily crude oil throughput divided by crude oil capacity, excluding planned periods of downtime for maintenance and turnarounds.

ASPHALT SEGMENT

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
	(dollars in thousands, except per ton data)			
STATEMENTS OF OPERATIONS DATA:				
Net sales	$ 201,081	$ 144,610	$ 435,135	$ 316,715
Operating costs and expenses:				
Cost of sales (1)	191,296	120,791	421,480	282,500
Direct operating expenses	11,067	10,737	32,262	33,260
Selling, general and administrative expenses	1,310	2,404	3,833	4,561
Depreciation and amortization	1,522	1,716	4,999	5,148
Total operating costs and expenses	205,195	135,648	462,574	325,469
Operating income (loss)	$ (4,114)	$ 8,962	$ (27,439)	$ (8,754)
KEY OPERATING STATISTICS:				
Blended asphalt sales volume (tons in thousands) (2)	351	289	727	625
Non-blended asphalt sales volume (tons in thousands) (3)	30	18	127	52
Blended asphalt sales price per ton (2)	$ 540.07	$ 478.65	$ 539.52	$ 477.68
Non-blended asphalt sales price per ton (3)	383.87	348.89	337.82	349.29
Asphalt margin per ton (4)	25.68	77.59	15.99	50.54
Capital expenditures	$ 125	$ 465	$ 1,458	$ 991

(1) Cost of sales includes intersegment purchases of asphalt blends from our refining and unbranded marketing segment at prices which approximate wholesale market prices. These intersegment purchases are eliminated through consolidation of our financial statements.

(2) Blended asphalt represents base asphalt that has been blended with other materials necessary to sell the asphalt as a finished product.

(3) Non-blended asphalt represents base material asphalt and other components that require additional blending before being sold as a finished product.

(4) Asphalt margin is a per ton measurement calculated by dividing the margin between net sales and cost of sales by the total sales volume. Asphalt margins are used in the asphalt industry to measure operating results related to asphalt sales.

RETAIL AND BRANDED MARKETING SEGMENT

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
	(dollars in thousands, except per gallon data)			
STATEMENTS OF OPERATIONS DATA:				
Net sales (1)	$ 383,636	$ 273,481	$ 1,083,455	$ 753,464
Operating costs and expenses:				
Cost of sales (2)	344,884	236,002	971,865	655,534
Selling, general and administrative expenses	26,993	25,317	78,252	73,511
Depreciation and amortization	2,707	3,353	9,037	10,209
Total operating costs and expenses	374,584	264,672	1,059,154	739,254
Gain on disposition of assets	228	—	149	474
Operating income	$ 9,280	$ 8,809	$ 24,450	$ 14,684
KEY OPERATING STATISTICS:				
Branded fuel sales (thousands of gallons) (3)	95,160	84,711	272,101	230,031
Branded fuel margin (cents per gallon) (3)	5.5	8.9	5.0	6.7
Number of stores (end of period)	303	306	303	306
Retail fuel sales (thousands of gallons)	40,769	36,759	115,931	104,881
Retail fuel sales (thousands of gallons per site per month)	45	40	43	38
Retail fuel margin (cents per gallon) (4)	15.9	13.4	16.7	12.3
Retail fuel sales price (dollars per gallon) (5)	$ 3.52	$ 2.67	$ 3.47	$ 2.68
Merchandise sales	$ 79,366	$ 74,932	$ 225,812	$ 211,660
Merchandise sales (per site per month)	$ 87	$ 82	$ 83	$ 77
Merchandise margin (6)	32.4%	32.2%	33.0%	31.7%
Capital expenditures	$ 7,777	$ 1,322	$ 12,271	$ 2,149

(1) Includes excise taxes on sales by the retail and branded marketing segment of $15,476 and $14,204 for the three months ended September 30, 2011 and 2010, respectively, and $44,887 and $40,521 for the nine months ended September 30, 2011 and 2010, respectively. Net sales also includes net royalty and related net credit card fees of $1,265 and $873 for the three months ended September 30, 2011 and 2010, respectively, and $4,177 and $2,692 for the nine months ended September 30, 2011 and 2010, respectively.

(2) Cost of sales includes intersegment purchases of motor fuels from our refining and unbranded marketing segment at prices which approximate wholesale market prices. These intersegment purchases are eliminated through consolidation of our financial statements.

(3) Branded fuel sales represent branded fuel sales to our wholesale marketing customers that are primarily supplied by the Big Spring refinery. The branded fuels that are not supplied by the Big Spring refinery are obtained from third-party suppliers. The branded fuel margin represents the margin between the net sales and cost of sales attributable to our branded fuel sales volume, expressed on a cents-per-gallon basis.

(4) Retail fuel margin represents the difference between motor fuel sales revenue and the net cost of purchased motor fuel, including transportation costs and associated motor fuel taxes, expressed on a cents-per-gallon basis. Motor fuel margins are frequently used in the retail industry to measure operating results related to motor fuel sales.

(5) Retail fuel sales price per gallon represents the average sales price for motor fuels sold through our retail convenience stores.

(6) Merchandise margin represents the difference between merchandise sales revenues and the delivered cost of merchandise purchases, net of rebates and commissions, expressed as a percentage of merchandise sales revenues. Merchandise margins, also referred to as in-store margins, are commonly used in the retail convenience store industry to measure in-store, or non-fuel, operating results.

Three Months Ended September 30, 2011 Compared to the Three Months Ended September 30, 2010

Net Sales

Consolidated. Net sales for the three months ended September 30, 2011, were $2,056.7 million, compared to $1,248.6 million for the three months ended September 30, 2010, an increase of $808.1 million. This increase was primarily due to higher refinery throughput volumes in our refining and unbranded marketing segment, increased sales volumes in our retail and branded marketing segment and higher refined product prices.

Refining and Unbranded Marketing Segment. Net sales for our refining and unbranded marketing segment were $1,862.2 million for the three months ended September 30, 2011, compared to $1,056.5 million for the three months ended September 30, 2010, an increase of $805.7 million, or 76.3%. The increase was due to higher refined product prices and higher refinery throughput in the three months ended September 30, 2011 compared to the same period last year.

Combined refinery throughput for the three months ended September 30, 2011, averaged 162,214 bpd, consisting of 56,828 bpd at the Big Spring refinery, 39,056 bpd at the California refineries and 66,330 bpd at the Krotz Springs refinery, compared to a combined average throughput of 138,253 bpd for the three months ended September 30, 2010, consisting of 53,060 bpd at the Big Spring refinery, 21,035 bpd at the California refineries and 64,158 bpd at the Krotz Springs refinery.

The increase in refined product prices that our refineries experienced resembled the price increases experienced in each refinery's respective markets. The average per gallon price of Gulf Coast gasoline for the three months ended September 30, 2011, increased $0.87, or 44.6%, to $2.82, compared to $1.95 for the three months ended September 30, 2010. The average per gallon price of Gulf Coast ultra-low sulfur diesel for the three months ended September 30, 2011, increased $0.92, or 44.0%, to $3.01, compared to $2.09 for the three months ended September 30, 2010. The average per gallon price for Gulf Coast high sulfur diesel for the three months ended September 30, 2011, increased $0.94, or 46.8%, to $2.95, compared to $2.01 for the three months ended September 30, 2010. The average per gallon price of West Coast LA CARBOB gasoline for the three months ended September 30, 2011, increased $0.71, or 32.6%, to $2.89, compared to $2.18 for the three months ended September 30, 2010. The average per gallon price of West Coast LA ultra-low sulfur diesel for the three months ended September 30, 2011, increased $0.87, or 40.3%, to $3.03, compared to $2.16 for the three months ended September 30, 2010.

Asphalt Segment. Net sales for our asphalt segment were $201.1 million for the three months ended September 30, 2011, compared to $144.6 million for the three months ended September 30, 2010, an increase of $56.5 million or 39.1%. The increase was due primarily to an increase in asphalt sales volumes and higher asphalt sales prices for the three months ended September 30, 2011. The asphalt sales volume increased 24.1% from 307 thousand tons for the three months ended September 30, 2010, to 381 thousand tons for the three months ended September 30, 2011. The average blended asphalt sales price increased 12.8% from $478.65 per ton for the three months ended September 30, 2010, to $540.07 per ton for the three months ended September 30, 2011, and the average non-blended asphalt sales price increased 10.0% from $348.89 per ton for the three months ended September 30, 2010, to $383.87 per ton for the three months ended September 30, 2011.

Retail and Branded Marketing Segment. Net sales for our retail and branded marketing segment were $383.6 million for the three months ended September 30, 2011, compared to $273.5 million for the three months ended September 30, 2010, an increase of $110.1 million or 40.3%. This increase was primarily attributable to increases in motor fuel sales volumes and prices and merchandise sales.

Cost of Sales

Consolidated. Cost of sales were $1,827.1 million for the three months ended September 30, 2011, compared to $1,153.7 million for the three months ended September 30, 2010, an increase of $673.4 million. This increase was primarily due to higher refinery throughput volumes in our refining and unbranded marketing segment, increased sales volumes in our retail and branded marketing segment and higher crude oil prices.

Refining and Unbranded Marketing Segment. Cost of sales for our refining and unbranded marketing segment were $1,681.2 million for the three months ended September 30, 2011, compared to $1,023.0 million for the three months ended September 30, 2010, an increase of $658.2 million. This increase was primarily due to increased refinery throughput as well as an increase in the cost of crude oil used by our refineries. The average price of WTI increased 18.0% from $76.05 per barrel for the three months ended September 30, 2010, to $89.75 per barrel for the three months ended September 30, 2011. The average price of Buena Vista crude increased 42.7% from $75.18 per barrel for the three months ended September 30, 2010, to $107.27 per barrel for the three months ended September 30, 2011. The average price of LLS crude increased 42.6% from $79.18 per barrel for the three months ended September 30, 2010, to $112.94 per barrel for the three months ended September 30, 2011.

Asphalt Segment. Cost of sales for our asphalt segment were $191.3 million for the three months ended September 30, 2011, compared to $120.8 million for the three months ended September 30, 2010, an increase of $70.5 million or 58.4%. The

increase was due primarily to higher asphalt sales volumes and higher crude oil costs for the three months ended September 30, 2011 compared to the three months ended September 30, 2010.

Retail and Branded Marketing Segment. Cost of sales for our retail and branded marketing segment were $344.9 million for the three months ended September 30, 2011, compared to $236.0 million for the three months ended September 30, 2010, an increase of $108.9 million or 46.1%. This increase was primarily attributable to increases in motor fuel sales volumes and prices and merchandise costs.

Direct Operating Expenses

Consolidated. Direct operating expenses were $83.3 million for the three months ended September 30, 2011, compared to $68.4 million for the three months ended September 30, 2010, an increase of $14.9 million or 21.8%.

Refining and Unbranded Marketing Segment. Direct operating expenses for our refining and unbranded marketing segment for the three months ended September 30, 2011, were $72.3 million, compared to $57.7 million for the three months ended September 30, 2010, an increase of $14.6 million or 25.3%. This increase is due primarily to expenses associated with the startup of operations at our Bakersfield location which began during the three months ended September 30, 2011.

Asphalt Segment. Direct operating expenses for our asphalt segment for the three months ended September 30, 2011, were $11.1 million, compared to $10.7 million for the three months ended September 30, 2010, an increase of $0.4 million or 3.7%.

Selling, General and Administrative Expenses

Consolidated. SG&A expenses for the three months ended September 30, 2011, were $34.7 million, compared to $35.0 million for the three months ended September 30, 2010, a decrease of $(0.3) million or (0.9)%.

Refining and Unbranded Marketing Segment. SG&A expenses for our refining and unbranded marketing segment for the three months ended September 30, 2011, were $6.2 million, compared to $7.1 million for the three months ended September 30, 2010, a decrease of $(0.9) million or (12.7)%. The decrease was primarily due to lower employee related costs for the three months ended September 30, 2011.

Asphalt Segment. SG&A expenses for our asphalt segment for the three months ended September 30, 2011, were $1.3 million, compared to $2.4 million for the three months ended September 30, 2010, a decrease of $(1.1) million or (45.8)%. This decrease was due to lower employee related costs for the three months ended September 30, 2011.

