# 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 MARCH 31, 2012**

**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 ☐<br>(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 May 1, 2012, was 56,190,964.

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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)

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| | (unaudited) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 50,289 | $ 157,066 |
| Accounts and other receivables, net | 191,274 | 247,214 |
| Inventories | 197,071 | 147,272 |
| Deferred income tax asset | 71,358 | 49,410 |
| Prepaid expenses and other current assets | 16,941 | 8,376 |
| Total current assets | 526,933 | 609,338 |
| Equity method investments | 20,403 | 20,342 |
| Property, plant and equipment, net | 1,493,396 | 1,504,870 |
| Goodwill | 105,943 | 105,943 |
| Other assets, net | 89,665 | 89,889 |
| Total assets | $ 2,236,340 | $ 2,330,382 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 327,831 | $ 298,596 |
| Accrued liabilities | 145,698 | 91,416 |
| Current portion of long-term debt | 11,523 | 119,874 |
| Total current liabilities | 485,052 | 509,886 |
| Other non-current liabilities | 193,102 | 192,065 |
| Long-term debt | 902,856 | 930,322 |
| Deferred income tax liability | 289,892 | 302,325 |
| Total liabilities | 1,870,902 | 1,934,598 |
| Commitments and contingencies (Note 14) | | |
| Stockholders' equity: | | |
| Preferred stock, par value $0.01, 10,000,000 shares authorized; 7,000,000 issued and outstanding at March 31, 2012 and 4,000,000 shares issued and outstanding at December 31, 2011, respectively | 70,000 | 40,000 |
| Common stock, par value $0.01, 100,000,000 shares authorized; 56,190,964 and 56,107,986 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively | 562 | 561 |
| Additional paid-in capital | 318,242 | 318,659 |
| Accumulated other comprehensive loss, net of income tax | (50,602) | (26,483) |
| Retained earnings | 30,819 | 63,273 |
| Total stockholders' equity | 369,021 | 396,010 |
| Non-controlling interest in subsidiaries | (3,583) | (226) |
| Total equity | 365,438 | 395,784 |
| Total liabilities and equity | $ 2,236,340 | $ 2,330,382 |

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 March 31, 2012 | For the Three Months Ended March 31, 2011 |
|---|---|---|
| Net sales (1) | $ 1,792,133 | $ 1,651,104 |
| Operating costs and expenses: | | |
| Cost of sales | 1,618,674 | 1,461,123 |
| Unrealized losses on commodity swaps | 45,312 | — |
| Direct operating expenses | 72,209 | 56,923 |
| Selling, general and administrative expenses | 35,140 | 34,330 |
| Depreciation and amortization | 30,711 | 25,447 |
| Total operating costs and expenses | 1,802,046 | 1,577,823 |
| Gain on disposition of assets | 131 | 12 |
| Operating income (loss) | (9,782) | 73,293 |
| Interest expense | (31,040) | (20,440) |
| Equity earnings (loss) of investees | 61 | (245) |
| Other loss, net | (8,100) | (31,913) |
| Income (loss) before income tax expense (benefit) | (48,861) | 20,695 |
| Income tax expense (benefit) | (17,751) | 7,470 |
| Net income (loss) | (31,110) | 13,225 |
| Net income (loss) attributable to non-controlling interest | (1,743) | 160 |
| Net income (loss) available to common stockholders | $ (29,367) | $ 13,065 |
| Earnings (loss) per share, basic | $ (0.52) | $ 0.24 |
| Weighted average shares outstanding, basic (in thousands) | 56,028 | 54,549 |
| Earnings (loss) per share, diluted | $ (0.52) | $ 0.22 |
| Weighted average shares outstanding, diluted (in thousands) | 56,028 | 60,484 |
| Cash dividends per share | $ 0.04 | $ 0.04 |

(1) Includes excise taxes on sales by the retail segment of $16,124 and $14,218 for the three months ended March 31, 2012 and 2011, respectively.

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

**ALON USA ENERGY, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(unaudited, dollars in thousands)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | **2012** | **2011** |
| Net income (loss) | $ (31,110) | $ 13,225 |
| Other comprehensive income (loss), net of tax: | | |
| Interest rate derivatives designated as cash flow hedges: | | |
| Unrealized holding loss arising during period, net of tax | (111) | (36) |
| Less: reclassification adjustments for gain (loss) realized in net loss, net of tax | 647 | 634 |
| Net gain (loss), net of tax | 536 | 598 |
| Commodity contracts designated as cash flow hedges: | | |
| Unrealized holding gain (loss) arising during period, net of tax | (26,134) | — |
| Less: reclassification adjustments for gain (loss) realized in net loss, net of tax | — | — |
| Net gain (loss), net of tax | (26,134) | — |
| Total other comprehensive income (loss), net of tax | (25,598) | 598 |
| Comprehensive income (loss) | (56,708) | 13,823 |
| Comprehensive income (loss) attributable to non-controlling interest | (3,222) | 160 |
| Comprehensive income (loss) attributable to common stockholders | $ (53,486) | $ 13,663 |

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 Three Months Ended March 31, 2012 | For the Three Months Ended March 31, 2011 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) available to common stockholders | $ (29,367) | $ 13,065 |
| Adjustments to reconcile net income (loss) available to common stockholders to cash provided by operating activities: | | |
| Depreciation and amortization | 30,711 | 25,447 |
| Stock compensation | 563 | 254 |
| Deferred income tax expense (benefit) | (20,627) | 5,580 |
| Net income (loss) attributable to non-controlling interest | (1,743) | 160 |
| Equity earnings of investees (net of dividends) | (61) | — |
| Amortization of debt issuance costs | 1,725 | 1,404 |
| Amortization of original issuance discount | 786 | 455 |
| Write-off of unamortized original issuance discount | 9,624 | — |
| Gain on disposition of assets | (131) | (12) |
| Unrealized losses on commodity swaps | 45,312 | — |
| Changes in operating assets and liabilities: | | |
| Accounts and other receivables, net | 23,262 | (39,787) |
| Inventories | (49,799) | (3,699) |
| Prepaid expenses and other current assets | (8,565) | (786) |
| Other assets, net | (1,556) | (19,958) |
| Accounts payable | 29,235 | (30,004) |
| Accrued liabilities | 467 | 27,394 |
| Other non-current liabilities | 1,037 | 44,868 |
| **Net cash provided by operating activities** | 30,873 | 24,381 |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (14,557) | (25,163) |
| Capital expenditures for turnarounds and catalysts | (2,105) | (185) |
| Dividends from investees, net of equity earnings | — | 2,495 |
| Proceeds from disposition of assets | 11 | 18 |
| Earnout payment related to Krotz Springs refinery acquisition | — | (2,187) |
| **Net cash used in investing activities** | (16,651) | (25,022) |
| **Cash flows from financing activities:** | | |
| Dividends paid to stockholders | (2,237) | (2,204) |
| Dividends paid to non-controlling interest | (135) | (287) |
| Proceeds from issuance of common stock | — | 10,100 |
| Stock issuance costs | — | (282) |
| Inventory supply agreement | — | 1,165 |
| Deferred debt issuance costs | (2,400) | (1,567) |
| Revolving credit facilities, net | (113,341) | 13,852 |
| Additions to long-term debt | — | 30,000 |
| Payments on long-term debt | (2,886) | (2,378) |
| **Net cash provided by (used in) financing activities** | (120,999) | 48,399 |
| **Net increase (decrease) in cash and cash equivalents** | (106,777) | 47,758 |
| Cash and cash equivalents, beginning of period | 157,066 | 71,687 |
| **Cash and cash equivalents, end of period** | $ 50,289 | $ 119,445 |
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ 14,456 | $ 12,737 |
| Refunds received for income tax | $ (1,980) | $ (186) |
| **Non-cash activity:** | | |
| Financing activity — payment on long-term debt from issuance of preferred stock | $ (30,000) | $ — |

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, 2012.

The consolidated balance sheet as of December 31, 2011, 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, 2011.

### *(b) New Accounting Standards*

In June 2011, the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 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 did not affect Alon's financial position or results of operations because these requirements only affect the presentation of the financial statements and 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. Alon's refineries have a combined throughput capacity of approximately 240,000 barrels per day ("bpd"). 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 11 refinery/terminal locations in Texas (Big Spring), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Oregon (Willbridge), Washington (Richmond Beach), Arizona (Phoenix and Flagstaff), 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.

(unaudited, dollars in thousands except as noted)

***(c) Retail and Branded Marketing Segment***

Alon’s retail and branded marketing segment operates approximately 300 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, Alon and FINA brand names. 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 is supplied by Alon’s Big Spring refinery. Alon markets gasoline and diesel under the Alon and FINA brand names through a network of approximately 625 locations, including Alon's convenience stores.

Alon has operated under an exclusive license to use the FINA trademark in the wholesale distribution of motor fuel within Texas, Oklahoma, New Mexico, Arizona, Arkansas, Louisiana, Colorado and Utah since 2000. Alon's license to use the FINA brand will expire in August 2012 in accordance with its terms. Alon developed its own brand and logo in anticipation of this expiration of this license and has begun the process of converting all of its locations and all locations served by its branded marketing business to the new Alon brand. Under the brand, Alon will no longer be subject to the geographic limitations contained in the FINA license agreement.

***(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 month periods ended March 31, 2012 and 2011, are presented below:

| | Refining and Unbranded Marketing | Asphalt | Retail and Branded Marketing | Corporate | Consolidated Total |
|---|---|---|---|---|---|
| **Three Months Ended March 31, 2012** | | | | | |
| Net sales to external customers | $ 1,331,117 | $ 92,549 | $ 368,467 | $ — | $ 1,792,133 |
| Intersegment sales/purchases | 311,254 | (31,189) | (280,065) | — | — |
| Depreciation and amortization | 25,702 | 1,382 | 3,074 | 553 | 30,711 |
| Operating income (loss) | (2,111) | (1,421) | (5,507) | (743) | (9,782) |
| Total assets | 1,878,201 | 120,430 | 222,200 | 15,509 | 2,236,340 |
| Turnaround, chemical catalyst and capital expenditures | 9,636 | 1,491 | 5,409 | 126 | 16,662 |

| | Refining and Unbranded Marketing | Asphalt | Retail and Branded Marketing | Corporate | Consolidated Total |
|---|---|---|---|---|---|
| **Three Months Ended March 31, 2011** | | | | | |
| Net sales to external customers | $ 1,248,677 | $ 86,243 | $ 316,184 | $ — | $ 1,651,104 |
| Intersegment sales/purchases | 250,347 | (23,487) | (226,860) | — | — |
| Depreciation and amortization | 20,037 | 1,730 | 3,277 | 403 | 25,447 |
| Operating income (loss) | 79,289 | (9,628) | 4,223 | (591) | 73,293 |
| Total assets | 1,863,971 | 118,012 | 200,931 | 16,882 | 2,199,796 |
| Turnaround, chemical catalyst and capital expenditures | 23,278 | 660 | 1,345 | 65 | 25,348 |

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.

(unaudited, dollars in thousands except as noted)

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 March 31, 2012 and December 31, 2011, 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 March 31, 2012** | | | | |
| Assets: | | | | |
| Commodity contracts (futures and forwards) | $ 3,487 | $ — | $ — | $ 3,487 |
| Liabilities: | | | | |
| Commodity contracts (swaps) | — | 54,211 | — | 54,211 |
| Commodity contracts (call options) | — | 9,034 | — | 9,034 |
| Interest rate swap | — | 3,373 | — | 3,373 |
| **As of December 31, 2011** | | | | |
| Assets: | | | | |
| Commodity contracts (swaps) | — | 31,936 | — | 31,936 |
| Liabilities: | | | | |
| Commodity contracts (futures and forwards) | 78 | — | — | 78 |
| Commodity contracts (call options) | — | 9,268 | — | 9,268 |
| Interest rate swap | — | 4,197 | — | 4,197 |

## (4) Derivative Financial Instruments

*Mark to Market*

*Commodity Derivatives.* Alon selectively utilizes commodity derivatives to manage its exposure to commodity price fluctuations and uses crude oil and refined product 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 substantially 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.

*Commodity Derivatives.* As of March 31, 2012, Alon has accounted for certain commodity swap contracts as cash flow hedges with contract purchase volumes of 5,670,000 barrels of crude and contract sales volumes 5,670,000 barrels of refined products with a remaining contract term of nine months. As of March 31, 2012, Alon has recorded an unrealized after-tax loss of $26,134 related to these transactions in Other Comprehensive Income ("OCI").