Retail and Branded Marketing Segment. SG&A expenses for our retail and branded marketing segment for the three months ended September 30, 2011 were $27.0 million, compared to $25.3 million for the three months ended September 30, 2010, an increase of $1.7 million or 6.7%. The increase was primarily attributable to higher advertising and marketing costs for the three months ended September 30, 2011.

Depreciation and Amortization

Depreciation and amortization for the three months ended September 30, 2011, was $29.8 million, compared to $26.8 million for the three months ended September 30, 2010, an increase of $3.0 million, or 11.2%, due primarily to capital expenditures for the acquisition and integration of the Bakersfield refining assets which began operations during the three months ended September 30, 2011.

Operating Income (Loss)

Consolidated. Operating income (loss) for the three months ended September 30, 2011, was $82.0 million, compared to$(35.4) million for the three months ended September 30, 2010, an increase of $117.4 million. This increase was primarily due to higher refinery margins and throughput, higher retail fuel sales volumes and margins and increased merchandise sales and margins.

Refining and Unbranded Marketing Segment. Operating income (loss) for our refining and unbranded marketing segment was $77.4 million for the three months ended September 30, 2011, compared to $(52.6) million for the three months ended September 30, 2010, an increase of $130.0 million. This increase was primarily due to higher refinery operating margins and increased refinery throughput.

Refinery operating margin at the Big Spring refinery was $23.05 per barrel for the three months ended September 30, 2011, compared to $5.04 per barrel for the three months ended September 30, 2010. The increase is due to higher Gulf Coast 3/2/1 crack spreads and improved operating efficiencies at higher throughputs. The average Gulf Coast 3/2/1 crack spread increased to $31.28 per barrel for the three months ended September 30, 2011, compared to $7.76 per barrel for the three months ended September 30, 2010. Refinery operating margin at the California refineries was $3.64 per barrel for the three

months ended September 30, 2011, compared to $0.12 per barrel for the three months ended September 30, 2010. This increase reflects higher margin received on greater yield of light products due to the integration of the Bakersfield hydrocracker and a slight increase in the West Coast 3/1/1/1 crack spread. The average West Coast 3/1/1/1 crack spread for the three months ended September 30, 2011 was $11.22 per barrel compared to $9.09 per barrel for the three months ended September 30, 2010. The Krotz Springs refinery operating margin for the three months ended September 30, 2011, was $7.77 per barrel compared to $0.97 per barrel for the three months ended September 30, 2010. The increase is due to higher Gulf Coast 2/1/1 crack spreads. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the three months ended September 30, 2011 was $12.44 per barrel compared to $3.91 per barrel for the three months ended September 30, 2010.

The refining margin at our Big Spring refinery was affected by decreases in the sweet/sour differential. The sweet/sour differential decreased (62.0)% to $0.82 per barrel for the three months ended September 30, 2011, compared to $2.16 per barrel for the three months ended September 30, 2010. The refining margins at our California refineries were negatively affected by a widening of the WTI to Buena Vista spread. The WTI to Buena Vista spread increased $18.39 per barrel to $(17.52) for the three months ended September 30, 2011, compared to $0.87 per barrel for the three months ended September 30, 2010. The refining margins at our Krotz Springs refinery were affected by a widening of the LLS to WTI spread. The LLS to WTI spread increased $15.76 per barrel to $18.87 per barrel for the three months ended September 30, 2011, compared to $3.11 for the three months ended September 30, 2010.

Asphalt Segment. Operating income (loss) for our asphalt segment was $(4.1) million for the three months ended September 30, 2011, compared to $9.0 million for the three months ended September 30, 2010, a decrease of $13.1 million. The decrease was primarily due to the decrease in asphalt sales margins resulting from the greater increase in crude oil prices relative to the increase in our asphalt sales prices.

Retail and Branded Marketing Segment. Operating income for our retail and branded marketing segment was $9.3 million for the three months ended September 30, 2011, compared to $8.8 million for the three months ended September 30, 2010, an increase of $0.5 million or 5.7%. This increase was primarily due to higher retail fuel sales volumes and margins and higher merchandise sales and margins.

Interest Expense

Interest expense was $22.6 million for the three months ended September 30, 2011, compared to $24.1 million for the three months ended September 30, 2010, a decrease of $1.5 million, or 6.2%.

Income Tax Expense (Benefit)

Income tax expense (benefit) was $17.0 million for the three months ended September 30, 2011, compared to $(21.9) million for the three months ended September 30, 2010. The increase resulted from our higher pre-tax income in the third quarter of 2011, compared to the third quarter of 2010, and a decrease in the effective tax rate. Our effective tax rate was 36.1% for the third quarter of 2011, compared to an effective tax rate of 39.0% for the third quarter of 2010.

Non-Controlling Interest In Income (Loss) Of Subsidiaries

Non-controlling interest in income (loss) of subsidiaries represents the proportional share of net loss related to non-voting common stock owned by non-controlling interests in two of our subsidiaries, Alon Assets, Inc. and Alon USA Operating, Inc. Non-controlling interest in income (loss) of subsidiaries was $1.5 million for the three months ended September 30, 2011, compared to $(1.2) million for the three months ended September 30, 2010, an increase of $2.7 million.

Net Income (Loss) Available to Common Stockholders

Net income (loss) available to common stockholders was $28.6 million for the three months ended September 30, 2011, compared to $(15.6) million for the three months ended September 30, 2010, an increase of $44.2 million. This increase was attributable to the factors discussed above.

Nine Months Ended September 30, 2011 Compared to the Nine Months Ended September 30, 2010

Net Sales

Consolidated. Net sales for the nine months ended September 30, 2011 were $5,303.4 million, compared to $2,668.2 million for the nine months ended September 30, 2010, an increase of $2,635.2 million. This increase was primarily due to higher refinery throughput volumes in our refining and unbranded marketing segment, increased sales volumes in our retail and branded marketing segment and higher refined product prices.

Refining and Unbranded Marketing Segment. Net sales for our refining and unbranded marketing segment were $4,797.1 million for the nine months ended September 30, 2011, compared to $2,230.8 million for the nine months ended September 30, 2010, an increase of $2,566.3 million. The increase was due to higher refined product prices and higher refinery throughput in the nine months ended September 30, 2011 compared to the same period last year.

Combined refinery throughput for the nine months ended September 30, 2011, averaged 144,515 bpd, consisting of 60,889 bpd at the Big Spring refinery, 21,357 bpd at the California refineries and 62,269 bpd at the Krotz Springs refinery, compared to a combined average throughput of 94,775 bpd for the nine months ended September 30, 2010, consisting of 46,244 bpd at the Big Spring refinery, 19,590 bpd at the California refineries and 28,941 bpd at the Krotz Springs refinery. During the nine months ended September 30, 2010, the Krotz Springs refinery was shut down for major turnaround activity and restarted in June 2010. The California refineries were shut down for the first three months of 2011 for the integration of the Bakersfield hydrocracker unit.

The increase in refined product prices that our refineries experienced resembled the price increases experienced in each refinery's respective markets. The average per gallon price of Gulf Coast gasoline for the nine months ended September 30, 2011 increased $0.79, or 39.3%, to $2.80, compared to $2.01 for the nine months ended September 30, 2010. The average per gallon price of Gulf Coast ultra low-sulfur diesel for the nine months ended September 30, 2011 increased $0.88, or 42.1%, to $2.97, compared to $2.09 for the nine months ended September 30, 2010. The average per gallon price for Gulf Coast high sulfur diesel for the nine months ended September 30, 2011, increased $0.88, or 43.3%, to $2.91, compared to $2.03 for the nine months ended September 30, 2010. The average per gallon price of West Coast LA CARBOB gasoline for the nine months ended September 30, 2011 increased $0.74, or 33.9%, to $2.92, compared to $2.18 for the nine months ended September 30, 2010. The average price per gallon of West Coast LA ultra low-sulfur diesel for the nine months ended September 30, 2011 increased $0.91, or 42.5%, to $3.05, compared to $2.14 for the nine months ended September 30, 2010.

Asphalt Segment. Net sales for our asphalt segment were $435.1 million for the nine months ended September 30, 2011, compared to $316.7 million for the nine months ended September 30, 2010, an increase of $118.4 million or 37.4%. The increase was due primarily to an increase in asphalt sales volumes and higher asphalt sales price for our blended asphalt product for the nine months ended September 30, 2011. The asphalt sales volume increased 26.1% from 677 thousand tons for the nine months ended September 30, 2010, to 854 thousand tons for the nine months ended September 30, 2011. The average blended asphalt sales price increased 12.9% from $477.68 per ton for the nine months ended September 30, 2010, to $539.52 per ton for the nine months ended September 30, 2011, and the average non-blended asphalt sales price decreased 3.3% from $349.29 per ton for the nine months ended September 30, 2010, to $337.82 per ton for the nine months ended September 30, 2011.

Retail and Branded Marketing Segment. Net sales for our retail and branded marketing segment were $1,083.5 million for the nine months ended September 30, 2011, compared to $753.5 million for the nine months ended September 30, 2010, an increase of $330.0 million or 43.8%. This increase was primarily attributable to increases in motor fuel prices, motor fuel volume and merchandise sales.

Cost of Sales

Consolidated. Cost of sales was $4,717.7 million for the nine months ended September 30, 2011, compared to $2,443.5 million for the nine months ended September 30, 2010, an increase of $2,274.2 million. This increase was primarily due to higher refinery throughput volumes in our refining and unbranded marketing segment, increased sales volumes in our retail and branded marketing segment and higher crude oil prices.

Refining and Unbranded Marketing Segment. Cost of sales for our refining and unbranded marketing segment were $4,336.7 million for the nine months ended September 30, 2011, compared to $2,138.3 million for the nine months ended September 30, 2010, an increase of $2,198.4 million. This increase was primarily due to increased refinery throughput as well as an increase in the cost of crude oil used by our refineries. The average price of WTI increased 23.1% from $77.50 per barrel for the nine months ended September 30, 2010, to $95.42 per barrel for the nine months ended September 30, 2011. The average price of Buena Vista crude increased 40.5% from $75.89 per barrel for the nine months ended September 30, 2010, to $106.62 per barrel for the nine months ended September 30, 2011. The average price of LLS crude increased 37.5% from $80.37 per barrel for the nine months ended September 30, 2010, to $110.50 per barrel for the nine months ended September 30, 2011.

Asphalt Segment. Cost of sales for our asphalt segment were $421.5 million for the nine months ended September 30, 2011, compared to $282.5 million for the nine months ended September 30, 2010, an increase of $139.0 million or 49.2%. The increase was due to higher asphalt sales volumes and higher crude oil costs for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

Retail and Branded Marketing Segment. Cost of sales for our retail and branded marketing segment were $971.9 million for the nine months ended September 30, 2011, compared to $655.5 million for the nine months ended September 30,

2010, an increase of $316.4 million or 48.3%. This increase was primarily attributable to increases in motor fuel prices, motor fuel volume and merchandise costs.

Direct Operating Expenses

Consolidated. Direct operating expenses were $202.5 million for the nine months ended September 30, 2011, compared to $192.8 million for the nine months ended September 30, 2010, an increase of $9.7 million or 5.0%.

Refining and Unbranded Marketing Segment. Direct operating expenses for our refining and unbranded marketing segment for the nine months ended September 30, 2011 were $170.2 million, compared to $159.6 million for the nine months ended September 30, 2010, an increase of $10.6 million or 6.6%. This increase is due primarily to expenses associated with the startup of operations at our Bakersfield location which began during the three months ended September 30, 2011.

Asphalt Segment. Direct operating expenses for our asphalt segment for the nine months ended September 30, 2011, were $32.3 million, compared to $33.3 million for the nine months ended September 30, 2010, a decrease of $1.0 million or 3.0%. The decrease is primarily due to lower natural gas costs.

Selling, General and Administrative Expenses

Consolidated. SG&A expenses for the nine months ended September 30, 2011 were $107.6 million, compared to $96.0 million for the nine months ended September 30, 2010, an increase of $11.6 million or 12.1%, primarily due to higher employee related costs and higher advertising and marketing costs for the nine months ended September 30, 2011.

Refining and Unbranded Marketing Segment. SG&A expenses for our refining and unbranded marketing segment for the nine months ended September 30, 2011 were $24.9 million, compared to $17.4 million for the nine months ended September 30, 2010, an increase of $7.5 million or 43.1%. The increase was primarily due to higher employee related costs in the nine months ended September 30, 2011 and $2.5 million related to net bad debt recoveries and an insurance premium refund in the nine months ended September 30, 2010.

Asphalt Segment. SG&A expenses for our asphalt segment for the nine months ended September 30, 2011, were $3.8 million, compared to $4.6 million for the nine months ended September 30, 2010, a decrease of $(0.8) million or (17.4)%. This decrease is due primarily to lower employee related costs for the nine months ended September 30, 2011.

Retail and Branded Marketing Segment. SG&A expenses for our retail and branded marketing segment for the nine months ended September 30, 2011 were $78.3 million, compared to $73.5 million for the nine months ended September 30, 2010, an increase of $4.8 million or 6.5%. The increase was primarily attributable to higher advertising and marketing costs.

Depreciation and Amortization

Depreciation and amortization for the nine months ended September 30, 2011 was $80.0 million, compared to $78.5 million for the nine months ended September 30, 2010, an increase of $1.5 million or 1.9% due primarily to capital expenditures for the acquisition and integration of the Bakersfield refining assets which began operations during the three months ended September 30, 2011.

Operating Income (Loss)

Consolidated. Operating income (loss) for the nine months ended September 30, 2011 was $195.8 million, compared to $(142.1) million for the nine months ended September 30, 2010, an increase of $337.9 million. This increase was primarily due to higher refinery margins and throughput, higher retail fuel sales volumes and margins and increased merchandise sales and margins.

Refining and Unbranded Marketing Segment. Operating income (loss) for our refining and unbranded marketing segment was $200.5 million for the nine months ended September 30, 2011, compared to $(146.5) million for the nine months ended September 30, 2010, an increase of $347.0 million. This increase was primarily due to higher refining margins and increased refinery throughput.

Refinery operating margin at the Big Spring refinery was $20.67 per barrel for the nine months ended September 30, 2011, compared to $6.39 per barrel for the nine months ended September 30, 2010. The increase is due to higher Gulf Coast 3/2/1 crack spreads, improved operating efficiencies at higher throughput rates and a widening of the sweet/sour differentials. The average Gulf Coast 3/2/1 crack spread increased 199.1% to $24.53 per barrel for the nine months ended September 30, 2011, compared to $8.20 per barrel for the nine months ended September 30, 2010. Refinery operating margin at the California refineries was $(0.16) per barrel for the nine months ended September 30, 2011, compared to $0.86 per barrel for the nine months ended September 30, 2010. This decrease primarily reflects the impact of the California refineries' shutdown until its restart in late March 2011 offset by the higher West Coast 3/1/1/1 crack spreads. The average West Coast 3/1/1/1 crack spreads

increased 29.0% to $11.09 per barrel for the nine months ended September 30, 2011, compared to $8.60 per barrel for the nine months ended September 30, 2010. The Krotz Springs refinery operating margin for the nine months ended September 30, 2011, was $5.61 per barrel, compared to $0.35 per barrel for the nine months ended September 30, 2010. The Krotz Springs refinery restarted operations in June 2010 after being down for the first five months of 2010 for a major turnaround. Additionally, the average Gulf Coast 2/1/1 high sulfur diesel crack spread for the nine months ended September 30, 2011 was $9.87 per barrel, compared to $4.59 per barrel for the nine months ended September 30, 2010.

The increases in refining margins at our Big Spring refinery were in part due to improvements in the sweet/sour differential. The sweet/sour differential increased 26.7% to $2.47 per barrel for the nine months ended September 30, 2011, compared to $1.95 per barrel for the nine months ended September 30, 2010. The refining margins at our California refineries were affected by a widening of the WTI to Buena Vista spread. The WTI to Buena Vista spread increased $12.81 per barrel to $(11.20) for the nine months ended September 30, 2011, compared to $1.61 per barrel for the nine months ended September 30, 2010. The refining margins at our Krotz Springs refinery were affected by a widening of the LLS to WTI spread. The LLS to WTI spread increased $11.74 per barrel to $14.55 per barrel for the nine months ended September 30, 2011, compared to $2.81 per barrel for the nine months ended September 30, 2010.

Asphalt Segment. Operating loss for our asphalt segment was $27.4 million for the nine months ended September 30, 2011, compared to $8.8 million for the nine months ended September 30, 2010, an increase of $18.6 million or 211.4%. The increase in loss was primarily due to the decrease in asphalt sales margins resulting from the greater increase in crude oil prices relative to the increase in our asphalt sales prices.

Retail and Branded Marketing Segment. Operating income for our retail and branded marketing segment was $24.5 million for the nine months ended September 30, 2011, compared to $14.7 million for the nine months ended September 30, 2010, an increase of $9.8 million. This increase was primarily due to higher retail fuel sales volumes and margins and higher merchandise sales and margins.

Interest Expense

Interest expense was $63.8 million for the nine months ended September 30, 2011, compared to $72.4 million for the nine months ended September 30, 2010, a decrease of $8.6 million, or 11.9%. The decrease is primarily due to a charge of $6.7 million for the write-off of debt issuance costs associated with our prepayment of the Alon Refining Krotz Springs, Inc. revolving credit facility for the nine months ended September 30, 2010.

Income Tax Expense (Benefit)

Income tax expense (benefit) was $27.0 million for the nine months ended September 30, 2011, compared to $(73.7) million for the nine months ended September 30, 2010. The increase resulted from our higher pre-tax income for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010, and a decrease in the effective tax rate. Our effective tax rate was 31.8% for the nine months ended September 30, 2011, compared to an effective tax rate of 37.6% for the nine months ended September 30, 2010. The lower effective tax rate for the nine months ended September 30, 2011 was from the true-up of prior year income taxes.

Non-Controlling Interest In Income (Loss) Of Subsidiaries

Non-controlling interest in income (loss) of subsidiaries was $2.3 million for the nine months ended September 30, 2011, compared to $(7.2) million for the nine months ended September 30, 2010, an increase of $9.5 million primarily due to its proportional share of the higher income in 2011.

Net Income (Loss) Available to Common Stockholders

Net income (loss) available to common stockholders was $55.4 million for the nine months ended September 30, 2011, compared to $(97.8) million for the nine months ended September 30, 2010, an increase of $153.2 million. This increase was attributable to the factors discussed above.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated from our operating activities, borrowings under our revolving credit facilities and other credit lines and advances from affiliates.

We believe that the aforementioned sources of funds and other sources of capital available to us will be sufficient to satisfy the anticipated cash requirements associated with our business during the next 12 months. Our ability to generate sufficient cash from our operating activities depends on our future performance, which may be impacted by general economic, political, financial, competitive and other factors beyond our control.

Depending upon conditions in the capital markets and other factors, we will from time to time consider the issuance of debt or equity securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness, extend or replace existing revolving credit facilities or for other corporate purposes.

In January 2011, we completed a Standby Equity Distribution Agreement with YA Global Master SPV, Ltd. ("YA Global") to purchase up to $25.0 million of our common stock over a two-year period. During the nine months ended September 30, 2011, we sold common stock to YA Global that generated total proceeds of $11.9 million.

Cash Flows

The following table sets forth our consolidated cash flows for the nine months ended September 30, 2011, and 2010:

	For the Nine Months Ended September 30,	
	2011	2010
	(dollars in thousands)	
Cash provided by (used in):		
Operating activities	$ 58,362	$ (37,275)
Investing activities	(104,130)	(15,218)
Financing activities	149,682	51,691
Net increase (decrease) in cash and cash equivalents	$ 103,914	$ (802)

Cash Flows Provided by (Used In) Operating Activities

Net cash provided by (used in) operating activities during the nine months ended September 30, 2011, was $58.4 million, compared to $(37.3) million during the nine months ended September 30, 2010. The change in cash used in operating activities of $95.7 million is primarily attributable to the increase of approximately $274.2 million in net income, adjusted for non-cash adjustments, offset primarily by increases in inventory of $148.9 million due to higher refinery throughput and excess inventories mainly due to the integration of the Bakersfield hydrocracker unit into the operations of the California refineries and an increase in accounts receivable of $73.3 million due to higher refinery throughput.

Cash Flows Used In Investing Activities

Net cash used in investing activities was $104.1 million during the nine months ended September 30, 2011, compared to $15.2 million during the nine months ended September 30, 2010. The change in net cash used in investing activities of $88.9 million was principally due an increase in capital expenditures of $70.6 million, of which $53.9 million was related to the integration of the Bakersfield hydrocracker unit into the operations of the California refineries, and a decrease in proceeds from the disposition of assets of $19.5 million.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities was $149.7 million during the nine months ended September 30, 2011, compared to $51.7 million during the nine months ended September 30, 2010. The net change in cash provided by financing activities of $98.0 million is primarily attributable to increases in revolving credit facilities, net of $131.6 million and net proceeds from the sale of common stock of $11.4 million, partially offset by a decrease in the proceeds from inventory supply agreements of $44.6 million.

Indebtedness

Alon Brands Term Loans. In March 2011, Alon Brands issued $30.0 million five-year unsecured notes (the "Alon Brands Term Loans") to a group of investors including certain shareholders of Alon Israel and their affiliates. The notes will mature in March 2016. The group of investors have the right to request that principal payments of the loan will be paid in four equal, consecutive annual payments, starting in March 2013. Otherwise, the principal amount will be paid at the maturity date in March 2016. During the third quarter of 2011, certain shareholders of Alon Israel assigned $6.0 million of the Alon Brands Term Loans to Alon Israel.

Borrowings under the Alon Brands Term Loans bear interest at a rate of 7% per annum, payable on a semi-annual basis, provided that the interest rate will increase to 9% per annum solely with respect to the portion of the loan equal to the unexercised portion of the warrants described below.

The Alon Brands Term Loans contain certain restrictive covenants, including maintenance financial covenants.

In conjunction with the issuance of the Alon Brands Term Loans, we issued 3,092,783 warrants to purchase shares of our common stock at an initial exercise price per share of $9.70. The warrants are exercisable in whole or in part until March 2016, five years from the date of issuance. The allocated fair value of the warrants was $11.0 million and was recorded as additional paid-in capital at the time of issuance.

At September 30, 2011, the Alon Brands Term Loans had an outstanding balance of $19.7 million (net of unamortized discount of $10.3 million). We are utilizing the effective interest method to amortize the discount over the five-year life of the Alon Brands Term Loans and have amortized $0.4 million and $0.7 million to interest expense for the three and nine months ended September 30, 2011, respectively.

Paramount Petroleum Revolving Credit Facility. Paramount Petroleum Corporation has a $300.0 million revolving credit facility (the “Paramount Credit Facility”) that will mature on February 28, 2012. The Paramount Credit Facility can be used both for borrowings and the issuance of letters of credit subject to a limit of the lesser of the facility or the amount of the borrowing base under the facility.

Borrowings under the Paramount Credit Facility bear interest at the Eurodollar rate plus a margin based on excess availability. Based on the excess availability at September 30, 2011, the margin was 1.75%.

Borrowings of $113.2 million which are included in the current portion of long-term debt and $63.1 million, which are included in long-term debt, were outstanding under the Paramount Credit Facility at September 30, 2011 and December 31, 2010, respectively. At September 30, 2011 and December 31, 2010, outstanding letters of credit under the Paramount Credit Facility were $130.3 million and $1.3 million, respectively.

Financial Covenants. We have certain credit facilities that contain restrictive covenants, including maintenance financial covenants. At September 30, 2011, we were in compliance with these covenants.