*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 March 31, 2012, Alon had an interest rate swap agreement with a notional amount of $100,000, a remaining period of nine months and a fixed interest rate of 4.25%. This swap was accounted for as a cash flow hedge.

(unaudited, dollars in thousands except as noted)

For cash flow hedges, gains and losses reported in equity are reclassified into interest expense when the forecasted transaction affects income. During the three months ended March 31, 2012 and 2011, Alon recognized in equity unrealized after-tax gains of $536 and $598, 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 three months ended March 31, 2012 and 2011, 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.

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

| | As of March 31, 2012 | | | |
|---|---|---|---|---|
| | 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 | $ (13,376) |
| Commodity contracts (call options) | | — | Accrued liabilities | (9,034) |
| Commodity contracts (futures and forwards) | Accounts receivable | 5,032 | Accrued liabilities | (1,545) |
| Total derivatives not designated as hedging instruments | | $ 5,032 | | $ (23,955) |
| **Derivatives designated as hedging instruments:** | | | | |
| Commodity contracts (swaps) | | $ — | Accrued liabilities | $ (40,835) |
| Interest rate swap | | — | Other non-current liabilities | (3,373) |
| Total derivatives designated as hedging instruments | | — | | (44,208) |
| Total derivatives | | $ 5,032 | | $ (68,163) |

| | As of December 31, 2011 | | | |
|---|---|---|---|---|
| | Asset Derivatives | | Liability Derivatives | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| **Derivatives not designated as hedging instruments:** | | | | |
| Commodity contracts (swaps) | Accounts receivable | $ 32,678 | Accrued liabilities | $ (742) |
| Commodity contracts (call options) | | — | Accrued liabilities | (9,268) |
| Commodity contracts (futures and forwards) | Accounts receivable | 809 | Accrued liabilities | (887) |
| Total derivatives not designated as hedging instruments | | $ 33,487 | | $ (10,897) |
| **Derivatives designated as hedging instruments:** | | | | |
| Interest rate swap | | $ — | Other non-current liabilities | $ (4,197) |
| Total derivatives designated as hedging instruments | | — | | (4,197) |
| Total derivatives | | $ 33,487 | | $ (15,094) |

(unaudited, dollars in thousands except as noted)

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

| 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 March 31, 2012** | | | | | |
| Commodity contracts (swaps) | $ (40,835) | Cost of sales | $ — | | $ — |
| Interest rate swap | 824 | Interest expense | (995) | | — |
| Total derivatives | $ (40,011) | | $ (995) | | $ — |
| **For the Three Months Ended March 31, 2011** | | | | | |
| Interest rate swaps | $ 922 | Interest expense | $ (975) | | $ — |
| Total derivatives | $ 922 | | $ (975) | | $ — |

**Derivatives not designated as hedging instruments:**

| | Gain (Loss) Recognized in Income | |
|---|---|---|
| | Location | Amount |
| **For the Three Months Ended March 31, 2012** | | |
| Commodity contracts (futures & forwards) | Cost of sales | $ 1,714 |
| Commodity contracts (swaps) | Cost of sales | (14,334) |
| Commodity contracts (swaps) | Unrealized losses on commodity swaps | (45,312) |
| Commodity contracts (call options) | Other loss, net | (8,153) |
| Total derivatives | | $ (66,085) |
| **For the Three Months Ended March 31, 2011** | | |
| Commodity contracts (futures & forwards) | Cost of sales | $ (2,070) |
| Commodity contracts (swaps) | Cost of sales | 5,259 |
| Commodity contracts (swaps) | Other loss, net | (31,919) |
| Total derivatives | | $ (28,730) |

**(5) Inventories**

Alon's inventories (including inventory consigned to others) 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.

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

Carrying value of inventories consisted of the following:

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Crude oil, refined products, asphalt and blendstocks | $ 69,070 | $ 37,159 |
| Crude oil inventory consigned to others | 74,362 | 62,489 |
| Materials and supplies | 25,928 | 21,491 |
| Store merchandise | 20,314 | 19,322 |
| Store fuel | 7,397 | 6,811 |
| Total inventories | $ 197,071 | $ 147,272 |

Crude oil, refined products, asphalt and blendstock inventories totaled 2,092 thousand barrels and 1,838 thousand barrels as of March 31, 2012 and December 31, 2011, 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 $18,209 and $42,642 for the three months ended March 31, 2012 and 2011, respectively.

Market values of crude oil, refined products, asphalt and blendstock inventories exceeded LIFO costs by $84,865 and $93,401 at March 31, 2012 and December 31, 2011, 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 1,099 thousand barrels and 951 thousand barrels of crude oil consigned to others at March 31, 2012 and December 31, 2011, respectively. Alon recorded liabilities associated with this consigned inventory of $49,196 in accounts payable and $60,737 in other non-current liabilities and $26,389 in accounts payable and $58,328 in other non-current liabilities at March 31, 2012 and December 31, 2011, respectively.

Additionally, Alon recorded accrued liabilities of $347 and $117 at March 31, 2012 and December 31, 2011, 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.

Effective January 1, 2011, Alon elected to account for inventory consigned to others under the "Normal Purchase Normal Sales" exemption of FASB ASC 815, *Derivatives and Hedging*. This exemption applies to situations where commodities are physically delivered. If the contracts were settled March 31, 2012, the payment would be in excess of liabilities recorded by $14,963.

For inventory consignment agreements entered into after January 1, 2012 (Note 14), the transaction will be recorded in accordance with the provisions of FASB ASC 815, *Derivatives and Hedging* for fair value hedges.

### (6) Property, Plant and Equipment, Net

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

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Refining facilities | $ 1,727,767 | $ 1,718,792 |
| Pipelines and terminals | 43,461 | 43,414 |
| Retail | 149,723 | 147,679 |
| Other | 18,811 | 18,685 |
| Property, plant and equipment, gross | 1,939,762 | 1,928,570 |
| Less accumulated depreciation | (446,366) | (423,700) |
| Property, plant and equipment, net | $ 1,493,396 | $ 1,504,870 |

(unaudited, dollars in thousands except as noted)

**(7) Additional Financial Information**

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

***(a) Other Assets, Net***

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Deferred turnaround and chemical catalyst cost | $ 18,189 | $ 20,998 |
| Environmental receivables | 17,017 | 17,369 |
| Deferred debt issuance costs | 13,029 | 12,354 |
| Intangible assets, net | 7,298 | 7,418 |
| Receivable from supply agreements | 12,496 | 12,496 |
| Other, net | 21,636 | 19,254 |
| Total other assets | $ 89,665 | $ 89,889 |

***(b) Accrued Liabilities and Other Non-Current Liabilities***

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Accrued Liabilities: | | |
| Taxes other than income taxes, primarily excise taxes | $ 21,789 | $ 32,892 |
| Employee costs | 11,372 | 11,368 |
| Commodity contracts | 64,790 | 10,897 |
| Accrued finance charges | 17,508 | 10,902 |
| Environmental accrual | 6,292 | 6,292 |
| Other | 23,947 | 19,065 |
| Total accrued liabilities | $ 145,698 | $ 91,416 |
| | | |
| Other Non-Current Liabilities: | | |
| Pension and other postemployment benefit liabilities, net | $ 46,747 | $ 46,493 |
| Environmental accrual (Note 14) | 58,296 | 59,171 |
| Asset retirement obligations | 11,570 | 11,442 |
| Interest rate swap valuations | 3,373 | 4,197 |
| Consignment inventory | 60,737 | 58,328 |
| Other | 12,379 | 12,434 |
| Total other non-current liabilities | $ 193,102 | $ 192,065 |

**(8) Postretirement Benefits**

Alon has four defined benefit pension plans covering substantially all of its employees, excluding employees of SCS. 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 2012 to its pension plans has not changed significantly from amounts previously disclosed in Alon’s consolidated financial statements for the year ended December 31, 2011. For the three months ended March 31, 2012 and 2011, Alon contributed $1,290 and $1,100, respectively, to its qualified pension plans.

(unaudited, dollars in thousands except as noted)

The components of net periodic benefit cost related to Alon's benefit plans were as follows for the three months ended March 31, 2012 and 2011:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2012 | 2011 |
| Components of net periodic benefit cost: | | |
| Service cost | $ 943 | $ 914 |
| Interest cost | 1,032 | 1,035 |
| Expected return on plan assets | (1,077) | (933) |
| Amortization of net loss | 646 | 448 |
| Net periodic benefit cost | $ 1,544 | $ 1,464 |

### (9) Indebtedness

Debt consisted of the following:

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Term loan credit facility | $ 424,125 | $ 425,250 |
| Revolving credit facilities | 195,000 | 308,341 |
| Senior secured notes | 209,849 | 209,324 |
| Retail credit facilities | 85,405 | 107,281 |
| Total debt | 914,379 | 1,050,196 |
| Less current portion | (11,523) | (119,874) |
| Total long-term debt | $ 902,856 | $ 930,322 |

*Alon USA, LP Credit Facility.* Alon has a $240,000 revolving credit facility (the "Alon USA LP Credit Facility") that will mature on March 1, 2016. The Alon USA LP 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 Alon USA LP Credit Facility bear interest at the Eurodollar rate plus 3.50% per annum subject to an overall minimum interest rate of 4.00%.

The Alon USA LP Credit Facility is secured by (i) a first lien on cash, accounts receivables, inventories and related assets of Alon USA LP and (ii) a second lien on fixed assets, including the Big Spring refinery and certain asphalt terminals.

The Alon USA LP Credit Facility contains certain restrictive covenants including maintenance financial covenants.

Borrowings of $195,000 and $200,000 were outstanding under the Alon USA LP Credit Facility at March 31, 2012 and December 31, 2011, respectively. At March 31, 2012 and December 31, 2011, outstanding letters of credit under the Alon USA LP Credit Facility were $20,873 and $35,509, respectively.

*Paramount Petroleum Corporation Credit Facility.* In February 2012, Alon repaid in full all of its obligations under the Paramount Credit Facility.

*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. In conjunction with the issuance of the Alon Brands Term Loans, 3,092,783 warrants were issued to purchase shares of Alon's common stock. In March 2012, Alon issued $30,000 of 8.5% Series B Convertible Preferred Stock and repaid in full its obligations under the Alon Brands Term Loans. Also as part of the transaction, the warrants issued in conjunction with the Alon Brands Term Loans were surrendered to Alon. As the Alon Brands Term Loans were originally issued at a discount, the remaining $9,624 of unamortized original issuance discount was charged to interest expense for the three months ended March 31, 2012.

*Financial Covenants.* Alon has certain credit facilities that contain restrictive covenants, including maintenance financial covenants. At March 31, 2012, Alon was in compliance with these maintenance financial covenants.

(unaudited, dollars in thousands except as noted)

**(10) Stock-Based Compensation**

Alon’s original incentive compensation plan, the Alon USA Energy, Inc. 2005 Incentive Compensation Plan, was approved by its stockholders in 2006 and amended in May 2010. In May 2012, Alon’s stockholders approved a second amended and restated incentive compensation plan, the Alon USA Energy, Inc. Second Amended and Restated 2005 Incentive Compensation Plan ("the Plan"), which is a component of Alon’s overall executive incentive compensation program. The 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, and non-employee directors of Alon's subsidiaries who are designated by Alon's directors, are awarded an annual grant of $25 in shares of restricted stock. The restricted shares granted to the non-employee directors vest over a period of three years, assuming continued service at vesting.

Compensation expense for the restricted stock grants amounted to $174 and $12 for the three months ended March 31, 2012 and 2011, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

The following table summarizes the restricted share activity from January 1, 2011:

| Nonvested Shares | Shares | Weighted Average Grant Date Fair Values (per share) |
|---|---|---|
| Nonvested at January 1, 2011 | 16,169 | $ 9.28 |
| Granted | 186,015 | 13.50 |
| Vested | (7,278) | 10.31 |
| Forfeited | — | — |
| Nonvested at December 31, 2011 | 194,906 | $ 13.26 |
| Granted | — | — |
| Vested | — | — |
| Forfeited | — | — |
| Nonvested at March 31, 2012 | 194,906 | $ 13.26 |

As of March 31, 2012, there was $1,345 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 2.0 years. There were no shares vested in 2012.