Capital Spending

Each year our Board of Directors approves capital projects, including regulatory and planned turnaround projects that our management is authorized to undertake in our annual capital budget. Additionally, at times when conditions warrant or as new opportunities arise, other projects or the expansion of existing projects may be approved. Our total capital expenditure and turnaround/chemical catalyst budget for 2011 is $108.9 million, of which $58.0 million is substantially related to the Bakersfield hydrocracker project, $40.6 million is related to sustaining and regulatory compliance projects, and $10.3 million is related to turnaround and chemical catalyst. Approximately $98.1 million has been spent during the nine months ended September 30, 2011.

Contractual Obligations and Commercial Commitments

There have been no material changes outside the ordinary course of business from our contractual obligations and commercial commitments detailed in our Annual Report on Form 10-K for the year ended December 31, 2010.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with GAAP. In order to apply these principles, we must make judgments, assumptions and estimates based on the best available information at the time. Actual results may differ based on the accuracy of the information utilized and subsequent events, some of which we may have little or no control over.

Our critical accounting policies are described under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2010. Certain critical accounting policies that materially affect the amounts recorded in our consolidated financial statements are the use of the LIFO method for valuing certain inventories and the deferral and subsequent amortization of costs associated with major turnarounds and chemical catalysts replacements. No significant changes to these accounting policies have occurred subsequent to December 31, 2010.

New Accounting Standards and Disclosures

New accounting standards if any are disclosed in Note (1) Basis of Presentation included in the consolidated financial statements included in Item 1 of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in commodity prices, purchased fuel prices and interest rates are our primary sources of market risk. Our risk management committee oversees all activities associated with the identification, assessment and management of our market risk exposure.

Commodity Price Risk

We are exposed to market risks related to the volatility of crude oil and refined product prices, as well as volatility in the price of natural gas used in our refinery operations. Our financial results can be affected significantly by fluctuations in these prices, which depend on many factors, including demand for crude oil, gasoline and other refined products, changes in the economy, worldwide production levels, worldwide inventory levels and governmental regulatory initiatives. Our risk management strategy identifies circumstances in which we may utilize the commodity futures market to manage risk associated with these price fluctuations.

In order to manage the uncertainty relating to inventory price volatility, we have consistently applied a policy of maintaining inventories at or below a targeted operating level. In the past, circumstances have occurred, such as timing of crude oil cargo deliveries, turnaround schedules or shifts in market demand that have resulted in variances between our actual inventory level and our desired target level. Upon the review and approval of our risk management committee, we may utilize the commodity futures market to manage these anticipated inventory variances.

We maintain inventories of crude oil, refined products, asphalt and blendstocks, the values of which are subject to wide fluctuations in market prices driven by world economic conditions, regional and global inventory levels and seasonal conditions. As of September 30, 2011, we held approximately 2.7 million barrels of crude oil, refined product and asphalt inventories valued under the LIFO valuation method. Market value exceeded carrying value of LIFO costs by $100.5 million. We refer to this excess as our LIFO reserve. If the market value of these inventories had been $1.00 per barrel lower, our LIFO reserve would have been reduced by $2.7 million.

In accordance with fair value provisions of ASC 825-10, all commodity futures contracts are recorded at fair value and any changes in fair value between periods is recorded in the profit and loss section of our consolidated financial statements. “Forwards” represent physical trades for which pricing and quantities have been set, but the physical product delivery has not occurred by the end of the reporting period. “Futures” represent trades which have been executed on the New York Mercantile Exchange which have not been closed or settled at the end of the reporting period. A “long” represents an obligation to purchase product and a “short” represents an obligation to sell product.

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The following table provides information about our derivative commodity instruments as of September 30, 2011:

Description of Activity	Contract Volume	Wtd Avg Purchase Price/BBL	Wtd Avg Sales Price/BBL	Contract Value	Market Value	Gain (Loss)
				(in thousands)		
Forwards-long (Crude)	177,862	101.59	—	$ 18,068	$ 17,211	$ (857)
Forwards-long (Gasoline)	356,477	112.58	—	40,133	38,646	(1,487)
Forwards-long (Distillate)	198,981	123.60	—	24,593	23,782	(811)
Forwards-short (Distillate)	(8,908)	—	120.00	(1,068)	(1,021)	47
Forwards-long (Jet)	47,591	123.99	—	5,901	5,703	(198)
Forwards-short (Jet)	(84,790)	—	121.30	(10,285)	(10,186)	99
Forwards-long (Slurry)	16,747	91.63	—	1,535	1,457	(78)
Forwards-short (Slurry)	(405)	—	96.63	(39)	(37)	2
Forwards-short (Catfeed)	76,004	112.13	—	8,523	8,179	(344)
Forwards-long (Slop)	2,010	75.63	—	152	139	(13)
Forwards-short (Slop)	(14,649)	—	75.61	(1,108)	(1,014)	94
Forwards-short (Propane)	(44,307)	—	62.24	(2,758)	(2,673)	85
Forwards-long (Asphalt)	9,586	67.01	—	642	631	(11)
Futures-short (Crude)	(466,000)	—	87.49	(40,772)	(37,490)	3,282
Futures-short (Gasoline)	(286,000)	—	116.13	(33,214)	(31,889)	1,325
Futures-short (Distillate)	(461,000)	—	115.79	(53,379)	(50,896)	2,483

Description of Activity	Contract Volume	Wtd Avg Contract Spread	Wtd Avg Market Spread	Contract Value	Market Value	Gain (Loss)
				(in thousands)		
Futures-swaps (Heating Oil)	109,600	11.38	(11.80)	$ 1,247	$ (1,293)	$ (2,540)
Futures-call options (Heating Oil)	(1,507,000)	14.26	34.55	(21,487)	(52,067)	(30,580)

Interest Rate Risk

As of September 30, 2011, $724.7 million of our outstanding debt was at floating interest rates out of which approximately $197.0 million was at the Eurodollar rate plus 3.00%, subject to a minimum interest rate of 4.00%. As of September 30, 2011, we had an interest rate swap agreement with a notional amount of $100.0 million with a remaining period of 15 months and a fixed interest rate of 4.25%. An increase of 1% in the Eurodollar rate on indebtedness, net of the interest rate swap agreement outstanding in 2011 and the instrument subject to the minimum interest rate, would result in an increase in our interest expense of approximately $5.7 million per year.

ITEM 4. CONTROLS AND PROCEDURES

(1) Evaluation of disclosure controls and procedures.

Our management has evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms including, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

(2) Changes in internal control over financial reporting.

There has been no change in our internal control over financial reporting (as described in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Alon USA Energy, Inc. (incorporated by reference to Exhibit 3.1 to Form S-1, filed by the Company on July 7, 2005, SEC File No. 333-124797).
3.2	Amended and Restated Bylaws of Alon USA Energy, Inc. (incorporated by reference to Exhibit 3.2 to Form S-1, filed by the Company on July 14, 2005, SEC File No. 333-124797).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Form S-1, filed by the Company on June 17, 2005, SEC File No. 333-124797).
4.2	Indenture, dated as of October 22, 2009, by and among Alon Refining Krotz Springs, Inc. and Wilmington Trust FSB, as Trustee (incorporated by reference to Exhibit 4.1 to Form 8-K, filed by the Company on October 23, 2009, SEC File No. 001-32567).
4.3	Form of Certificate of Designation of the 8.50% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.3 to Form 10-Q, filed by the Company on November 9, 2010, SEC File No. 001-32567).
4.4	Specimen 8.50% Series A Convertible Preferred Stock Certificate (incorporated by reference to Exhibit 4.4 to Form 10-Q, filed by the Company on November 9, 2010, SEC File No. 001-32567).
10.1	Supplemental Agreement to Supply and Offtake Agreement, dated October 31, 2011, between Alon Refining Krotz Springs, Inc. and J. Aron & Company.
10.2	Supplemental Agreement to Supply and Offtake Agreement, dated October 31, 2011, between Alon USA, LP and J. Aron & Company.
31.1	Certifications of Chief Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Chief Financial Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Alon USA Energy, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to the Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Alon USA Energy, Inc.

Date: November 4, 2011

By: /s/ David Wiessman
David Wiessman
Executive Chairman

Date: November 4, 2011

By: /s/ Paul Eisman
Paul Eisman
Chief Executive Officer

Date: November 4, 2011

By: /s/ Shai Even
Shai Even
Chief Financial Officer

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4.3	Form of Certificate of Designation of the 8.50% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.3 to Form 10-Q, filed by the Company on November 9, 2010, SEC File No. 001-32567).
4.4	Specimen 8.50% Series A Convertible Preferred Stock Certificate (incorporated by reference to Exhibit 4.4 to Form 10-Q, filed by the Company on November 9, 2010, SEC File No. 001-32567).
10.1	Supplemental Agreement to Supply and Offtake Agreement, dated October 31, 2011, between Alon Refining Krotz Springs, Inc. and J. Aron & Company.
10.2	Supplemental Agreement to Supply and Offtake Agreement, dated October 31, 2011, between Alon USA, LP and J. Aron & Company.
31.1	Certifications of Chief Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Chief Financial Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Alon USA Energy, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to the Consolidated Financial Statements.

Exhibit 10.1

Execution Version

SUPPLEMENTAL AGREEMENT TO
SUPPLY AND OFFTAKE AGREEMENT

This Supplemental Agreement (the "Supplemental Agreement") to the Supply and Offtake Agreement (as defined below) is made as of October 31, 2011 (the "Effective Date") between J. Aron & Company ("Aron"), a general partnership organized under the laws of New York and located at 200 West Street, New York, New York 10282-2198, and Alon Refining Krotz Springs, Inc. (the "Company"), a Delaware corporation located at Hwy. 105 South, Krotz Springs, Louisiana 70750-0453 (each referred to individually as a "Party" or collectively as the "Parties").

WHEREAS, the Company owns and operates a crude oil refinery located in Krotz Springs, Louisiana (the "Refinery") for the processing and refining of crude oil and other petroleum feedstocks and the recovery therefrom of refined products;

WHEREAS, Aron and the Company are parties to that certain Amended and Restated Supply and Offtake Agreement, dated as of May 26, 2010 (as from time to time further amended, modified, supplemented and/or restated, the "Supply and Offtake Agreement"), pursuant to which Aron has agreed to procure crude oil and other petroleum feedstocks for the Company for use at the Refinery and purchase all refined products produced by the Refinery (other than certain excluded products);

WHEREAS, the Company's affiliate, Alon USA, LP ("Alon USA") has entered into (i) that certain Pipeline Throughput and Deficiency Agreement with Sunoco Pipeline L.P., a Texas limited partnership, dated October 7, 2011 ("Supplemental T&D Agreement"), pursuant to which Alon USA has the right to transport crude oil on the Supplemental Pipeline and (ii) that certain Marine Dock Terminaling Agreement with Sunoco Partners Marketing & Terminals L.P., a Texas limited partnership, dated October 7, 2011 (the "Nederland Terminaling Agreement"), pursuant to which Alon USA has the right to certain terminaling services at the Nederland Terminal;

WHEREAS, from time to time, crude oil held by Aron in the storage tanks located at Alon USA's Refinery in Big Spring, Texas (the "Big Spring Refinery") may be transported on the Supplemental Pipeline eastbound from the Big Spring Refinery to the Nederland Terminal for further transportation to the Refinery or westbound on the Supplemental Pipeline from the Nederland Terminal to Big Spring Refinery and, in connection therewith, Alon USA shall have assigned to Aron Alon USA's right to transport crude oil on the Supplemental Pipeline and to all terminaling services at the Nederland Terminal; and

WHEREAS, the Parties wish to agree to certain terms and conditions relating to shipments by Aron on the Supplemental Pipeline, storage of crude oil at the Nederland Terminal, movement of crude oil by the Company from the Nederland Terminal to the Refinery and other related matters, which terms and conditions shall supplement and amend the Supply and Offtake Agreement as hereinafter provided;

NOW, **THEREFORE**, in consideration of the premises and the respective promises, conditions, terms and agreements contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Aron and the Company do hereby agree as follows:

1. Definitions.

1.1 For purposes of this Supplemental Agreement, including the foregoing recitals, the following terms shall have the meanings indicated below:

"Alternate Delivery Point" means the last permanent flange of the BSR Crude Storage Tanks located at the Big Spring Refinery that connects directly to first permanent flange of the White Oil Connection.