*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 for the three months ended March 31, 2012, and is included in selling, general and administrative expenses in the consolidated statements of operations.

*Stock Appreciation Rights.* Through March 31, 2012, Alon has granted awards of 599,165 SARs to certain officers and key employees of Alon of which 60% of these SARs have a grant price of $28.46 and the remaining SARs have grant prices ranging from $10.00 to $16.00. At March 31, 2012, 180,832 SARs with a grant price of $28.46 expired without any being exercised.

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 $15 and $242 for the three months ended March 31, 2012 and 2011, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

(unaudited, dollars in thousands except as noted)

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

***(a) Preferred stock (share value in dollars)***

In March 2012, pursuant to the terms of the Series B Convertible Preferred Stock Agreement, Alon issued 3,000,000 shares of 8.5% Series B Convertible Preferred Stock to a group of investors who held, in the aggregate, $30,000 of the Alon Brands Term Loans and 3,092,783 warrants to purchase shares of Alon common stock. Pursuant to such agreement, Alon repaid in full its obligations under the Alon Brands Term Loans and the warrants were surrendered to Alon. The terms of the Series B Convertible Preferred Stock are substantially the same as the terms of the Series A Convertible Preferred Stock except that, based on certain conditions, Alon has the right to convert the preferred stock into Alon common stock from March 2015 for the Series B Convertible Preferred Stock and from October 2013 for the Series A Convertible Preferred Stock. If all of the Series B Convertible Preferred Stock were to be converted into Alon's common stock based on the initial conversion price of $6.74 per share, then 4,451,100 shares of Alon's common stock would be issued.

***(b) Dividends***

*Common Stock Dividends*. On March 15, 2012, 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 March 1, 2012.

*Preferred Stock Dividends*. On March 31, 2012, 82,978 shares of Alon common stock were issued for payment of the quarterly 8.5% Series A Convertible Preferred Stock dividend to preferred stockholders of record at the close of business on March 20, 2012.

***(c) Accumulated Other Comprehensive Loss***

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

| | Unrealized Loss on Cash Flow Hedges | Defined Benefit Pension Plans | Total |
|---|---|---|---|
| Balance at December 31, 2011 | $ (3,194) | $ (23,289) | $ (26,483) |
| Current period other comprehensive loss, net of tax | (24,119) | — | (24,119) |
| Balance at March 31, 2012 | $ (27,313) | $ (23,289) | $ (50,602) |

**(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 months ended March 31, 2012 and 2011, is as follows:

| | Three Months Ended March 31, 2012 | 2011 |
|---|---|---|
| Net income (loss) available to common stockholders | $ (29,367) | $ 13,065 |
| Average number of shares of common stock outstanding | 56,028 | 54,549 |
| Dilutive SARs, RSUs, convertible preferred stock and warrants | — | 5,935 |
| Average number of shares of common stock outstanding assuming dilution | 56,028 | 60,484 |
| Earnings (loss) per share – basic | $ (0.52) | $ 0.24 |
| Earnings (loss) per share – diluted | $ (0.52) | $ 0.22 |

**(13) Related-Party Transactions**

In March 2012, pursuant to the terms of the Series B Convertible Preferred Stock Agreement, Alon issued $12,000 of 8.5% Series B Convertible Preferred Stock to certain shareholders of Alon Israel and their affiliates. In conjunction with the issuance of the Series B Convertible Preferred Stock, Alon repaid all amounts due under the Alon Brands Term Loan and the warrants held by Alon Israel and their affiliates were surrendered to Alon.

**(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*

During the first quarter of 2012, 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 California refineries and (ii) Alon agreed to sell, and J. Aron agreed to buy, at market prices, certain refined products produced at the California refineries.

In connection with the execution of the Supply and Offtake Agreement for the California refineries, 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 California refineries, and an agreement to identify prospective purchasers of refined products on J. Aron's behalf. The Supply and Offtake Agreement for the California refineries 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 at market prices the crude oil and refined product inventories then owned by J. Aron and located at the California refineries. Alon is required to meet certain conditions, that are expected to be met, or otherwise the agreement could be terminated by J. Aron in May 2012.

***(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 $64,588 ($6,292 current payable and $58,296 non-current liability) at March 31, 2012, and $65,463 ($6,292 current payable and $59,171 non-current liability) at December 31, 2011.

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 $706 and a non-current receivable of $15,622, and a current receivable of $706 and a non-current receivable of $15,719 at March 31, 2012 and December 31, 2011, 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 $1,893 and a non-current receivable of $1,395, and a current receivable of $1,893 and a non-current receivable of $1,650 at March 31, 2012 and December 31, 2011, respectively.

**(15) Subsequent Events**

*Dividend Declared*

On May 2, 2012, Alon declared its regular quarterly cash dividend of $0.04 per share on Alon’s common stock, payable on June 15, 2012, to stockholders of record at the close of business on June 1, 2012.

*Stockholders' Equity*

In May 2012, Alon shareholder's approved an amendment to Alon's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 100,000,000 shares to 150,000,000 shares and to increase the number of authorized shares of preferred stock from 10,000,000 shares to 15,000,000 shares.

## 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, 2011. 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 spread between West Texas Intermediate ("WTI") crude oil and West Texas Sour ("WTS") crude oil;
- changes in the spread between 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;
- termination of our Supply and Offtake Agreements with J. Aron & Company ("J. Aron"), which include all our refineries and under which J. Aron is our largest supplier of crude oil and our largest customer of refined products. Additionally, we are obligated to repurchase all consigned inventories and certain other inventories upon termination of these Supply and Offtake Agreements;
- 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, 2011 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 Paramount, Bakersfield and Long Beach 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, petrochemical feedstocks and asphalts, which are marketed primarily in the South Central, Southwestern, and Western United States. At Bakersfield, we convert intermediate products into finished products and do not refine 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 and branded marketing segment's convenience stores and unbranded distributors 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 by our California refineries to wholesale distributors, other refiners and third parties primarily on the West Coast. We started up the Bakersfield hydrocracker unit in late June 2011 and began processing vacuum gas oil produced by our other California locations.

We market refined products produced by our Krotz Springs refinery to 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. The Krotz Springs refinery 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.

*Asphalt Segment.* Our asphalt segment markets asphalt produced at our Big Spring and California refineries included in the refining and unbranded marketing segment and at our Willbridge, Oregon refinery. Asphalt produced by the refineries in our refining and unbranded 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 11 refinery/terminal locations in Texas (Big Spring), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Oregon (Willbridge), Washington (Richmond Beach), Arizona (Phoenix and Flagstaff) and Nevada (Fernley) (50% interest) as well as through 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 approximately 300 convenience stores located 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, Alon and FINA brand names. We have operated under an exclusive license to use the FINA trademark in the wholesale distribution of motor fuel within Texas, Oklahoma, New Mexico, Arizona, Arkansas, Louisiana, Colorado and Utah since 2000. Our license to use the FINA brand will expire in August 2012 in accordance with its terms. We developed our own brand and logo in anticipation of the expiration of this license and have begun the process of converting all of our locations and all locations served by our branded marketing business to the new Alon brand. Under the Alon brand, we will no longer be subject to the geographic limitations contained in the FINA license agreement.

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 2012, approximately 93% 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 Alon and FINA brand names through a network of approximately 625 locations, including our convenience stores. Approximately 51% of the gasoline and 20% 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 Alon and FINA brand names and provides credit card processing services to approximately 200 licensed locations that are not under fuel supply agreements with us.

**First Quarter Operational and Financial Highlights**

Operating income (loss) for the first quarter of 2012 was $(9.8) million, compared to $73.3 million in the same period last year. Our operational and financial highlights for the first quarter of 2012 include the following:

- Combined refinery throughput for the first quarter of 2012 averaged 135,190 bpd, consisting of 69,512 bpd at the Big Spring refinery and 65,678 bpd at the Krotz Springs refinery, compared to 135,638 bpd for the first quarter of 2011, consisting of 62,181 bpd at the Big Spring refinery and 73,457 bpd at the Krotz Springs refinery. The California refineries were not in operation for the first quarter of 2012 or 2011.
- Operating margin at the Big Spring refinery was $17.05 per barrel for the first quarter of 2012, compared to $19.50 per barrel for the same period in 2011. This decrease in operating margin is mainly due to a $1.41 per barrel impact on realized hedging losses and an $0.85 per barrel impact from lower by-product pricing. Additionally, mid-continent product pricing, being lower than Gulf Coast pricing, impacted margins.
- Operating margin at the Krotz Springs refinery was $4.90 per barrel for the first quarter of 2012, compared to $5.06 per barrel for the same period in 2011. This decrease in operating margin is due to a $0.92 per barrel impact on realized hedging losses and a $1.10 per barrel impact from lower by-product pricing. Additionally, light product yields were lower in the first quarter of 2012 compared to the same period in 2011 as a result of unplanned outages in the FCC Unit and the FCC Gasoline Treater.
- The average sweet/sour spread for the first quarter of 2012 was $3.62 per barrel compared to $4.10 per barrel for the same period in 2011. The average LLS to WTI spread for the first quarter of 2012 was $12.61 per barrel compared to $9.35 per barrel for the same period in 2011.
- The average Gulf Coast 3/2/1 crack spread was $24.78 per barrel for the first quarter of 2012 compared to $18.09 per barrel for the first quarter of 2011. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the first quarter of 2012 was $12.46 per barrel compared to $9.03 per barrel for the first quarter of 2011.
- Asphalt margins in the first quarter of 2012 were $55.18 per ton compared to $18.18 per ton in the first quarter of 2011. This increase was primarily due to non-cash inventory items, partially offset by higher crude oil costs. The average blended asphalt sales price increased 13.0% from $506.55 per ton in the first quarter of 2011 to $572.54 per ton in the first quarter of 2012 and the average non-blended asphalt sales price increased 12.9% from $302.57 per ton in the first quarter of 2011 to $341.49 per ton in the first quarter of 2012. The average price of Buena Vista crude increased 16.8% from $99.31 per barrel in the first quarter of 2011 to $116.00 per barrel in the first quarter of 2012.
- Retail fuel sales volume increased by 12.8% from 36.7 million gallons in the first quarter of 2011 to 41.3 million gallons in the first quarter of 2012. Our branded fuel sales volume increased by 9.3% from 85.6 million gallons in the first quarter of 2011 to 93.5 million gallons in the first quarter of 2012.
- On March 15, 2012, 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 March 1, 2012.
- On March 31, 2012, 82,978 shares of our common stock were issued for payment of the quarterly 8.5% Series A Convertible Preferred Stock dividend to preferred stockholders of record at the close of business on March 20, 2012.

**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 calculate the per barrel operating margin for each refinery by dividing the 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 inventory adjustments related to acquisitions).

We compare our Big Spring refinery's per barrel operating margin to the Gulf Coast 3/2/1 crack spread. 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 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. We calculate the West Coast 3/1/1/1 crack spread using the market values of West Coast LA CARBOB pipeline gasoline, LA ultra-low sulfur pipeline diesel, and 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. A 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 and markets asphalt at 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 Alon and FINA-branded distributors, together with licensing and credit card related fees generated from our Alon and 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 three months ended March 31, 2012 and 2011, were not materially affected by factors having an impact on understanding comparisons of our period-to-period financial performance.

**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 months ended March 31, 2012 and 2011. 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, 2011 is unaudited.