"Average Monthly NYMEX Price" means, for any calendar month, the arithmetic average of the closing settlement prices of the trading days in the applicable calendar month on the New York Mercantile Exchange for the first nearby Light Sweet Crude Oil Contract.

"Big Spring S&O Agreement" means that certain Amended and Restated Supply and Offtake Agreement, dated as of March 1, 2011, between Aron and Alon USA, as the same may from time to time be further amended, modified, supplemented and/or restated.

"BSR Crude Storage Tanks" mean the Crude Oil storage tanks located at the Big Spring Refinery which have been leased to Aron in connection with the Big Spring S&O Agreement.

"Eastbound Quantity" means, for any Supplemental Quantity that is an Eastbound Shipment, a quantity of Crude Oil equal to negative one (-1) times that Supplemental Quantity.

"Eastbound Shipment" means, with respect to any quantity of Supplemental Material, the shipment and transporting of such Supplemental Material commencing with the withdrawal of Crude Oil from the BSR Crude Storage Tanks through the Alternate Delivery Point and the movement of such Crude Oil through the Supplemental Injection Point (after which it shall constitute Supplemental Material) and then via the Supplemental Pipeline to the Nederland Terminal.

"Excess Quantity" means any portion of an Supplemental Quantity that, due to the application of the proration policy under the Supplemental Pipeline Tariff, may not be transported by Aron under its status as designated shipper on the Supplemental Pipeline and instead is subject to a buy/sell transaction consisting of a sale from Aron to Alon USA and a subsequent sale from Alon USA to Aron.

"Included Supplemental Facilities" means, collectively, the Supplemental Pipeline and the Nederland Terminal.

“Monthly Supplemental Quantity” means, for any calendar month, the sum of the Eastbound Quantities and Westbound Quantities injected into the Supplemental Pipeline via the Supplemental Injection Point or ejected from the Supplemental Pipeline via the Supplemental Injection Point during such month (which may be a positive or negative amount) as evidenced by the SPLP Monthly Statement.

“Nederland-Krotz Buy/Sell Confirmation” means a term buy/sell confirmation executed by and between the Company and Aron in substantially the form of Schedule A hereto subject to which the parties may enter into, from time to time, buy/sell transactions each of which consist of two transactions, with the first being a sale by Aron to the Company a quantity of Supplemental Material at the time such quantity passes the delivery point specified therein for which the Company shall arrange to transport to the Refinery and with the second being a sale by the Company to Aron, from such quantity of Supplemental Material, of the portion thereof that is actually delivered to Crude Storage Tanks at the Refinery as such quantity passes the Crude Intake Point.

“Nederland-Krotz Buy/Sell Transaction” has the meaning specified in Section 2.4(b) below.

“Nederland Terminal” means the SPMT Nederland Terminal located on the Sabine-Neches Waterway between Beaumont and Port Arthur, Texas.

“SPLP” means Sunoco Pipeline L.P.

“SPMT” means Sunoco Partners Marketing & Terminals L.P., a Texas limited partnership and an Affiliate of Sunoco.

“Supplemental Agreement” or “this Supplemental Agreement” means this Supplemental Agreement, as it may be amended, modified, supplemented, extended, renewed or restated from time to time in accordance with the terms hereof, including any schedules or exhibits hereto.

“Supplemental Deferred Portion” means an amount equal to ten percent (10%) of the product of Supplemental Step-in Price and the Supplemental Step-in Inventory.

“Supplemental Fee Letter” means that certain letter from Aron to the Company, dated of even date herewith, pursuant to which the Parties have set forth the amounts for certain fees payable hereunder.

“Supplemental Injection Point” means the first permanent flange at the inlet to the SPLP custody transfer meter on the Supplemental Pipeline at Big Spring, Texas, which is located at the connection between the White Oil Pipeline and the White Oil Connection.

“Supplemental Inventory Sales Agreement” means the purchase and sale agreement, in the form of Schedule B hereto, dated as of the date hereof, pursuant to which the Company is selling and transferring to Aron the inventory of Crude Oil owned

by the Company and held in the Included Supplemental Facilities as of 11:59:59 p.m., CPT on October 31, 2011, free and clear of all liens, claims and encumbrances of any kind.

"Supplemental Material" means, at any time, all crude oil held by Aron in any of the Included Supplemental Facilities.

"Supplemental Pipeline" means the portion of the common carrier crude oil pipeline more fully described in Schedule C hereto.

"Supplemental Pipeline Tariff" means SPLP's tariffs on file with FERC containing the rates, rules and regulations governing the provision of crude oil transportation and related services on the Supplemental Pipeline (1) westbound from the Nederland Terminal to the Big Spring Refinery and (2) eastbound from the Big Spring Refinery to the Nederland Terminal, in substantially the forms attached to the Supplemental T&D Agreement.

"Supplemental Price" means, for any calendar month, Average Monthly NYMEX Price for such month.

"Supplemental Step-in Inventory" means the Definitive Transfer Date Volume as determined under the Supplemental Inventory Sales Agreement.

"Supplemental Step-in Price" means the price per Barrel of Crude Oil specified in the Supplemental Inventory Sales Agreement.

"Westbound Quantity" means, for any Supplemental Quantity that is a Westbound Shipment, a quantity of Crude Oil equal to that Supplemental Quantity.

"Westbound Shipment" means, with respect to any quantity of Supplemental Material, the shipment and transporting of such Supplemental Material westbound from the Nederland Terminal (or other points) via the Supplemental Pipeline to the Supplemental Injection Point (after which it shall be accounted for as Crude Oil under the BSR S&O Agreement rather than Supplemental Material) and then the movement of such Crude Oil via the White Oil Connection to the Alternate Delivery Point at the Crude Storage Tanks located at the Big Spring Refinery.

"White Oil Connection" means the segment of pipeline owned by Alon USA that runs between the Alternate Delivery Point at the BSR Crude Storage Tanks and the Supplemental Injection Point.

"White Oil Pipeline" means the approximately 25-mile common carrier crude oil pipeline owned by SPLP and running between the main line of the Supplemental Pipeline and the White Oil Connection.

1.2 Unless otherwise defined herein, any terms defined in the Supply and Offtake Agreement shall have the same meanings when used herein. In addition, all definitions listed in Section 1.1 above are deemed incorporated into the Supply and Offtake Agreement as if set forth therein in full.

2. Supplemental Procurement Arrangements

2.1 Supplemental Quantities. From time to time, unless otherwise directed by Aron and provided no Default or Event of Default has occurred and is continuing under the Supply and Offtake Agreement, Alon USA may withdraw quantities of Crude Oil from the BSR Crude Storage Tanks through the Alternate Delivery Point for Eastbound Shipment or receive quantities of Crude Oil into the BSR Crude Storage Tanks through the Alternate Delivery Point from Westbound Shipment. In each case, the quantity of Crude Oil withdrawn or received shall be deemed to equal the quantity reported by SPLP as having been injected or ejected at the Supplemental Injection Point based on readings of SPLP's custody transfer meter (each such quantity, an "Supplemental Quantity"). Once any Crude Oil is injected into the Supplemental Pipeline, such Crude Oil shall constitute Supplemental Material for purposes hereof. Each Supplemental Quantity shall be the amount reported by SPLP, which amounts shall be reported as positive numbers and shall indicate for each Supplemental Quantity whether it is an Eastbound or Westbound Shipment.

2.2 Certain Adjustments.

(a) For purposes of all monthly calculations under the Supply and Offtake Agreement,

(i) the Monthly Supplemental Quantity shall be deemed to be subject to an Included Transaction; provided that, if such Monthly Supplemental Quantity is a positive amount, such Included Transaction shall constitute an agreement by the Company to purchase Supplemental Material from Aron which shall represent a positive volume for purposes of the Supply and Offtake Agreement and if such Monthly Supplemental Quantity is negative, such Included Transaction shall constitute an agreement of Aron to purchase Supplemental Material from the Company which shall represent a negative volume for purposes of the Supply and Offtake Agreement, and in each case having a per barrel price equal to the Supplemental Price for that relevant month. The parties acknowledge that, for purposes of calculating the Aggregate Monthly Product True-up Amount in accordance with Schedule C to the Supply and Offtake Agreement, as a result of the foregoing, the Monthly Supplemental Quantity shall be added to Aggregate Product Sales for the relevant month and the Supplemental Material Product Group, so that if the Monthly Supplemental Quantity is a positive number (representing a purchase of Supplemental Material by the Company from Aron) it shall increase Aggregate Product Sales and if the Monthly Supplemental Quantity is a negative number (representing a purchase of Supplemental Material by Aron from the Company) it shall decrease Aggregate Product Sales.

(ii) the Nederland-Krotz Buy/Sell Transaction shall be deemed to result in:

(1) the aggregate Shipped Quantity for such month being subject to an Included Transaction under which Aron has sold such quantity to the Company at the applicable price specified pursuant to the Nederland-Krotz Buy/Sell Confirmation and, for purposes of the month in which such aggregate Shipped Quantity is delivered, it shall be an increase to the Aggregate Product Sales for such month for the Supplemental Material Product Group; and

(2) the aggregate Delivered Quantity for such month being subject to a Procurement Contract under which Aron has purchased such quantity from the Company at the applicable price specified pursuant to the Nederland-Krotz Buy/Sell Confirmation and, for purposes of the month in which such Delivered Quantity is delivered, it shall be an increase to Aggregate Crude Receipts for such month.

(b) For purposes of calculating Net Payments under Section 10.1 of the Supply and Offtake Agreement, the following provisions shall apply:

(i) "Adjusted Net Payment Conditions" shall consist of the following:

(1) Aron shall have determined, in its reasonable judgment based on such inventory reports and other reasonable forms of evidence as may be available, that the sum of the Supplemental Step-in Inventory and the aggregate quantity of Supplemental Material injected into the Included Supplemental Facilities following the Inventory Transfer Time under the Supplemental Inventory Sales Agreement exceeds 300,000 Barrels; and

(2) Aron shall have received the "Supplemental LC" complying with the terms and conditions specified in the Fee Letter.

(ii) Once the Adjusted Net Payment Conditions have been satisfied, and for so long as the Supplemental LC is maintained and continues to satisfy the maintenance requirements specified in the Fee letter, the determination of Weekly Supply Value under Section 10.1(c) of the Supply and Offtake Agreement shall be adjusted by including in such determination the deemed Procurement Contract referred to in Section 2.2.(a)(ii)(2) above on the same basis as all other Procurement Contracts for purposes of such determination; provided that if Aron in its reasonable judgment determines, with respect to such deemed Procurement Contracts, that Contract Nominations are deviating from actual Shipped Quantities in excess of immaterial and customary variances, then for purposes of determining the Weekly Supply Value Aron may from time to time adjust the amount of such Contract Nominations as it deems appropriate.

(iii) The parties acknowledge and agree that neither the Supplemental Material nor the Included Supplemental Facilities shall at any time be reflected in the calculation of the Net Payment.

(iv) The parties acknowledge and agree the deemed Procurement Contract referred to in Section 2.2.(a)(ii)(2) above shall be included in the determination of the Weekly Supply Value only under the terms and conditions specified above. Accordingly, at all times prior to the satisfaction of the Adjusted Net Payment Conditions and thereafter at any time at which the Supplemental LC has ceased to comply with the maintenance conditions specified in the Fee Letter, the determination of Weekly Supply Value shall be made as set forth in Section 10.1(d) of the Supply and Offtake Agreement, without including such deemed Procurement Contract as contemplated by Section 2.2(b)(ii) above.

2.3 Measurements. For purposes of determining the Monthly Supplemental Quantity, Aron shall rely on the pipeline statements provided by SPLP with respect to the volumes on the Supplemental Pipeline.