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2012 | 2011 |
| | (dollars in thousands, except per share data) | |
| **STATEMENTS OF OPERATIONS DATA:** | | |
| Net sales (1) | $ 1,792,133 | $ 1,651,104 |
| Operating costs and expenses: | | |
| Cost of sales | 1,618,674 | 1,461,123 |
| Unrealized losses on commodity swaps | 45,312 | — |
| Direct operating expenses | 72,209 | 56,923 |
| Selling, general and administrative expenses (2) | 35,140 | 34,330 |
| Depreciation and amortization (3) | 30,711 | 25,447 |
| Total operating costs and expenses | 1,802,046 | 1,577,823 |
| Gain on disposition of assets | 131 | 12 |
| Operating income (loss) | (9,782) | 73,293 |
| Interest expense (4) | (31,040) | (20,440) |
| Equity earnings (loss) of investees | 61 | (245) |
| Other loss, net (5) | (8,100) | (31,913) |
| Income (loss) before income tax expense (benefit) | (48,861) | 20,695 |
| Income tax expense (benefit) | (17,751) | 7,470 |
| Net income (loss) | (31,110) | 13,225 |
| Net income (loss) attributable to non-controlling interest | (1,743) | 160 |
| Net income (loss) available to common stockholders | $ (29,367) | $ 13,065 |
| Earnings (loss) per share, basic | $ (0.52) | $ 0.24 |
| Weighted average shares outstanding, basic (in thousands) | 56,028 | 54,549 |
| Earnings (loss) per share, diluted | $ (0.52) | $ 0.22 |
| Weighted average shares outstanding, diluted (in thousands) | 56,028 | 60,484 |
| Cash dividends per share | $ 0.04 | $ 0.04 |
| **CASH FLOW DATA:** | | |
| Net cash provided by (used in): | | |
| Operating activities | $ 30,873 | $ 24,381 |
| Investing activities | (16,651) | (25,022) |
| Financing activities | (120,999) | 48,399 |
| **OTHER DATA:** | | |
| Adjusted EBITDA (6) | 12,759 | 66,570 |
| Capital expenditures (7) | 14,557 | 25,163 |
| Capital expenditures for turnaround and chemical catalyst | 2,105 | 185 |

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| **BALANCE SHEET DATA (end of period):** | | |
| Cash and cash equivalents | 50,289 | 157,066 |
| Working capital | 41,881 | 99,452 |
| Total assets | 2,236,340 | 2,330,382 |
| Total debt | 914,379 | 1,050,196 |
| Total equity | 365,438 | 395,784 |

(1) Includes excise taxes on sales by the retail and branded marketing segment of $16,124 and $14,218 for the three months ended March 31, 2012 and 2011, respectively.

(2) Includes corporate headquarters selling, general and administrative expenses of $190 and $188 for the three months ended March 31, 2012 and 2011, respectively, which are not allocated to our three operating segments.

(3) Includes corporate depreciation and amortization of $553 and $403 for the three months ended March 31, 2012 and 2011, respectively, which are not allocated to our three operating segments.

(4) Interest expense for the three months ended March 31, 2012, includes a charge of $9,624 for the write-off of unamortized original issuance discount associated with our repayment of the Alon Brands Term Loan.

(5) Other loss, net for both the three months ended March 31, 2012 and 2011 is substantially the loss on heating oil call option crack spread contracts.

(6) Adjusted EBITDA represents earnings before non-controlling interest in income of subsidiaries, income tax expense, interest expense, depreciation and amortization 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 months ended March 31, 2012 and 2011, respectively:

| | For the Three Months Ended March 31, 2012 | For the Three Months Ended March 31, 2011 |
|---|---|---|
| | (dollars in thousands) | |
| Net income (loss) available to common stockholders | $ (29,367) | $ 13,065 |
| Non-controlling interest in income (loss) of subsidiaries | (1,743) | 160 |
| Income tax expense (benefit) | (17,751) | 7,470 |
| Interest expense | 31,040 | 20,440 |
| Depreciation and amortization | 30,711 | 25,447 |
| Gain on disposition of assets | (131) | (12) |
| Adjusted EBITDA | $ 12,759 | $ 66,570 |

Adjusted EBITDA does not exclude unrealized losses on commodity swaps of $45,312 and loss on heating oil call option crack spread contracts of $8,153 for the three months ended March 31, 2012 and loss on heating oil call option crack spread contracts of $31,919 for the three months ended March 31, 2011.

(7) Includes corporate capital expenditures of $126 and $65 for the three months ended March 31, 2012 and 2011, respectively, which are not allocated to our three operating segments.

**REFINING AND UNBRANDED MARKETING SEGMENT**

| | For the Three Months Ended March 31, 2012 | 2011 |
|---|---|---|
| | (dollars in thousands, except per barrel data and pricing statistics) | |
| **STATEMENTS OF OPERATIONS DATA:** | | |
| Net sales (1) | $ 1,642,371 | $ 1,499,024 |
| Operating costs and expenses: | | |
| Cost of sales | 1,503,393 | 1,345,021 |
| Unrealized losses on commodity swaps | 45,312 | — |
| Direct operating expenses | 63,219 | 46,949 |
| Selling, general and administrative expenses | 6,856 | 7,728 |
| Depreciation and amortization | 25,702 | 20,037 |
| Total operating costs and expenses | 1,644,482 | 1,419,735 |
| Operating income (loss) | $ (2,111) | $ 79,289 |
| **KEY OPERATING STATISTICS:** | | |
| Per barrel of throughput: | | |
| Refinery operating margin – Big Spring (2) | $ 17.05 | $ 19.50 |
| Refinery operating margin – CA Refineries (2) | N/A | N/A |
| Refinery operating margin – Krotz Springs (2) | 4.90 | 5.06 |
| Refinery direct operating expense – Big Spring (3) | 3.59 | 4.13 |
| Refinery direct operating expense – CA Refineries (3) | N/A | N/A |
| Refinery direct operating expense – Krotz Springs (3) | 3.99 | 2.85 |
| Capital expenditures | 7,531 | 23,093 |
| Capital expenditures for turnaround and chemical catalyst | 2,105 | 185 |
| **PRICING STATISTICS:** | | |
| WTI crude oil (per barrel) | $ 103.00 | $ 94.13 |
| WTS crude oil (per barrel) | 99.38 | 90.03 |
| Buena Vista crude oil (per barrel) | 116.00 | 99.31 |
| LLS crude oil (per barrel) | 112.51 | 98.37 |
| Crack spreads (3/2/1) (per barrel): | | |
| Gulf Coast | $ 24.78 | $ 18.09 |
| Crack spreads (3/1/1/1) (per barrel): | | |
| West Coast | 12.64 | 12.15 |
| Crack spreads (2/1/1) (per barrel): | | |
| Gulf Coast high sulfur diesel | $ 12.46 | $ 9.03 |
| Crude oil differentials (per barrel): | | |
| WTI less WTS | $ 3.62 | $ 4.10 |
| LLS less WTI | 12.61 | 9.35 |
| WTI less Buena Vista | (13.00) | (5.18) |
| Product price (dollars per gallon): | | |
| Gulf Coast unleaded gasoline | $ 2.98 | $ 2.60 |
| Gulf Coast ultra-low sulfur diesel | 3.16 | 2.83 |
| Gulf Coast high sulfur diesel | 3.12 | 2.76 |
| West Coast LA CARBOB (unleaded gasoline) | 3.20 | 2.79 |
| West Coast LA ultra-low sulfur diesel | 3.24 | 2.91 |
| Natural gas (per MMBTU) | 2.50 | 4.20 |

**THROUGHPUT AND PRODUCTION DATA:**
**BIG SPRING REFINERY**

| | For the Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | bpd | % | bpd | % |
| Refinery throughput: | | | | |
| Sour crude | 55,546 | 79.9 | 52,124 | 83.8 |
| Sweet crude | 12,206 | 17.6 | 8,499 | 13.7 |
| Blendstocks | 1,760 | 2.5 | 1,558 | 2.5 |
| Total refinery throughput (4) | 69,512 | 100.0 | 62,181 | 100.0 |
| Refinery production: | | | | |
| Gasoline | 35,140 | 50.7 | 30,373 | 49.3 |
| Diesel/jet | 22,236 | 32.1 | 19,988 | 32.4 |
| Asphalt | 4,535 | 6.6 | 4,340 | 7.0 |
| Petrochemicals | 4,136 | 6.0 | 3,824 | 6.2 |
| Other | 3,187 | 4.6 | 3,165 | 5.1 |
| Total refinery production (5) | 69,234 | 100.0 | 61,690 | 100.0 |
| Refinery utilization (6) | | 96.8% | | 86.6% |

**THROUGHPUT AND PRODUCTION DATA:**
**KROTZ SPRINGS REFINERY**

| | For the Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | bpd | % | bpd | % |
| Refinery throughput: | | | | |
| Light sweet crude | 53,658 | 81.7 | 52,930 | 72.0 |
| Heavy sweet crude | 11,004 | 16.8 | 19,224 | 26.2 |
| Blendstocks | 1,016 | 1.5 | 1,303 | 1.8 |
| Total refinery throughput (4) | 65,678 | 100.0 | 73,457 | 100.0 |
| Refinery production: | | | | |
| Gasoline | 27,533 | 41.6 | 31,175 | 42.4 |
| Diesel/jet | 28,713 | 43.4 | 34,542 | 46.9 |
| Heavy Oils | 5,045 | 7.6 | 1,659 | 2.3 |
| Other | 4,927 | 7.4 | 6,146 | 8.4 |
| Total refinery production (5) | 66,218 | 100.0 | 73,522 | 100.0 |
| Refinery utilization (6) | | 77.8% | | 86.8% |

(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 three months ended March 31, 2012, excludes unrealized losses on commodity swaps of $45,312, as shown separately in the statements of operations. The refinery operating margin for the three months ended March 31, 2011, excludes a benefit from inventory reductions of $22,460.

(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.

(4) Total refinery throughput represents the total barrels per day of crude oil and blendstock inputs in the refinery production process. The California refineries were not in operation for the first quarter of 2012 or 2011.

(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 March 31, 2012 | For the Three Months Ended March 31, 2011 |
|---|---|---|
| | (dollars in thousands, except per ton data) | |
| **STATEMENTS OF OPERATIONS DATA:** | | |
| Net sales | $ 92,549 | $ 86,243 |
| Operating costs and expenses: | | |
| Cost of sales (1) | 82,672 | 82,752 |
| Direct operating expenses | 8,990 | 9,974 |
| Selling, general and administrative expenses | 926 | 1,415 |
| Depreciation and amortization | 1,382 | 1,730 |
| Total operating costs and expenses | 93,970 | 95,871 |
| Operating loss | $ (1,421) | $ (9,628) |
| **KEY OPERATING STATISTICS:** | | |
| Blended asphalt sales volume (tons in thousands) (2) | 136 | 138 |
| Non-blended asphalt sales volume (tons in thousands) (3) | 43 | 54 |
| Blended asphalt sales price per ton (2) | $ 572.54 | $ 506.55 |
| Non-blended asphalt sales price per ton (3) | 341.49 | 302.57 |
| Asphalt margin per ton (4) | 55.18 | 18.18 |
| Capital expenditures | $ 1,491 | $ 660 |

(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 March 31, 2012 | 2011 |
|---|---|---|
| | (dollars in thousands, except per gallon data) | |
| **STATEMENTS OF OPERATIONS DATA:** | | |
| Net sales (1) | $ 368,467 | $ 316,184 |
| Operating costs and expenses: | | |
| Cost of sales (2) | 343,863 | 283,697 |
| Selling, general and administrative expenses | 27,168 | 24,999 |
| Depreciation and amortization | 3,074 | 3,277 |
| Total operating costs and expenses | 374,105 | 311,973 |
| Gain on disposition of assets | 131 | 12 |
| Operating income (loss) | $ (5,507) | $ 4,223 |
| **KEY OPERATING STATISTICS:** | | |
| Branded fuel sales (thousands of gallons) (3) | 93,490 | 85,570 |
| Branded fuel margin (cents per gallon) (3) | (5.3) | 3.7 |
| Number of stores (end of period) (4) | 300 | 304 |
| Retail fuel sales (thousands of gallons) | 41,329 | 36,655 |
| Retail fuel sales (thousands of gallons per site per month) (4) | 48 | 42 |
| Retail fuel margin (cents per gallon) (5) | 10.8 | 14.6 |
| Retail fuel sales price (dollars per gallon) (6) | $ 3.46 | $ 3.19 |
| Merchandise sales | $ 73,482 | $ 68,001 |
| Merchandise sales (per site per month) (4) | $ 81 | $ 75 |
| Merchandise margin (7) | 32.1% | 33.1% |
| Capital expenditures | $ 5,409 | $ 1,345 |

(1) Includes excise taxes on sales by the retail and branded marketing segment of $16,124 and $14,218 for the three months ended March 31, 2012 and 2011, respectively. Net sales also includes net royalty and related net credit card fees of $1,474 and $1,419 for the three months ended March 31, 2012 and 2011, 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) At March 31, 2012 we had 300 retail convenience stores of which 287 sold fuel. At March 31, 2011 we had 304 retail convenience stores of which 292 sold fuel.

(5) 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.

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

(7) 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 March 31, 2012 Compared to the Three Months Ended March 31, 2011***

*Net Sales*

*Consolidated*. Net sales for the three months ended March 31, 2012 were $1,792.1 million, compared to $1,651.1 million for the three months ended March 31, 2011, an increase of $141.0 million. This increase was primarily due to higher refined product prices and increased sales volumes in our retail and branded marketing segment.

*Refining and Unbranded Marketing Segment*. Net sales for our refining and unbranded marketing segment were $1,642.4 million for the three months ended March 31, 2012, compared to $1,499.0 million for the three months ended March 31, 2011, an increase of $143.4 million. The increase was due to higher refined product prices.

Combined refinery throughput for the three months ended March 31, 2012, averaged 135,190 bpd, consisting of 69,512 bpd at the Big Spring refinery and 65,678 bpd at the Krotz Springs refinery, compared to 135,638 bpd for the three months ended March 31, 2011, consisting of 62,181 bpd at the Big Spring refinery and 73,457 bpd at the Krotz Springs refinery. The California refineries were not in operation for the first quarter of 2012 and 2011.

The average per gallon price of Gulf Coast gasoline for the three months ended March 31, 2012 increased $0.38, or 14.6%, to $2.98, compared to $2.60 for the three months ended March 31, 2011. The average per gallon price of Gulf Coast ultra low-sulfur diesel for the three months ended March 31, 2012 increased $0.33, or 11.7%, to $3.16, compared to $2.83 for the three months ended March 31, 2011. The average per gallon price for Gulf Coast high-sulfur diesel for the three months ended March 31, 2012, increased $0.36, or 13.0%, to $3.12, compared to $2.76 for the three months ended March 31, 2011.

*Asphalt Segment.* Net sales for our asphalt segment were $92.5 million for the three months ended March 31, 2012, compared to $86.2 million for the three months ended March 31, 2011, an increase of $6.3 million or 7.3%. The increase was due primarily to higher asphalt sales prices. The average blended asphalt sales price increased 13.0% from $506.55 per ton for the three months ended March 31, 2011, to $572.54 per ton for the three months ended March 31, 2012 and the average non-blended asphalt sales price increased 12.9% from $302.57 per ton for the three months ended March 31, 2011, to $341.49 per ton for the three months ended March 31, 2012.

*Retail and Branded Marketing Segment.* Net sales for our retail and branded marketing segment were $368.5 million for the three months ended March 31, 2012, compared to $316.2 million for the three months ended March 31, 2011, an increase of $52.3 million or 16.5%. 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 $1,618.7 million for the three months ended March 31, 2012, compared to $1,461.1 million for the three months ended March 31, 2011, an increase of $157.6 million, or 10.8%. This increase was primarily due to higher crude oil prices and increased sales volumes in our retail and branded marketing segment.

*Refining and Unbranded Marketing Segment.* Cost of sales for our refining and unbranded marketing segment were $1,503.4 million for the three months ended March 31, 2012, compared to $1,345.0 million for the three months ended March 31, 2011, an increase of $158.4 million, or 11.8%. This increase was primarily due to an increase in the cost of crude oil used by our refineries. The average price of WTI increased 9.4% from $94.13 per barrel for the three months ended March 31, 2011, to $103.00 per barrel for the three months ended March 31, 2012. The average price of LLS crude increased 14.4% from $98.37 per barrel for the three months ended March 31, 2011, to $112.51 per barrel for the three months ended March 31, 2012.

*Asphalt Segment*. Cost of sales for our asphalt segment were $82.7 million for the three months ended March 31, 2012, compared to $82.8 million for the three months ended March 31, 2011, a decrease of $0.1 million or 0.1%.

*Retail and Branded Marketing Segment.* Cost of sales for our retail and branded marketing segment were $343.9 million for the three months ended March 31, 2012, compared to $283.7 million for the three months ended March 31, 2011, an increase of $60.2 million or 21.2%. 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 $72.2 million for the three months ended March 31, 2012, compared to $56.9 million for the three months ended March 31, 2011, an increase of $15.3 million or 26.9%.

*Refining and Unbranded Marketing Segment.* Direct operating expenses for our refining and unbranded marketing segment for the three months ended March 31, 2012 were $63.2 million, compared to $46.9 million for the three months ended March 31, 2011, an increase of $16.3 million or 34.8%. This increase is due primarily to the fact that the Bakersfield facility was not operational until July 2011.

*Asphalt Segment.* Direct operating expenses for our asphalt segment for the three months ended March 31, 2012, were $9.0 million, compared to $10.0 million for the three months ended March 31, 2011, a decrease of $1.0 million or 10.0%. The decrease is primarily due to lower natural gas costs.

*Selling, General and Administrative Expenses*

*Consolidated*. SG&A expenses for the three months ended March 31, 2012 were $35.1 million, compared to $34.3 million for the three months ended March 31, 2011, an increase of $0.8 million or 2.3%.

*Refining and Unbranded Marketing Segment*. SG&A expenses for our refining and unbranded marketing segment for the three months ended March 31, 2012 were $6.9 million, compared to $7.7 million for the three months ended March 31, 2011, a decrease of $0.8 million or 10.4%. The decrease was primarily due to lower employee related costs in the three months ended March 31, 2012.

*Asphalt Segment*. SG&A expenses for our asphalt segment for the three months ended March 31, 2012, were $0.9 million, compared to $1.4 million for the three months ended March 31, 2011, a decrease of $0.5 million or 35.7%. This decrease is due primarily to lower employee related costs.

*Retail and Branded Marketing Segment*. SG&A expenses for our retail and branded marketing segment for the three months ended March 31, 2012 were $27.2 million, compared to $25.0 million for the three months ended March 31, 2011, an increase of $2.2 million or 8.8%. The increase was primarily attributable to higher employee related costs and higher credit card processing charges.

*Depreciation and Amortization*

Depreciation and amortization for the three months ended March 31, 2012 was $30.7 million, compared to $25.4 million for the three months ended March 31, 2011, an increase of $5.3 million or 20.9%. The increase is due primarily to capital expenditures related to the integration of the Bakersfield refining assets which began operations in June 2011.

*Operating Income (Loss)*

*Consolidated*. Operating income (loss) for the three months ended March 31, 2012 was $(9.8) million, compared to $73.3 million for the three months ended March 31, 2011, a decrease of $83.1 million. This decrease was primarily due to lower refinery margins, unrealized losses on commodity swaps, higher refining and unbranded marketing direct operating costs, lower retail fuel margins, decreased merchandise margins and higher depreciation and amortization.

*Refining and Unbranded Marketing Segment.* Operating income (loss) for our refining and unbranded marketing segment was $(2.1) million for the three months ended March 31, 2012, compared to $79.3 million for the three months ended March 31, 2011, a decrease of $81.4 million. This decrease was primarily due to lower refining margins, unrealized losses on commodity swaps, higher direct operating costs and higher depreciation and amortization.

Refinery operating margin at the Big Spring refinery was $17.05 per barrel for the three months ended March 31, 2012, compared to $19.50 per barrel for the three months ended March 31, 2011. This decrease in operating margin is mainly due to a $1.41 per barrel impact on realized hedging losses and an $0.85 per barrel impact from lower by-product pricing. Additionally, mid-continent product pricing impacted margins. The average Gulf Coast 3/2/1 crack spread increased 37.0% to $24.78 per barrel for the three months ended March 31, 2012, compared to $18.09 per barrel for the three months ended March 31, 2011. The Krotz Springs refinery operating margin for the three months ended March 31, 2012, was $4.90 per barrel, compared to $5.06 per barrel for the three months ended March 31, 2011. This decrease in operating margin is due to a $0.92 per barrel impact on realized hedging losses and a $1.10 per barrel impact from lower by-product pricing. Additionally, light product yields were lower in the first quarter of 2012 compared to the same period in 2011 as a result of unplanned outages in the FCC Unit and the FCC Gasoline Treater. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the three months ended March 31, 2012 was $12.46 per barrel, compared to $9.03 per barrel for the three months ended March 31, 2011.

The decreases in refining margins at our Big Spring refinery were affected by a narrowing in the sweet/sour differential. The sweet/sour differential decreased 11.7% to $3.62 per barrel for the three months ended March 31, 2012, compared to $4.10 per barrel for the three months ended March 31, 2011.

*Asphalt Segment.* Operating loss for our asphalt segment was $1.4 million for the three months ended March 31, 2012, compared to $9.6 million for the three months ended March 31, 2011, a decrease in loss of $8.2 million or 85.4%. The decrease in loss was primarily due to an increase in asphalt sales prices and also non-cash inventory items.

*Retail and Branded Marketing Segment.* Operating income (loss) for our retail and branded marketing segment was $(5.5) million for the three months ended March 31, 2012, compared to $4.2 million for the three months ended March 31, 2011, a decrease of $9.7 million. This decrease was primarily due to lower fuel and merchandise margins.

*Interest Expense*

Interest expense was $31.0 million for the three months ended March 31, 2012, compared to $20.4 million for the three months ended March 31, 2011, an increase of $10.6 million, or 52.0%. The increase is primarily due to a charge of $9.6 million for the write-off of unamortized original issuance discount associated with our repayment of the Alon Brands Term Loans.

*Income Tax Expense (Benefit)*

Income tax expense (benefit) was $(17.8) million for the three months ended March 31, 2012, compared to $7.5 million for the three months ended March 31, 2011. The decrease resulted from our lower pre-tax income for the three months ended March 31, 2012, compared to the three months ended March 31, 2011. Our effective tax rate was 36.3% for the three months ended March 31, 2012, compared to an effective tax rate of 36.1% for the three months ended March 31, 2011.

*Net Income (Loss) Attributable to Non-controlling Interest*

Net income (loss) attributable to non-controlling interest was $(1.7) million for the three months ended March 31, 2012, compared to $0.2 million for the three months ended March 31, 2011, a decrease of $1.9 million primarily due to its proportional share of the lower income for the three months ended March 31, 2012.

*Net Income (Loss) Available to Common Stockholders*

Net income (loss) available to common stockholders was $(29.4) million for the three months ended March 31, 2012, compared to $13.1 million for the three months ended March 31, 2011, a decrease of $42.5 million. This decrease 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, inventory supply and offtake agreements, other credit lines and advances from affiliates.

We have agreements with J. Aron for the supply of crude oil that will support the operations of the Big Spring refinery, the Krotz Springs refinery and the California refineries. These agreements substantially reduce our need to issue letters of credit to support crude oil purchases. In addition, the structure allows us to acquire crude oil without the constraints of a maximum facility size during periods of high crude oil prices.

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.

*Cash Flows*

The following table sets forth our consolidated cash flows for the three months ended March 31, 2012, and 2011:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2012 | 2011 |
| | (dollars in thousands) | |
| Cash provided by (used in): | | |
| Operating activities | $ 30,873 | $ 24,381 |
| Investing activities | (16,651) | (25,022) |
| Financing activities | (120,999) | 48,399 |
| Net increase (decrease) in cash and cash equivalents | $ (106,777) | $ 47,758 |

*Cash Flows Provided by Operating Activities*

Net cash provided by operating activities during the three months ended March 31, 2012, was $30.9 million, compared to $24.4 million during the three months ended March 31, 2011. The change in cash provided by operating activities of $6.5 million is primarily attributable to a net increase in operating assets and liabilities of $16.1 million partially offset by the decrease of approximately $9.6 million in net income, adjusted for non-cash adjustments.

*Cash Flows Used In Investing Activities*

Net cash used in investing activities was $16.7 million during the three months ended March 31, 2012, compared to $25.0 million during the three months ended March 31, 2011. The change in net cash used in investing activities of $8.3 million was principally due to a decrease in capital expenditures of $8.6 million.

*Cash Flows Provided by (Used In) Financing Activities*

Net cash provided by (used in) financing activities was $(121.0) million during the three months ended March 31, 2012, compared to $48.4 million during the three months ended March 31, 2011. The net change in cash used in financing activities of $169.4 million is primarily attributable to payments on debt of $116.2 million for the three months ended March 31, 2012 compared to increased net borrowings on long-term debt of $41.5 million and proceeds from issuance of common stock of $10.1 million for the three months ended March 31, 2011.

*Indebtedness*

*Alon USA, LP Credit Facility.* We have a $240 million revolving credit facility (the "Alon USA LP Credit Facility") that will mature on March 1, 2016. The Alon USA LP 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 Alon USA LP Credit Facility bear interest at the Eurodollar rate plus 3.50% per annum subject to an overall minimum interest rate of 4.00%.