2.4 Shipments from Nederland Terminal to the Refinery.

(a) From time to time, the parties may enter into buy/sell transactions pursuant to the Nederland-Krotz Buy/Sell Confirmation (each, a "Nederland-Krotz Buy/Sell Transaction"), under which, in the case of each Nederland-Krotz Buy/Sell Transaction, Aron shall sell to the Company a quantity of Supplemental Material at the time it passes the delivery point specified in the Nederland-Krotz Buy/Sell Confirmation (the "Shipped Quantity"), which the Company shall thereafter arrange to transport to the Refinery, and the Company shall sell to Aron the portion of the Shipped Quantity that is delivered into the Crude Storage Tanks at the Refinery as such quantity passes the Crude Intake Point (the "Delivered Quantity"), in each case as further specified pursuant to the Nederland-Krotz Buy/Sell Confirmation. Each Shipped Quantity shall be the determined based on the reports of the Independent Inspectors or SPMT as mutually agreed between the parties. The parties acknowledge that the net payment terms specified in the Nederland-Krotz Buy/Sell Confirmation are conditioned on the requirement that Shipped Quantities be transported by the Company only to the Refinery.

(b) In connection with each Nederland-Krotz Buy/Seller Transaction, the parties shall comply with both the nomination and scheduling procedures set forth in the Nederland Terminaling Agreement ("Nederland Shipment Procedures") and the Scheduling Protocol set forth in Schedule J to the Supply and Offtake Agreement.

(c) The Company covenants and agrees that it will take such further actions, and execute, deliver and/or file such additional agreements, instruments and documents as Aron and its Affiliates may deem necessary or appropriate to confirm and maintain the lien and security interest of Goldman Sachs Bank USA ("GS Bank") in all Shipped Quantities and all documents of title ("Title Documents") related thereto. If, in Aron's reasonable judgment, GS Bank does not or would not hold a perfected first priority security interest in any quantities that are intended to be Shipped Quantities and/or Title Documents that would be related thereto, then such quantities shall not be released from the storage tanks at the Nederland Terminal unless the

Company has provided to GS Bank additional credit support in form and substance satisfactory to GS Bank with respect to such quantities that the Company desires to ship.

(d) Without limiting the generality of Section 2.4(d) above, the Company covenant and agrees, with respect to each Shipped Quantity, that any bill of lading issued with respect to the further transportation by the Company of such Shipped Quantity from the docks of the Nederland Terminal (as provided in the Nederland Shipment Procedures) shall be a non-negotiable bill of lading and the Company shall be the only consignee named thereon.

2.5 Title.

(a) Aron shall retain title to all Supplemental Material quantities at all times while such quantities are held in the Supplemental Pipeline or in the Nederland Terminal in connection with the Supply and Offtake Agreement or the Big Spring S&O Agreement (including without limitation any linefill transferred to Aron in connection therewith), except to the extent otherwise provided under a buy/sell transaction between Aron and Alon USA with respect to an Excess Quantity.

(b) As provided in the Nederland-Krotz Buy/Sell Confirmation, title to any Shipped Quantity shall transfer from Aron to the Company as such quantity passes the relevant delivery point provided therein and title to any Delivered Quantity shall transfer from the Company to Aron as such Supplemental Quantity or portion thereof passes the relevant delivered point as provided therein.

2.6 Supplemental Annual Fee. As additional consideration for the arrangements contemplated hereby, the Company agrees to pay to Aron an annual fee for each twelve (12) month period during the Term, in the amount specified in the Supplemental Fee Letter (the "Annual Supplemental Fee"), to be paid in arrears as follows:

(a) For the period from the Effective Date through May 31, 2013, the aggregate amount due shall be the Initial Supplemental Fee Amount (as specified in the Supplemental Fee Letter) and such amount shall be paid in six equal quarterly installments on June 1, September 1, December 1 and March 1 of each year, commencing on December 1, 2011 and ending on March 1, 2013.

(b) If the Term of the Supply and Offtake Agreement extends beyond May 31, 2013, then for each three month period thereafter until the Expiration Date of the Supply and Offtake Agreement, the Company shall pay to Aron the Annual Supplemental Fee in equal quarterly installments on June 1, September 1, December 1 and March 1 of each year, and the Termination Date, commencing September 1, 2013. The Annual Supplemental Fee shall be prorated for any periods of less than a full three months.

2.7 To the extent that, as of the Termination Date, Aron holds any Supplemental Material in the Supplemental Pipeline or the Nederland Terminal that it owns in connection with the Supply and Offtake Agreement or as a result of any Included Transactions or Procurement Contracts thereunder, such Supplemental Material volumes (as determined in accordance with the Volume Determination Procedures) shall be included as part of the Termination Date

Volumes and purchased by the Company in accordance with the terms of the Supply and Offtake Agreement and the Step-out Inventory Sales Agreement.

2.8 The Company agrees that whether any Procurement Contract constitutes a Procurement Contract under the Supply and Offtake Agreement or the Big Spring S&O Agreement will, unless otherwise deemed appropriate based on Aron's reasonable judgment, be determined by Aron based on the whether the Crude Oil subject thereto is first delivered to an Included Supplemental Facility under the Supply and Offtake Agreement or an Included Location under the Big Spring S&O Agreement.

2.9 From and after the date hereof, for all purposes of the Supply and Offtake Agreement, the Deferred Portion referred to in Section 4.3 of the Supply and Offtake Agreement shall equal the sum of (i) ten percent (10%) of the Definitive Commencement Date Value and (ii) the Supplemental Deferred Portion.

3. Supplemental Material Product Group.

3.1 From and after the date hereof, and notwithstanding anything in the Supply and Offtake Agreement or any other Transaction Document to the contrary, Supplemental Material shall be treated as a separate Product and Product Group for purposes of the Supply and Offtake Agreement and such other Transaction Documents.

3.2 With respect to the Supplemental Material Product Group,

(a) the initial Target Month End Product Volume for October 2011 shall be 45,000 Barrels and the Target Month End Product Volume for November 2011 shall be 300,000 Barrels;

(b) the range applicable to future Target Month End Product Volumes specified by Aron, as contemplated by Section 7.2(c) of the Supply and Offtake Agreement, shall have a minimum (net Barrels) of 300,000 and a maximum (net Barrels) of 300,000;

(c) the Pricing Benchmarks shall be as follows:

(i) Step-In Price shall be the Supplemental Step-in Price;

(ii) Weekly Price shall be not be applicable;

(iii) Short Product FIFO Price and Long Product FIFO Price shall be the Supplemental Price for the relevant month; and

(iv) Step-Out Price shall equal the arithmetic average of the closing settlement price on the New York Mercantile Exchange for the first nearby Light Sweet Crude Oil Contract for the 4 trading days ending with and including the penultimate trading day of the month of the Termination Date.

(d) for purposes of determining the Monthly Product True-up Amount for October 2011, the Supplemental Material shall in all respects be excluded from such determination.

(e) for purposes of determining the Monthly Product True-up Amount for November 2011:

(i) the "Short Product FIFO Position" as of the end of October 2011 shall equal the lesser of (x) zero and (y) the Supplemental Step-in Inventory minus the initial Target Month End Product Volume referred to in Section 3.2(a) above;

(ii) the "Long Product FIFO Position" as of the end of October 2011 shall equal the greater of (x) zero and (y) the Supplemental Step-in Inventory minus the initial Target Month End Product Volume referred to in Section 3.2(a) above; and

(iii) the "Product FIFO Purchase Price from Prior Month" shall equal the "Step-in Price" for the Supplemental Material Product Group.

3.3 The Company agrees that any removal of Supplemental Material from the Included Supplemental Facilities shall occur (i) under a Nederland Buy/Sell Transaction, (ii) via Westbound Shipment through the Supplemental Injection Point or (iii) otherwise under a separately documents arrangement expressly agreed to by Aron.

4. Amendments to the Supply and Offtake Agreement and other Transaction Documents.

4.1 Section 9.2(a) of the Supply and Offtake Agreement is amended to read in its entirety as follows:

(a) As of 11:59:59 p.m., CPT, on the last day of each month, the Company shall apply the Volume Determination Procedures to the Crude Storage Tanks, the Included Supplemental Facilities and the Product Storage Tanks, and based thereon shall determine for such month (i) the aggregate volume of Crude Oil held by Aron in the Crude Storage Tanks at that time (the "Actual Month End Crude Volume") and (ii) for each Product, the aggregate volume of such Product held in the Product Storage Tanks and the Included Supplemental Facilities at that time (each, an "Actual Month End Product Volume"). The Company shall notify Aron of the Actual Month End Crude Volume and each Actual Month End Product Volume by no later than 5:00 p.m., CPT on the fifth Business Day thereafter, except that with respect to volume information provided by third parties, the Company shall endeavor to cause third parties to provide such information to Aron by the fifteenth (15th) day after the end of such month.

4.2 Schedule J (Scheduling Protocol) to the Supply and Offtake Agreement is hereby amended and restated in its entirety in the form of Schedule J attached to this Supplemental Agreement.

4.3 The following terms defined in the Supply and Offtake Agreement are hereby amended in their entirety to read as follows and as so amended such terms shall apply for all purposes of the Supply and Offtake Agreement, the other Ancillary Documents and this Supplemental Agreement:

(a) "Additional Procurement Contract" means any Crude Oil purchase agreement between Aron and a Third Party Supplier entered into following the Commencement Date pursuant to Section 5.3(b), or such other contract to the extent the Parties deem such contract to be a Procurement Contract for purposes hereof.

(b) "Included Transaction" means a transaction identified as such pursuant to Section 2.2(b) or such other transaction to the extent the Parties deem such transaction to be an Included Transaction for purposes hereof (which deemed transaction may include an agreement of Aron to purchase Product from the Company as well as an agreement of the Company to purchase Product from Aron).

(c) "Transaction Document" means this Agreement, the Marketing and Sales Agreement, the Inventory Sales Agreement, the Storage Facilities Agreement, the Step-Out Inventory Sales Agreement, Other Inventory Sales Agreements the Supplemental Agreement, the Nederland-Krotz Buy/Sell Confirmation and any other agreements or instruments contemplated hereby or executed in connection herewith.

(d) "Volume Determination Procedures" mean the Company's ordinary month-end procedures for determining the volumes of Crude Oil or Product held in any Storage Tank, which include manually gauging each Storage Tank on the last day of the month to ensure that the automated tank level readings are accurate to within a tolerance of two inches (it being understood that if the automated reading cannot be calibrated to be within such tolerance, the Company uses the manual gauge reading in its calculation of month-end inventory); provided that, with respect to the Included Supplemental Facilities, volume determinations shall be based on the monthly statements provided by SPLP and SPMT.

5. Certain Conditions and Obligations.

1.1 The Company agrees that, with respect to the Supplemental Pipeline and the Nederland Terminal (collectively, the "Additional Locations") it shall execute and enter into or cause Alon USA and/or other Affiliates, and all other third parties, to execute and enter into Required Storage and Transportation Arrangements in favor of Aron (as required under the Big Spring Supply and Offtake Agreement).

1.2 It shall be a condition to Aron's obligations under this Supplemental Agreement that:

(a) the Required Storage and Transportation Arrangements with respect to the Additional Locations shall be been duly executed and become effective;

(b) the Company shall have executed and delivered the Nederland-Krotz Buy/Sell Confirmation; and

(c) The Company shall enter into with Aron the Supplemental Inventory Sales Agreement.

6. Rights and Obligations under the Supply and Offtake Agreement. As supplemented and amended hereby, the Supply and Offtake Agreement and all other Transaction Documents are in full force and effect. This Supplemental Agreement shall in no way limit or diminish the rights and obligations of the Parties under the Supply and Offtake Agreement.

7. Miscellaneous.

7.1 THIS SUPPLEMENTAL AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED UNDER THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ITS CONFLICT OF LAWS PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANOTHER STATE.

7.2 EACH OF THE PARTIES HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT OF COMPETENT JURISDICTION SITUATED IN THE CITY OF NEW YORK, (WITHOUT RECOURSE TO ARBITRATION UNLESS BOTH PARTIES AGREE IN WRITING), AND TO SERVICE OF PROCESS BY CERTIFIED MAIL, DELIVERED TO THE PARTY AT THE ADDRESS INDICATED IN ARTICLE 26 OF THE SUPPLY AND OFFTAKE AGREEMENT. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION TO PERSONAL JURISDICTION, WHETHER ON GROUNDS OF VENUE, RESIDENCE OR DOMICILE.