The Alon USA LP Credit Facility is secured by (i) a first lien on cash, accounts receivables, inventories and related assets of Alon USA LP and (ii) a second lien on fixed assets, including the Big Spring refinery and certain asphalt terminals.

The Alon USA LP Credit Facility contains certain restrictive covenants including maintenance financial covenants.

Borrowings of $195 million and $200 million were outstanding under the Alon USA LP Credit Facility at March 31, 2012 and December 31, 2011, respectively. At March 31, 2012 and December 31, 2011, outstanding letters of credit under the Alon USA LP Credit Facility were $20.9 million and $35.5 million, respectively.

*Paramount Petroleum Revolving Credit Facility.* In February 2012, we repaid in full all of our obligations under the Paramount Credit Facility.

*Alon Brands Term Loans.* In March 2011, Alon Brands issued $30 million five-year unsecured notes (the "Alon Brands Term Loans") to a group of investors including certain shareholders of Alon Israel and their affiliates. In conjunction with the issuance of the Alon Brands Term Loans, 3,092,783 warrants were issued to purchase shares of our common stock. In March 2012, we issued $30 million of 8.5% Series B Convertible Preferred Stock and repaid in full our obligations under the Alon Brands Term Loans. Also as part of the transaction, the warrants issued in conjunction with the Alon Brands Term Loans were surrendered to us. As the Alon Brands Term Loans were originally issued at a discount, the remaining $9.6 million of unamortized original issuance discount was charged to interest expense for the three months ended March 31, 2012.

*Financial Covenants.* We have certain credit facilities that contain restrictive covenants, including maintenance financial covenants. At March 31, 2012, we were in compliance with these maintenance financial 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 2012 is $102.3 million, of which $42.6 million is related to sustaining and regulatory compliance projects and $16.1 million is related to turnaround and chemical catalyst. Approximately $16.7 million has been spent during the three months ended March 31, 2012.

**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, 2011.

**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, 2011. 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, 2011.

**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 March 31, 2012, we held approximately 2.1 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 $84.9 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 $2.1 million.

In accordance with fair value provisions of ASC 825-10, all commodity contracts are recorded at fair value and any changes in fair value between periods is recorded in the profit and loss section or accumulated other comprehensive income 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.

The following table provides information about our derivative commodity instruments as of March 31, 2012:

| 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) | 569,659 | 115.26 | — | $ 65,658 | $ 64,226 | $ (1,432) |
| Forwards-long (Gasoline) | 229,407 | 139.06 | — | 31,902 | 32,358 | 456 |
| Forwards-short (Gasoline) | (217,963) | — | 136.09 | (29,664) | (29,017) | 647 |
| Forwards-long (Distillate) | 166,945 | 139.89 | — | 23,354 | 23,111 | (243) |
| Forwards-long (Jet) | 72,616 | 138.03 | — | 10,023 | 9,951 | (72) |
| Forwards-long (Slurry) | 81,403 | 105.62 | — | 8,598 | 8,501 | (97) |
| Forwards-short (Slurry) | (738) | — | 110.62 | (82) | (81) | 1 |
| Forwards-long (Catfeed) | 131,944 | 134.53 | — | 17,750 | 17,876 | 126 |
| Forwards-short (Slop) | (24,887) | — | 97.12 | (2,417) | (2,338) | 79 |
| Forwards-long (Propane) | 88 | 81.21 | — | 7 | 7 | — |
| Forwards-short (Propane) | (996) | — | 50.24 | (50) | (49) | 1 |
| Forwards-short (Asphalt) | (93,443) | — | 77.46 | (7,238) | (7,168) | 70 |
| Futures-short (Crude) | (1,008,000) | — | 105.59 | (106,433) | (103,628) | 2,805 |
| Futures-short (Gasoline) | (290,000) | — | 139.72 | (40,520) | (40,293) | 227 |
| Futures-short (Distillate) | (320,000) | — | 136.02 | (43,526) | (42,606) | 920 |

| Description of Activity | Contract Volume | Wtd Avg Contract Spread | Wtd Avg Market Spread | Contract Value | Market Value | Gain (Loss) |
|---|---|---|---|---|---|---|
| | | | | (in thousands) | | |
| Futures-swaps | (9,724,400) | 22.07 | 27.65 | $ (214,646) | $ (268,857) | $ (54,211) |
| Futures-call options | (500,500) | 13.70 | 29.86 | (6,856) | (14,943) | (8,087) |

**Interest Rate Risk**

As of March 31, 2012, $603.9 million of our outstanding debt was at floating interest rates out of which approximately $195.0 million was at the Eurodollar rate plus 3.50%, subject to a minimum interest rate of 4.00%. As of March 31, 2012, we had an interest rate swap agreement with a notional amount of $100.0 million with a remaining period of 9 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 2012 and the instrument subject to the minimum interest rate, would result in an increase in our interest expense of approximately $5.5 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 | Second Amended and Restated Certificate of Incorporation of Alon USA Energy, Inc. |
| 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/A, filed by the Company on June 17, 2005, SEC File No. 333-124797). |
| 4.2 | 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). |
| 4.3 | 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). |
| 4.4 | 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 Alon on November 9, 2010, SEC File No. 001-32567). |
| 4.5 | Form of Certificate of Designation of the 8.50% Series B Convertible Preferred Stock (incorporated by reference to Exhibit 4.5 to Form 10-K, filed by the Company on March 13, 2012, SEC File No. 001-32567). |
| 10.1 | First Amendment to Amended and Restated Credit Agreement, dated as of April 20, 2012 among Southwest Convenience Stores, LLC, Skinny's LLC, the lender party thereto and Wells Fargo Bank, National Association. |
| 10.2 | Alon USA Energy, Inc. Second Amended and Restated Incentive Compensation Plan. |
| 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 March 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements. |

**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: May 8, 2012 | By: /s/ David Wiessman<br>David Wiessman<br>Executive Chairman |
| Date: May 8, 2012 | By: /s/ Paul Eisman<br>Paul Eisman<br>Chief Executive Officer |
| Date: May 8, 2012 | By: /s/ Shai Even<br>Shai Even<br>Chief Financial Officer |

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| 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 March 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements. |

**SECOND AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**
**OF ALON USA ENERGY, INC.**

Alon USA Energy, Inc. (the ***"Company"***), a corporation organized and existing under the General Corporation Law of the State of Delaware (the ***"DGCL"***), hereby certifies as follows:

1. The Company was originally incorporated on July 20, 2000 under the name Alon USA Energy, Inc., pursuant to the DGCL. The Company filed an Amended and Restated Certificate of Incorporation on July 6, 2005.
2. Pursuant to Sections 242 and 245 of the DGCL, this Second Amended and Restated Certificate of Incorporation restates, integrates and further amends the provisions of the Amended and Restated Certificate of Incorporation of the Company.
3. Pursuant to Sections 242 and 245 of the DGCL, this Second Amended and Restated Certificate of Incorporation has been duly approved by the board of directors and stockholders of the Company.
4. The Second Amended and Restated Certificate of Incorporation of the Company is hereby amended and restated to read in its entirety as follows:

**ARTICLE I**

The name of the corporation is Alon USA Energy, Inc. (the ***"Company"***).

**ARTICLE II**

The address of the Company's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of the Company's registered agent at such address is The Corporation Trust Company.

**ARTICLE III**

The purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware, as amended (the "***DGCL"***).

**ARTICLE IV**

Section 1. Authorized Capital Stock. The Company is authorized to issue two classes of capital stock, designated Common Stock and Preferred Stock. The total number of shares of capital stock that the Company is authorized to issue is 165,000,000 shares, consisting of 150,000,000 shares of Common Stock, par value $0.01 per share, and 15,000,000 shares of Preferred Stock, par value $0.01 per share.

Section 2. Preferred Stock. The Preferred Stock may be issued in one or more series. The Board of Directors of the Company (the ***"Board"***) is hereby authorized to issue the shares of Preferred Stock in such series and to fix from time to time before issuance the number of shares to be included in any such series and the designation, relative powers, preferences, rights and qualifications, limitations or restrictions of such series. The authority of the Board with respect to each such series will include, without limiting the generality of the foregoing, the determination of any or all of the following:

(a) the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;

(b) the voting powers, if any, and whether such voting powers are full or limited in such series;

(c) the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;

(d) whether dividends, if any, will be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;

(e) the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Company;

(f) the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock, or any other security, of the Company or any other corporation or other entity, and the rates or other determinants of conversion or exchange applicable thereto;

(g) the right, if any, to subscribe for or to purchase any securities of the Company or any other corporation or other entity;

(h) the provisions, if any, of a sinking fund applicable to such series; and

(i) any other relative, participating, optional, or other special powers, preferences or rights and qualifications, limitations, or restrictions thereof;

all as may be determined from time to time by the Board and stated or expressed in the resolution or resolutions providing for the issuance of such Preferred Stock (collectively, a "***Preferred Stock Designation***").

Section 3. Common Stock. Subject to the rights of the holders of any series of Preferred Stock, the holders of Common Stock will be entitled to one vote on each matter submitted to a vote at a meeting of stockholders for each share of Common Stock held of record by such holder as of the record date for such meeting.

**ARTICLE V**

The Board may make, amend, and repeal the Bylaws of the Company. Any Bylaw made by the Board under the powers conferred hereby may be amended or repealed by the Board (except as specified in any such Bylaw so made or amended) or by the stockholders in the manner provided in the Bylaws of the Company. Notwithstanding the foregoing and anything contained in this Certificate of Incorporation or the Bylaws to the contrary, Bylaws 1, 3, 8, 10, 11, 12, 13, and 37 may not be amended or repealed by the stockholders, and no provision inconsistent therewith may be adopted by the stockholders, without the affirmative vote of the holders of at least a majority of the voting power of the outstanding Voting Stock (as defined below), voting together as a single class. The Company may in its Bylaws confer powers upon the Board in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board by applicable law. For the purposes of this Certificate of Incorporation, "***Voting Stock***" means stock of the Company of any class or series entitled to vote generally in the election of Directors. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least a majority of the Voting Stock, voting together as a single class, is required to amend or repeal, or to adopt any provision inconsistent with, this Article V.

**ARTICLE VI**

Subject to the rights of the holders of any series of Preferred Stock:

(a) any action required or permitted to be taken by the stockholders of the Company must be effected at a duly called annual or special meeting of stockholders of the Company and may not be effected by any consent in writing of such stockholders; and

(b) special meetings of stockholders of the Company may be called only (i) by the Chairman of the Board (the "***Chairman***"), (ii) by the President of the Company (the "***President***"), or (iii) by the Secretary of the Company (the "***Secretary***") within 10 calendar days after receipt of the written request of a majority of the total number of Directors that the Company would have if there were no vacancies (the "***Whole Board***").

At any annual meeting or special meeting of stockholders of the Company, only such business will be conducted or considered as has been brought before such meeting in the manner provided in the Bylaws of the Company. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least a majority of the voting power of the outstanding Voting Stock, voting together as a single class, will be required to amend or repeal, or adopt any provision inconsistent with, this Article VI.

**ARTICLE VII**

Section 1. Number, Election, and Terms of Directors. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, the number of the Directors of the Company will not be less than three nor more than 12 and will be fixed from time to time in the manner provided in the Bylaws of the Company. The Directors shall be elected at each annual meeting of the stockholders of the Company by plurality vote of all votes cast at such meeting to hold office for a term expiring at the next annual meeting of stockholders. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock

Designation, Directors may be elected by the stockholders only at an annual meeting of stockholders. Election of Directors of the Company need not be by written ballot unless requested by the Chairman or by the holders of a majority of the Voting Stock present in person or represented by proxy at a meeting of the stockholders at which Directors are to be elected. If authorized by the Board, such requirement of a written ballot shall be satisfied by a ballot submitted by electronic transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder or proxy holder.

Section 2. Nomination of Director Candidates. Advance notice of stockholder nominations for the election of Directors must be given in the manner provided in the Bylaws of the Company.

Section 3. Newly Created Directorships and Vacancies. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause will be filled solely by the affirmative vote of a majority of the Directors then in office, even though less than a quorum of the Board, or by a sole remaining Director. Any Director elected in accordance with the preceding sentence will hold office until the next annual meeting of stockholders and until such Director's successor has been elected and qualified. No decrease in the number of Directors constituting the Board may shorten the term of any incumbent Director.