7.3 Each Party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any proceedings relating to this Supplemental Agreement.

7.4 If any Section or provision of this Supplemental Agreement shall be determined to be null and void, voidable or invalid by a court of competent jurisdiction, then for such period that the same is void or invalid, it shall be deemed to be deleted from this Supplemental Agreement and the remaining portions of this Supplemental Agreement shall remain in full force and effect.

7.5 The terms of this Supplemental Agreement constitute the entire agreement between the Parties with respect to the matters set forth in this Supplemental Agreement, and no representations or warranties shall be implied or provisions added in the absence of a written agreement to such effect between the Parties. This Supplemental Agreement shall not be modified or changed except by written instrument executed by the Parties' duly authorized representatives.

7.6 No promise, representation or inducement has been made by either Party that is not embodied in this Supplemental Agreement, and neither Party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

7.7 Time is of the essence with respect to all aspects of each Party's performance of any obligations under this Supplemental Agreement.

7.8 Nothing expressed or implied in this Supplemental Agreement is intended to create any rights, obligations or benefits under this Supplemental Agreement in any person other than the Parties and their successors and permitted assigns.

7.9 All audit rights, payment, confidentiality and indemnification obligations and obligations under this Supplemental Agreement shall survive the expiration or termination of this Supplemental Agreement.

7.10 This Supplemental Agreement may be executed by the Parties in separate counterparts and initially delivered by facsimile transmission or otherwise, with original signature pages to follow, and all such counterparts shall together constitute one and the same instrument.

7.11 All transactions hereunder are entered into in reliance on the fact this Supplemental Agreement and all such transactions constitute a single integrated agreement between the parties, and the parties would not have otherwise entered into any other transactions hereunder.

IN WITNESS WHEREOF, each Party hereto has caused this Supplemental Agreement to be executed by its duly authorized representative as of the date first above written.

J. ARON & COMPANY

By: /s/ Don J. Casturo
Title: Managing Director
Date: October 31, 2011

ALON REFINING KROTZ SPRINGS, INC.

By: /s/ Alan P. Moret
Title:Vice President of Supply
Date: October 31, 2011

Exhibit 10.2

Execution Version

SUPPLEMENTAL AGREEMENT TO SUPPLY AND OFFTAKE AGREEMENT

This Supplemental Agreement (the "Supplemental Agreement") to the Supply and Offtake Agreement (as defined below) is made as of October 31, 2011 (the "Effective Date") between J. Aron & Company ("Aron"), a general partnership organized under the laws of New York and located at 200 West Street, New York, New York 10282-2198, and Alon USA, LP (the "Company"), a limited partnership organized under the laws of Texas located at 7616 LBJ Freeway, Suite 300, Dallas, Texas 75251 (each referred to individually as a "Party" or collectively as the "Parties").

WHEREAS, the Company is the exclusive lessee and operator of a crude oil refinery located in Big Spring, Texas, together with other real and personal property related thereto (the "Refinery");

WHEREAS, Aron and the Company are parties to that certain Amended and Restated Supply and Offtake Agreement (as from time to time further amended, modified, supplemented and/or restated, the "Supply and Offtake Agreement"), dated as of March 1, 2011, pursuant to which Aron has agreed to procure crude oil and other petroleum feedstocks for the Company for use at the Refinery and purchase all refined products produced by the Refinery (other than certain excluded products);

WHEREAS, the Company has entered into (i) that certain Pipeline Throughput and Deficiency Agreement with Sunoco Pipeline L.P. ("SPLP"), a Texas limited partnership, dated October 7, 2011 (the "Supplemental T&D Agreement"), pursuant to which the Company has the right to transport crude oil on the Supplemental Pipeline and (ii) that certain Marine Dock Terminaling Agreement with Sunoco Partners Marketing & Terminals L.P., a Texas limited partnership, dated October 7, 2011 (the "Nederland Terminaling Agreement"), pursuant to which the Company has the right to certain terminaling services at the Nederland Terminal;

WHEREAS, from time to time, crude oil held by Aron at the Refinery may be transported on the Supplemental Pipeline eastbound from the Refinery to Nederland Terminal for further transportation as arranged by ARKS to the refinery owned and operated by ARKS in Krotz Springs, Louisiana (the "Krotz Refinery") or crude oil held by Aron at Nederland Terminal may be transported on the Supplemental Pipeline westbound from the Nederland Terminal to Big Spring Refinery and, in connection therewith, the Company has assigned to Aron all of the Company's rights to transport crude oil on the Supplemental Pipeline and to all terminaling services at the Nederland Terminal; and

WHEREAS, the Parties wish to agree to certain terms and conditions relating to shipments by Aron on the Supplemental Pipeline and other related matters, which terms and conditions shall supplement and amend the Supply and Offtake Agreement as hereinafter provided;

NOW, **THEREFORE**, in consideration of the premises and the respective promises, conditions, terms and agreements contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Aron and the Company do hereby agree as follows:

1. Definitions.

3.1 For purposes of this Supplemental Agreement, including the foregoing recitals, the following terms shall have the meanings indicated below:

"Alternate Delivery Point" means the last permanent flange of the Crude Storage Tanks that connects directly to first permanent flange of the White Oil Connection.

"Average Monthly NYMEX Price" means, for any calendar month, the arithmetic average of the closing settlement prices of the trading days in the applicable calendar month on the New York Mercantile Exchange for the first nearby Light Sweet Crude Oil Contract.

"Daily Supplemental Price" means, for the Daily Supplemental Quantity on any day, the closing settlement price on the New York Mercantile Exchange for the first nearby Light Sweet Crude Oil Contract for the preceding Business Day (as determined in accordance with Schedule G to the Supply and Offtake Agreement).

"Daily Supplemental Quantity" has the meaning provided in Section 2.2(b) below.

"Eastbound Quantity" means, for any Supplemental Quantity that is an Eastbound Shipment, a quantity of Crude Oil equal to negative one (-1) times that Supplemental Quantity.

"Eastbound Shipment" means, with respect to any quantity of Crude Oil, the shipment and transporting of such Crude Oil commencing with the withdrawal of such Crude Oil from the Crude Storage Tanks through the Alternate Delivery Point and the movement of such Crude Oil via the White Oil Connection to the Supplemental Injection Point, then via the Supplemental Pipeline to the Nederland Terminal.

"Krotz Refinery" means the Crude Oil refinery owned and operated by ARKS and located in Krotz Springs, Louisiana.

"Krotz S&O Agreement" means that certain Amended and Restated Supply and Offtake Agreement, dated as of May 26, 2010, between Aron and Alon Refining Krotz Springs, Inc. ("ARKS"), as the same may from time to time be further amended, modified, supplemented and/or restated.

"Monthly Supplemental Quantity" means, for any calendar month, the sum of the Eastbound Quantities and Westbound Quantities injected into the Supplemental Pipeline via the Supplemental Injection Point or ejected from the Supplemental Pipeline via the

Supplemental Injection Point during such month (which may be a positive or negative amount) as evidenced by the SPLP Monthly Statement.

"Nederland Terminal" means the SPMT Nederland Terminal located on the Sabine-Neches Waterway between Beaumont and Port Arthur, Texas.

"SPLP" means Sunoco Pipeline L.P.

"SPMT" means Sunoco Partners Marketing & Terminals L.P., a Texas limited partnership and an Affiliate of Sunoco.

"Supplemental Agreement" or "this Supplemental Agreement" means this Supplemental Agreement, as it may be amended, modified, supplemented, extended, renewed or restated from time to time in accordance with the terms hereof, including any schedules or exhibits hereto.

"Supplemental Buy/Sell Confirmation" means a master buy/sell confirmation in a form incorporating such industry general terms and conditions as Aron shall specify and otherwise reasonably acceptable to Aron, subject to which the parties may enter into, from time to time, buy/sell transactions in which Aron shall sell a quantity of Crude Oil to the Company as such quantity is injected at the Supplemental Injection Point and the Company shall sell such quantity back to Aron as such quantity passes the last permanent flange at the outlet of SPLP's custody transfer meter on the Supplemental Pipeline at the Nederland Terminal.

"Supplemental Injection Point" means the first permanent flange at the inlet to the SPLP custody transfer meter on the Supplemental Pipeline at Big Spring, Texas, which is located at the connection between the White Oil Pipeline and the White Oil Connection.

"Supplemental Pipeline" means the portion of the common carrier crude oil pipeline more fully described in Schedule A hereto.

"Supplemental Pipeline Tariff" means SPLP's tariffs on file with FERC containing the rates, rules and regulations governing the provision of crude oil transportation and related services on the Supplemental Pipeline (1) westbound from the Nederland Terminal to the Big Spring Refinery and (2) eastbound from the Big Spring Refinery to the Nederland Terminal, in substantially the forms attached to the Supplemental T&D Agreement.

"Supplemental Price" means, for any calendar month, the Average Monthly NYMEX Price for such month.

"Supplemental Quantity" has the meaning provided in Section 2.1 below.

"Westbound Quantity" means, for any Supplemental Quantity that is a Westbound Shipment, a quantity of Crude Oil equal to that Supplemental Quantity.

"Westbound Shipment" means, with respect to any quantity of Crude Oil, the shipment and transporting of such Crude Oil westbound from the Nederland Terminal (or other points) via the Supplemental Pipeline to the Supplemental Injection Point and then movement of such Crude Oil via the White Oil Connection to the Alternate Delivery Point at the Crude Storage Tanks located at the Refinery.

"White Oil Connection" means the segment of pipeline owned by the Company that runs between the Alternate Delivery Point at the Crude Storage Tanks and the Supplemental Injection Point.

"White Oil Pipeline" means the approximately 25-mile common carrier crude oil pipeline owned by SPLP and running between the main line of the Supplemental Pipeline and the White Oil Connection.

3.2 Unless otherwise defined herein, any terms defined in the Supply and Offtake Agreement shall have the same meanings when used herein. In addition, all definitions listed in Section 1.1 above are deemed incorporated into the Supply and Offtake Agreement as if set forth therein in full.

2. Shipments on the Supplemental Pipeline.

2.1 Supplemental Quantities. From time to time, unless otherwise directed by Aron and provided no Default or Event of Default has occurred and is continuing under the Supply and Offtake Agreement, the Company may withdraw quantities of Crude Oil from the Crude Storage Tanks through the Alternate Delivery Point for Eastbound Shipment or receive quantities of Crude Oil into the Crude Storage Tanks through the Alternate Delivery Point from Westbound Shipment. In each case, the quantity of Crude Oil withdrawn or received shall be deemed to equal the quantity reported by SPLP as having been injected or ejected at the Supplemental Injection Point based on readings of SPLP's custody transfer meter (each such quantity, an "Supplemental Quantity"). Each Supplemental Quantity shall be the amount reported by SPLP, which amounts shall be reported as positive numbers and shall indicate for each Supplemental Quantity whether it is an Eastbound or Westbound Shipment.

2.2 Certain Adjustments.

(a) For purposes of all monthly calculations under the Supply and Offtake Agreement, the Monthly Supplemental Quantity shall be deemed to be subject to a Procurement Contract; provided that, if such Monthly Supplemental Quantity is a positive amount, such Procurement Contract shall constitute a procurement of Crude Oil by Aron intended to be run at the Refinery which shall represent a positive volume for purposes of the Supply and Offtake Agreement and if such Monthly Supplemental Quantity is negative, such Procurement Contract shall constitute a procurement of Crude Oil by Aron under which the Company is selling Crude Oil to Aron that is intended to be run at the Krotz Refinery which shall represent a negative volume for purposes of the Supply and Offtake Agreement, and, in each case, shall have a per barrel price equal to the Supplemental Price for that relevant month. The parties acknowledge that, for purposes of calculating the Monthly Crude Oil True-up Amount in accordance with

Schedule C to the Supply and Offtake Agreement, as a result of the foregoing, the Monthly Supplemental Quantity shall be added to Monthly Crude Receipts for the relevant month, so that if the Monthly Supplemental Quantity is a positive number (representing a procurement of Crude Oil intended to be run at the Refinery) it shall increase Monthly Crude Receipts and if the Monthly Supplemental Quantity is a negative number (representing a procurement of Crude Oil intended to be run at the Krotz Refinery) it shall decrease Monthly Crude Receipts.