Section 4. Removal. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, stockholders may remove any Director from office only for cause and only in the manner provided in this Article VII, Section 4. At any annual meeting or special meeting of the stockholders, the notice of which states that the removal of a Director or Directors is among the purposes of the meeting, the affirmative vote of the holders of at least a majority of the voting power of the outstanding Voting Stock, voting together as a single class, may remove such Director or Directors for cause.

Section 5. Amendment, Repeal, Etc. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least a majority of the voting power of the outstanding Voting Stock, voting together as a single class, is required to amend or repeal, or adopt any provision inconsistent with, this Article VII.

## ARTICLE VIII

To the full extent permitted by the DGCL or any other applicable law currently or hereafter in effect, no Director of the Company will be personally liable to the Company or its stockholders for or with respect to any acts or omissions in the performance of his or her duties as a Director of the Company. Any repeal or modification of this Article VIII will not adversely affect any right or protection of a Director of the Company existing prior to such repeal or modification.

## ARTICLE IX

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "***Proceeding***"), by reason of the fact that he or she is or was a director or an officer of the Company or is or was serving at the request of the Company, while a director or officer of the Company, as a director, officer, employee or agent of another company or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "***Indemnitee***"), whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent permitted or required by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than such law permitted the Company to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this Article IX with respect to Proceedings to enforce rights to indemnification, the Company shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the Board of Directors of the Company.

Section 2. Right to Advancement of Expenses. The right to indemnification conferred in Section 1 of this Article IX shall include the right to be paid by the Company the expenses (including, without limitation, attorneys' fees and expenses) incurred in defending any such Proceeding in advance of its final disposition (an ***"Advancement of Expenses"***); provided, however, that, if the DGCL so requires, an Advancement of Expenses incurred by an Indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such Indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Company of an undertaking (an ***"Undertaking"***), by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a ***"Final Adjudication"***) that such Indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise. The rights to indemnification and to the Advancement of Expenses conferred in Sections 1 and 2 of this Article IX shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators.

Section 3. Right of Indemnitee to Bring Suit. If a claim under Section 1 or 2 of this Article IX is not paid in full by the Company within 60 calendar days after a written claim has been received by the Company, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be 20 calendar days, the Indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an Advancement of Expenses) it shall be a defense that, and (ii) any suit brought by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Company shall be entitled to recover such expenses upon a Final Adjudication that, the Indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Company (including its directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Company (including its directors, independent legal counsel or stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or brought by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article IX or otherwise shall be on the Company.

Section 4. Non-Exclusivity of Rights. The rights to indemnification and to the Advancement of Expenses conferred in this Article IX shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Company's Certificate of Incorporation, By-laws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5. Insurance. The Company may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 6. Indemnification of Employees and Agents of the Company. The Company may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the Advancement of Expenses to any employee or agent of the Company or to any person who serves at the request of the Company as a director, officer, employee or agent of another company or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, to the fullest extent of the provisions of this Article IX with respect to the indemnification and Advancement of Expenses of directors and officers of the Company or as otherwise permitted or required by the DGCL.

# FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

**THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT** (this "Amendment"), dated as of April 20, 2012 (the "Amendment Date"), by and among **SOUTHWEST CONVENIENCE STORES, LLC**, a Texas limited liability company ("Southwest"), **SKINNY'S, LLC**, a Texas limited liability company ("Skinny's" and, together with Southwest**,** each a "Borrower" and collectively the "Borrowers"), **GTS LICENSING COMPANY, INC.**, a Texas corporation (the "Subsidiary Guarantor"), the financial institutions party to this Amendment as lenders (collectively, the "Lenders"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as administrative agent for the Lenders (the "Administrative Agent").

R E C I T A L S:

A. The Borrowers, the Subsidiary Guarantor, the Lenders and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement dated as of December 30, 2010 (as the same may be amended, restated, modified, extended or renewed from time to time, the "Credit Agreement").

B. The Borrowers, the Subsidiary Guarantor, the Lenders and the Administrative Agent desire to amend the Credit Agreement and to address certain matters as provided herein.

NOW, THEREFORE, for good and valuable consideration hereby acknowledged, the parties hereto hereby agree as follows:

## SECTION 1. DEFINITIONS

**Section 1.1** Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Credit Agreement.

## SECTION 2. AMENDMENTS TO THE CREDIT AGREEMENT

**Section 2.1** Addition of New Defined Terms. Section 1.1 of the Credit Agreement is hereby amended to add each of the following defined terms and its related definition, each of which defined terms shall appear in alphabetical order in Section 1.1:

"First Amendment" means that certain First Amendment to Amended and Restated Credit Agreement dated as of April 20, 2012, by and among the Borrowers, GTS, the Lenders and the Administrative Agent.

"Released Properties" means each of the real properties described on **Schedule 1.1(A)** attached hereto, which real properties have been or are to be released from the Liens of the Administrative Agent created by the Mortgages in connection with the execution of the First Amendment.

**Section 2.2** No Liens on Released Properties. A new sentence is hereby added to the end of Section 11.2 of the Credit Agreement (immediately following clause (j) of Section 11.2), which sentence shall read in its entirety as follows:

Notwithstanding anything to the contrary contained in this Section 11.2, in no event shall any Credit Party create, incur, assume or permit to exist any Lien on any of the Released Properties other than Liens referred to in and permitted by Section 11.2 above.

**Section 2.3** Release of Lien on Released Properties. A new sentence is hereby added to the end of Section 14.2 of the Credit Agreement, which sentence shall read in its entirety as follows:

> Notwithstanding the foregoing, the Lenders authorize the Administrative Agent to release its Lien on each of the Released Properties (and the Administrative Agent agrees to release such Lien) in a reasonably prompt manner after the execution and delivery of the First Amendment, each of which releases shall be effectuated pursuant to a release of Lien in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

**Section 2.4** Addition of New Schedule 1.1(A). A new Schedule 1.1(A) is hereby added to the Credit Agreement, which Schedule 1.1(A) shall read in its entirety as set forth in Schedule 1.1(A) attached hereto and incorporated herein by reference.

**SECTION 3. CONDITIONS PRECEDENT**

**Section 3.1** Conditions Precedent. The effectiveness of this Amendment is subject to the satisfaction of the condition precedent that the Administrative Agent shall have received this Amendment as duly executed by all parties hereto, which parties shall include all of the Borrowers, GTS and the Lenders.

**SECTION 4. MISCELLANEOUS**

**Section 4.1** Representations and Warranties. Each of Credit Parties represents and warrants to the Administrative Agent and the Lenders that (a) no Default or Event of Default has occurred and is continuing (after giving effect to this Amendment), (b) such Credit Party has all requisite power and authority to execute and deliver this Amendment, and (c) the execution and delivery of this Amendment by such Credit Party has been duly authorized by all necessary corporate or other organizational action, and does not and will not violate or result in any breach or contravention of any Material Contract to which such Credit Party is a party or subject, any charter, by-laws or other organizational documents of such Credit Party or any Applicable Law.

**Section 4.2** Ratifications. Except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Credit Parties, the Lenders and the Administrative Agent agree that the Credit Agreement and other Loan Documents shall continue to be legal, valid, binding and enforceable in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general principles of equity, regardless of whether considered in a proceeding in equity or at law.

**Section 4.3** Reference to Credit Agreement, etc. Each of the Loan Documents, including the Credit Agreement and any and all other agreements, documents or instruments now or hereafter executed and/or delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement as amended hereby, is hereby amended so that any reference in such Loan Document to the Credit Agreement shall mean a reference to the Credit Agreement as amended hereby. This Amendment shall constitute a Loan Document.

**Section 4.4** Effect of Amendment. Each Credit Party hereby (a) agrees that this Amendment shall not limit or diminish the obligations of any Borrower, the Subsidiary Guarantor or other Credit Party under the Credit Agreement or any other Loan Document, and (b) reaffirms its obligations under the Credit Agreement and each of the other Loan Documents.

**Section 4.5** Severability. If any provision of this Amendment is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment shall not be affected or impaired thereby and (b) the parties hereto shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**Section 4.6** **Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF ANOTHER LAW (BUT GIVING EFFECT TO FEDERAL LAWS RELATING TO NATIONAL BANKS).**

**Section 4.7** Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Credit Parties, the Lenders and the Administrative Agent and their respective successors and permitted assigns, provided that none of Credit Parties may assign or transfer any of its rights or delegate any of its duties or obligations hereunder without the prior written consent of the Administrative Agent and the Required Lenders.

**Section 4.8** Counterparts; Electronic Signatures. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Executed counterparts of a signature page to this Amendment may be delivered by facsimile or electronic messaging system, and if so delivered shall have the same force and effect as manually signed originals for all purposes.

**Section 4.9** Headings. The headings, captions and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

**Section 4.10** **Entire Agreement. THIS AMENDMENT, THE CREDIT AGREEMENT AND ALL OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENTS BETWEEN OR AMONG THE PARTIES HERETO AND THERETO RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO OR THERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN OR AMONG ANY OF THE PARTIES HERETO OR THERETO.**

**Section 4.11** Costs and Expenses. The Borrowers agree to pay all reasonable out of pocket costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment and the releases of the Liens affecting the Released Properties, including without limitation the reasonable fees and expenses of counsel to the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

**THE BORROWERS**:

**SOUTHWEST CONVENIENCE STORES, LLC**,
as a Borrower and a Credit Party

By: /s/ Michael Oster
Name: Michael Oster
Title: Vice President

**SKINNY'S, LLC**, as a Borrower and a Credit Party

By: /s/ Michael Oster
Name: Michael Oster
Title: Vice President

**THE SUBSIDIARY GUARANTOR:**

**GTS LICENSING COMPANY, INC.**, as a Subsidiary Guarantor and a Credit Party

By: /s/ Michael Oster
Name: Michael Oster
Title: Vice President

**THE ADMINISTRATIVE AGENT**
**AND THE LENDERS**:

**WELLS FARGO BANK, NATIONAL ASSOCIATION,** as Administrative Agent and a Lender

By: /s/ W.R. Birdwell
Name: W.R. Birdwell
Title: Senior Vice President

**BANK LEUMI USA,** as a Lender

By: /s/ Dr. Avram Keusch
Name: Dr. Avram Keusch
Title: First Vice President

By: /s/ Sivan Maseng
Name: Sivan Maseng
Title: Assistant Vice President

**ALON USA ENERGY, INC.**
**SECOND AMENDED AND RESTATED**
**2005 INCENTIVE COMPENSATION PLAN**

**ALON USA ENERGY, INC.**
**SECOND AMENDED AND RESTATED**
**2005 INCENTIVE COMPENSATION PLAN**

Alon USA Energy, Inc., a Delaware corporation (the "Company"), establishes the Alon USA Energy, Inc. Second Amended and Restated 2005 Incentive Compensation Plan (the "Plan").

1. **Purpose**. The Plan amends and restates the Amended and Restated Alon USA Energy, Inc. 2005 Incentive Compensation Plan (the "Prior Plan"). The purpose of the Plan is to recruit and retain highly qualified directors, executive officers and selected employees, and to provide them incentives to put forth maximum efforts for the success of the Company's business, in order to serve the best interests of the Company and its stockholders.

2. **Term**. The Prior Plan was approved at the Company's 2010 annual meeting of the stockholders. The amendments affected by this Plan were approved by the Board on March 5, 2012 and will become effective, subject to approval by the stockholders of the Company, on the date of such stockholder approval. The Plan will expire on the tenth anniversary of the date on which it is approved by the stockholders of the Company. No further Awards will be made under the Plan on or after such tenth anniversary. Awards that are outstanding on the date the Plan terminates will remain in effect according to their terms and the provisions of the Plan.

3. **Definitions**. The following terms, when used in the Plan with initial capital letters, will have the following meanings:

   (a) **Appreciation Right** means a right granted pursuant to Section 7.

   (b) **Award** means the award of a Senior Executive Plan Bonus; the grant of Appreciation Rights, Stock Options, Performance Shares, Performance Units or Restricted Stock Units; or the grant or sale of Restricted Shares.

   (c) **Board** means the Board of Directors of the Company.

   (d) **Code** means the Internal Revenue Code of 1986, as in effect from time to time.