(b) The parties agree that the purchase price for the Net Crude Sales Volume for any month determined under Section 6.2 of the Supply and Offtake Agreement is a weighted average purchase price which Aron shall determine based on the net of the dollar amounts paid by Aron under Procurement Contracts during the relevant month and received by Aron under Procurement Contracts during the relevant month and the net quantity of barrels received by Aron under Procurement Contracts delivered into the Included Locations (under the Supply and Offtake Agreement) during the relevant month and the barrels delivered to Aron under Procurement Contracts from such Included Locations during the relevant month.

(c) For each day,

(i) the "Daily Supplemental Quantity" for such day shall be the portion of any Supplemental Quantity that, in accordance with Schedule G to the Supply and Offtake Agreement, is determined to be related to such day (adjusted based on the Gross/Net Factors as contemplated by Section 10.1(b)(iii) of the Supply and Offtake Agreement), which quantity shall be a negative number if resulting from an Eastbound Shipment and a positive number if resulting from a Westbound Shipment; and

(ii) the "Daily Supplemental Value" for such day (which may be a positive or negative amount) shall equal the Daily Supplemental Quantity for such day multiplied by the Daily Supplemental Price for such day, multiplied by negative one (-1).

(d) In connection with determining the Interim Payment for any day, Aron shall determine the Daily Supplemental Value for such day and the amount determined by Aron pursuant to Section 10.1 of the Supply and Offtake Agreement as the Interim Payment for such day shall be adjusted by adding thereto such Daily Supplemental Value and such amount, as so adjusted, shall be the Interim Payment for such day. The parties acknowledge that, as a result of the foregoing adjustment, whenever the Daily Supplemental Value is a negative number (which relates to a Westbound Shipment), such adjustment shall increase the Interim Payment due to Aron and whenever the Daily Supplemental Value is a positive number (which relates to an Eastbound Shipment), such adjustment shall decrease the Interim Payment due to Aron.

2.3 Measurements.

(a) For purposes of determining the Daily Supplemental Quantity, the Company shall on a daily basis report to Aron the aggregate flow volume for such day at the Supplemental Injection Point as determined in accordance with Schedule G to the Supply and Offtake Agreement.

(b) For purposes of determining the Monthly Supplemental Quantity, Aron shall rely on the pipeline statements provided by SPLP with respect to the volumes on the Supplemental Pipeline.

2.4 Title. Aron shall retain title to all Crude Oil at all times while such quantities are held in the Supplemental Pipeline in connection with the Supply and Offtake Agreement or the Krotz S&O Agreement (including without limitation any line fill transferred to Aron in connection therewith) while it is in the Supplemental Pipeline, except to the extent otherwise provided under an Supplemental Buy/Sell Transaction.

2.5 Excess Supplemental Shipments.

(a) If, due to the application of the proration policy under the Supplemental Pipeline Tariff (a "Proration Event"), any portion of an Supplemental Quantity may not be transported by Aron under its status as designated shipper on the Supplemental Pipeline, then Aron and the Company shall, with respect to such portion of the Supplemental Quantity (the "Buy/Sell Quantity"), enter into a buy/sell transaction pursuant to Supplemental Buy/Sell Confirmation (an "Supplemental Buy/Sell Transaction").

(b) It shall be a condition to Aron's entering into any Supplemental Buy/Sell Transaction that, and Aron shall have no obligation to enter into any Supplemental Buy/Sell Transaction unless, the Company shall provide to Aron credit support in such amount and form as Aron shall require, in its discretion, with respect to the Company's obligation to purchase the Supplemental Quantity subject to such Supplemental Buy/Sell Transaction, without regard to Aron's obligation thereunder to repurchase such Supplemental Quantity from the Company; provided that in no event shall the value of the credit support required for any Supplemental Buy/Sell Transaction exceed 115% of the Company's aggregate purchase obligation thereunder (without regard to Aron's obligation to repurchase such Supplemental Quantity from the Company).

(c) The purchase and sale price under an Supplemental Buy/Sell Transaction shall be the Supplemental Price for the month in the Supplemental Quantity subject to such Supplemental Buy/Sell Transaction is injected into the Supplemental Pipeline.

(d) The quantity subject to an Supplemental Buy/Sell Transaction, which shall be advised by the Company to Aron, shall in no event exceed the excess quantity that the Company is permitted to transport on the Supplemental Pipeline upon the occurrence of a Proration Event and in accordance with the Company's agreement with SPMT relating to shipment of additional volumes in connection with such Proration Event.

(e) Unless otherwise agreed by the parties, the terms of each Supplemental Buy/Sell Transaction shall be as specified in the Supplemental Buy/Sell Confirmation.

2.6 The Company agrees that whether any Procurement Contract constitutes a Procurement Contract under the Supply and Offtake Agreement or the Krotz S&O Agreement will, unless otherwise deemed appropriate based on Aron's reasonable judgment, be determined by Aron based on the whether the Crude Oil subject thereto is first delivered to an Included Location under the Supply and Offtake Agreement or to the Crude Storage Tanks (as defined in

the Krotz S&O Agreement) or an Included Supplemental Facility (as defined in the Krotz S&O Agreement) under the Krotz S&O Agreement.

3. Amendments to the Supply and Offtake Agreement and other Transaction Documents.

3.1 With respect to the Storage Facilities Agreement, the parties agree that the term "Related Facilities" shall include, without limiting the generality thereof, the White Oil Connection.

3.2 The following terms defined in the Supply and Offtake Agreement are hereby amended in their entirety to read as follows and as so amended such terms shall apply for all purposes of the Supply and Offtake Agreement, the other Ancillary Documents and this Supplemental Agreement:

(a) "Crude Delivery Point" means the outlet flange of the Crude Storage Tanks that connects to the pipelines leading to the Refinery's processing units.

(b) "Estimated Daily Net Crude Sales" for any day shall be the estimate for that day of the Crude Oil volume that equals (x) the aggregate volume of Crude Oil held in the Crude Storage Tanks at the beginning of such day, plus (y) the Daily Crude Storage Receipts for such day, minus (z) the aggregate volume of Crude Oil held in the Crude Storage Tanks at the end of such day.

(c) "Procurement Contract" means any procurement contract entered into by Aron for the purchase of Crude Oil to be processed at the Refinery, which may be either a contract with any seller of Crude Oil (other than the Company or any Affiliate of the Company) or a contract with the Company, or such other contract to the extent the Parties deem such contract to be a Procurement Contract for purposes hereof.

(d) "Transaction Documents" mean means any of this Agreement, the Marketing and Sales Agreement, the Inventory Sales Agreement, the Storage Facilities Agreement, the Step-Out Inventory Sales Agreement, the Required Storage and Transportation Arrangements, the Supplemental Agreement, the Supplemental Buy/Sell Confirmation and any other agreement or instrument contemplated hereby or executed in connection herewith.

(e) "Volume Determination Procedures" mean the Company's ordinary month-end procedures for determining the NSV of Crude Oil in the Crude Storage Tanks or Products in the Product Storage Tanks, which include manually gauging each Crude Storage Tank or Product Storage Tank on the last day of the month to ensure that the automated tank level readings are accurate to within a tolerance of two inches; provided that if the automated reading cannot be calibrated to be within such tolerance, the Company shall use the manual gauge reading in its calculation of month-end inventory and provided further that volume determinations on the Supplemental Pipeline shall be based on the monthly statements provided by SPLP.

4. Certain Conditions and Obligations.

4.1 The Company agrees that, with respect to the Supplemental Pipeline and the Nederland Terminal (collectively, the "Additional Locations") it shall execute and enter into, or cause ARKS and/or other Affiliates, and all other third parties, to execute and enter into, all Required Storage and Transportation Arrangements in favor of Aron.

4.2 It shall be a condition to Aron's obligations under this Supplemental Agreement that:

(a) the Required Storage and Transportation Arrangements with respect to the Additional Locations shall be been duly executed and become effective; and

(b) the Company shall have executed and delivered the Supplemental Buy/Sell Confirmation.

5. Rights and Obligations under the Supply and Offtake Agreement. As supplemented and amended hereby, the Supply and Offtake Agreement and all other Transaction Documents are in full force and effect. This Supplemental Agreement shall in no way limit or diminish the rights and obligations of the Parties under the Supply and Offtake Agreement.

6. Miscellaneous.

6.1 THIS SUPPLEMENTAL AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED UNDER THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ITS CONFLICT OF LAWS PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANOTHER STATE.

6.2 EACH OF THE PARTIES HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT OF COMPETENT JURISDICTION SITUATED IN THE CITY OF NEW YORK, (WITHOUT RECOURSE TO ARBITRATION UNLESS BOTH PARTIES AGREE IN WRITING), AND TO SERVICE OF PROCESS BY CERTIFIED MAIL, DELIVERED TO THE PARTY AT THE ADDRESS INDICATED IN ARTICLE 26 OF THE SUPPLY AND OFFTAKE AGREEMENT. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION TO PERSONAL JURISDICTION, WHETHER ON GROUNDS OF VENUE, RESIDENCE OR DOMICILE.

6.3 Each Party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any proceedings relating to this Supplemental Agreement.

6.4 If any Section or provision of this Supplemental Agreement shall be determined to be null and void, voidable or invalid by a court of competent jurisdiction, then for such period that the same is void or invalid, it shall be deemed to be deleted from this Supplemental Agreement and the remaining portions of this Supplemental Agreement shall remain in full force and effect.

6.5 The terms of this Supplemental Agreement constitute the entire agreement between the Parties with respect to the matters set forth in this Supplemental Agreement, and no

representations or warranties shall be implied or provisions added in the absence of a written agreement to such effect between the Parties. This Supplemental Agreement shall not be modified or changed except by written instrument executed by the Parties' duly authorized representatives.

6.6 No promise, representation or inducement has been made by either Party that is not embodied in this Supplemental Agreement, and neither Party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

6.7 Time is of the essence with respect to all aspects of each Party's performance of any obligations under this Supplemental Agreement.

6.8 Nothing expressed or implied in this Supplemental Agreement is intended to create any rights, obligations or benefits under this Supplemental Agreement in any person other than the Parties and their successors and permitted assigns.

6.9 All audit rights, payment, confidentiality and indemnification obligations and obligations under this Supplemental Agreement shall survive the expiration or termination of this Supplemental Agreement.

6.10 This Supplemental Agreement may be executed by the Parties in separate counterparts and initially delivered by facsimile transmission or otherwise, with original signature pages to follow, and all such counterparts shall together constitute one and the same instrument.

6.11 All transactions hereunder are entered into in reliance on the fact this Supplemental Agreement and all such transactions constitute a single integrated agreement between the parties, and the parties would not have otherwise entered into any other transactions hereunder.

IN WITNESS WHEREOF, each Party hereto has caused this Supplemental Agreement to be executed by its duly authorized representative as of the date first above written.

J. ARON & COMPANY

By: /s/ Don J. Casturo
Title: Managing Director
Date: October 31, 2011

ALON USA, LP
by: ALON USA GP, LLC, its general partner

By: /s/ Alan P. Moret
Title: Senior Vice President
Date: October 31, 2011

Exhibit 31.1

CERTIFICATIONS

I, Paul Eisman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alon USA Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

By: /s/ Paul Eisman
Paul Eisman
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Shai Even, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alon USA Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

By: /s/ Shai Even
Shai Even
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. §1350,
AS ADOPTED PURSUANT TO §906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Quarterly Report on Form 10-Q of Alon USA Energy, Inc., a Delaware corporation (the "Company"), for the period ended September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: November 4, 2011

By: /s/ Paul Eisman
Paul Eisman
Chief Executive Officer

Date: November 4, 2011

By: /s/ Shai Even
Shai Even
Chief Financial Officer