   (e) **Committee** means:

      (i) with respect to any matter arising under the Plan that relates to a Participant who is subject to Section 16 of the Exchange Act, the Incentive Compensation Plan Committee appointed by the Board, which committee at all times will consist of two or more members of the Board, all of whom are intended (A) to meet all applicable independence requirements of the New York Stock Exchange or the principal national securities exchange or principal market on or in which the Common Stock is traded and (B) to qualify as "non-employee directors" as defined in Rule 16b-3 and as "outside directors" as defined in regulations adopted under Section 162(m) of the Code, as such terms may be amended from time to time, provided, however, that the failure of a member of the Committee to so qualify will not invalidate any Award granted to such Participant under the Plan;

(ii) with respect to any matter arising under the Plan that relates to any other Participant, the Compensation Committee of the Board; and

(iii) to the extent the administration of the Plan has been assumed by the Board pursuant to Section 17, the Board.

(f) **Common Stock** means the common stock, par value $.01 per share, of the Company or any security into which such Common Stock may be changed by reason of any transaction or event of the type described in Section 14.

(g) **Date of Grant** means the date specified by the Committee on which an Award will become effective.

(h) **Deferral Period** means the period of time during which Restricted Stock Units are subject to deferral limitations under Section 9.

(i) **Eligible Director** means a member of the Board or, if designated by the Board, any member of the board of directors or board of managers of a Subsidiary who is not (i) an employee of the Company or any Subsidiary or (ii) an officer, director or employee of (A) Alon Israel Oil Company or any of its affiliates other than the Company or any Subsidiary; (B) Africa Israel Investments Ltd. or any of its affiliates; (C) Bielsol Investments (1987) Ltd. or any of its affiliates; or (D) Kibbutz Movement or any of its affiliates.

(j) **Evidence of Award** means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee which sets forth the terms and conditions of an Award. An Evidence of Award may be in any electronic medium, may be limited to a notation on the books and records of the Company and need not be signed by a representative of the Company or a Participant.

(k) **Exchange Act** means the Securities Exchange Act of 1934, as amended.

(l) **Grant Price** means the price per share of Common Stock at which an Appreciation Right is granted.

(m) **Management Objectives** means the measurable performance objectives, if any, established by the Committee for a Performance Period that are to be achieved with respect to an Award. Management Objectives may be described in terms of company-wide objectives (*i.e.,* the performance of the Company and all of its Subsidiaries) or in terms of objectives that are related to the performance of the individual Participant or of the division, Subsidiary, department, region or function within the Company or a Subsidiary in which the Participant receiving the Award is employed or on which the Participant's efforts have the most influence. The achievement of the Management Objectives established by the Committee for any Performance Period will be determined without regard to any change in accounting standards by the Financial Accounting Standards Board or any successor entity.

The Management Objectives applicable to any Award to a Participant who is, or is determined by the Committee to be likely to become, a "covered employee" within the meaning of Section 162(m) of the Code (or any successor provision) will be limited to specified levels of, growth in, or performance relative to peer company performance in, one or more of the following performance measures (excluding the effect of extraordinary or nonrecurring items unless the Committee specifically includes any such extraordinary or nonrecurring item at the time such Award is granted):

(i) profitability measures;

(ii) revenue, sales and same store sales measures;

(iii) business unit performance;

(iv) leverage measures;

(v) stockholder return;

(vi) expense management;

(vii) asset and liability measures;

(viii) individual performance;

(ix) supply chain efficiency;

(x) customer satisfaction;

(xi) productivity measures;

(xii) cash flow measures;

(xiii) return measures; and

(xiv) product development and/or performance

If the Committee determines that, as a result of a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which the Company conducts its business, or any other events or circumstances, the Management Objectives are no longer suitable, the Committee may in its discretion modify such Management Objectives or the related minimum acceptable level of achievement, in whole or in part, with respect to a Performance Period as the Committee deems appropriate and equitable.

(n) **Market Value per Share** means, at any date, the closing sale price of the Common Stock on that date (or, if there are no sales on that date, the last preceding date on which there was a sale) on the principal national securities exchange or in the principal market on or in which the Common Stock is traded.

(o) **Option Price** means the purchase price per share payable on exercise of a Stock Option.

(p) **Participant** means a person who is selected by the Committee to receive an Award under the Plan and who at that time is an executive officer or other key employee of the Company or any Subsidiary, or who at that time is an Eligible Director, provided that an Eligible Director shall be a Participant only for purposes of Awards of Restricted Shares.

(q) **Performance Share** means a bookkeeping entry that records the equivalent of one share of Common Stock awarded pursuant to Section 10.

(r) **Performance Period** means, with respect to an Award, a period of time within which the Management Objectives relating to such Award are to be measured. The Performance Period for a Senior Executive Plan Bonus will be the fiscal year of the Company, and, unless otherwise expressly provided in the Plan, the Performance Period for all other Awards will be established by the Committee at the time of the Award.

(s) **Performance Unit** means a unit equivalent to $1.00 (or such other value as the Committee determines) granted pursuant to Section 10.

(t) **Restricted Shares** means shares of Common Stock granted or sold pursuant to Section 8 as to which neither the ownership restrictions nor the restrictions on transfer have expired.

(u) **Restricted Stock Units** means an Award pursuant to Section 9 of the right to receive shares of Common Stock at the end of a specified Deferral Period.

(v) **Rule 16b-3** means Rule 16b-3 under Section 16 of the Exchange Act as amended (or any successor rule to the same effect), as in effect from time to time.

(w) **Senior Executive Plan Bonus** means an Award of annual incentive compensation made pursuant to and subject to the conditions set forth in Section 11.

(x) **Senior Officer** means for purposes of Section 5(b), the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer, or any Senior Vice President of the Company.

(y) **Spread** means the excess of the Market Value per Share on the date an Appreciation Right is exercised over (i) the Option Price provided for in the Stock Option granted in tandem with the Appreciation Right or (ii) if there is no tandem Stock Option, the Grant Price provided for in the Appreciation Right, in either case multiplied by the number of shares of Common Stock in respect of which the Appreciation Right is exercised.

(z) **Stock Option** means the right to purchase shares of Common Stock upon exercise of an option granted pursuant to Section 6.

(aa) **Subsidiary** means (i) any corporation of which at least 50% of the combined voting power of the then outstanding shares of Voting Stock is owned directly or indirectly by the Company, (ii) any partnership of which at least 50% of the profits interest or capital interest is owned directly or indirectly by the Company and (iii) any other entity of which at least 50% of the total equity interest is owned directly or indirectly by the Company.

(bb) **Voting Stock** means the securities entitled to vote generally in the election of directors or persons who serve similar functions.

4. **Shares Available Under Plan**. The aggregate number of shares of Common Stock that may be (i) subject to an Award of Appreciation Rights or Stock Options or (ii) issued or transferred as Restricted Shares and released from all restrictions or in payment of Performance Shares, Performance Units, Restricted Stock Units or Senior Executive Plan Bonuses will not exceed in the aggregate 5,200,000 shares consisting of (A) 2,200,000 shares originally authorized under the Prior Plan, and (B) an additional 3,000,000 shares. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing. The number of shares of Common Stock available under this Section 4 will be subject to adjustment as provided in Section 14 and will be further adjusted to include shares that relate to Awards that expire or are forfeited. The number of shares of Common Stock available under this Section 4 will not be adjusted to include (i) any shares withheld by, or tendered to, the Company in payment of the Option Price with respect to a Stock Option or in satisfaction of the taxes required to be withheld in connection with any Award granted under the Plan or (ii) any shares subject to an Appreciation Right that are not transferred to a Participant upon exercise of the Appreciation Right.

5. **Limitations on Awards**. Awards under the Plan will be subject to the following limitations:

(a) No more than 5,200,000 shares of Common Stock, subject to adjustment as provided in Section 4, may be subject to an Award of Stock Options that are intended to qualify as incentive stock options under Section 422 of the Code.

(b) The maximum number of shares of Common Stock that:

(i) may be subject to Stock Options or Appreciation Rights granted to a Participant during any calendar year will not exceed 100,000 shares plus an additional 100,000 shares with respect to Stock Options or Appreciation Rights granted a Participant who has not previously been employed by the Company or any Subsidiary and

(ii) may be granted to a Participant during any calendar year as Performance Shares, Restricted Shares or Restricted Stock Units may not exceed 50,000 shares plus an additional 50,000 shares with respect to Performance Shares, Restricted Shares or Restricted Stock Units granted a Participant who has not previously been employed by the Company or any Subsidiary; provided however, that, upon prior approval of the Board, a Senior Officers of the Company may, in addition to any other grants to such individual pursuant to the Plan, receive a one-time grant of up to 500,000 shares with respect to Performance Shares, Restricted Shares or Restricted Stock Units.

The limitations set forth in this Section 5(b) will apply without regard to whether the applicable Award is settled in cash or in shares of Common Stock.

(c) The maximum aggregate cash value of payments to any Participant for any Performance Period pursuant to an award of Performance Units will not exceed $1 million.

(d) The payment of a Senior Executive Plan Bonus to any Participant will not exceed $1 million.

6. **Stock Options**. The Committee may from time to time authorize grants of options to any Participant to purchase shares of Common Stock upon such terms and conditions as it may determine in accordance with this Section 6. Each Participant who is a key employee of the Company or any Subsidiary will be eligible to receive a grant of Stock Options that are intended to qualify as incentive stock options within the meaning of Section 422 of the Code. Each grant of Stock Options may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number of shares of Common Stock to which it relates.

(b) Each grant will specify the Option Price, which will not be less than 100% of the Market Value per Share on the Date of Grant.

(c) Each grant will specify whether the Option Price will be payable (i) in cash or by check acceptable to the Company, (ii) by the actual or constructive transfer to the Company of shares of Common Stock owned by the Participant for at least six months (or, with the consent of the Committee, for less than six months) having an aggregate Market Value per Share at the date of exercise equal to the aggregate Option Price, (iii) with the consent of the Committee, by authorizing the Company to withhold a number of shares of Common Stock otherwise issuable to the Participant having an aggregate Market Value per Share on the date of exercise equal to the aggregate Option Price or (iv) by a combination of such methods of payment; provided, however, that the payment methods described in clauses (ii) and (iii) will not be available at any time that the Company is prohibited from purchasing or acquiring such shares of Common Stock.

(d) To the extent permitted by law, any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker of some or all of the shares to which such exercise relates.

(e) Successive grants may be made to the same Participant whether or not any Stock Options or other Awards previously granted to such Participant remain unexercised or outstanding.

(f) Each grant will specify the required period or periods of continuous service by the Participant with the Company or any Subsidiary that are necessary before the Stock Options or installments thereof will become exercisable.

(g) Any grant may specify the Management Objectives that must be achieved as a condition to the exercise of the Stock Options.

(h) Any grant may provide for the earlier exercise of the Stock Options in the event of a change in control or other similar transaction or event.

(i) Stock Options may be (i) options which are intended to qualify under particular provisions of the Code, (ii) options which are not intended to so qualify or (iii) combinations of the foregoing.

(j) On or after the Date of Grant, the Committee may provide for the payment to the Participant of dividend equivalents thereon in cash or Common Stock on a current, deferred or contingent basis.

(k) The Committee will have the right to substitute Appreciation Rights for outstanding Options granted to one or more Participants, provided the terms and the economic benefit of the substituted Appreciation Rights are at least equivalent to the terms and economic benefit of such Options, as determined by the Committee in its discretion.

(l) Any grant may provide for the effect on the Stock Options or any shares of Common Stock issued, or other payment made, with respect to the Stock Options of any conduct of the Participant determined by the Committee to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary.

(m) Each grant will be evidenced by an Evidence of Award, which may contain such terms and provisions, consistent with the Plan, as the Committee may approve, including without limitation provisions relating to the Participant's termination of employment or other termination of service by reason of retirement, death, disability or otherwise.

7. **Appreciation Rights**. The Committee may also from time to time authorize grants to any Participant of Appreciation Rights upon such terms and conditions as it may determine in accordance with this Section 7. Appreciation Rights may be granted in tandem with Stock Options or separate and apart from a grant of Stock Options. An Appreciation Right will be a right of the Participant to receive from the Company upon exercise an amount which will be determined by the Committee at the Date of Grant and will be expressed as a percentage of the Spread (not exceeding 100%) at the time of exercise. An Appreciation Right granted in tandem with a Stock Option may be exercised only by surrender of the related Stock Option. Each grant of an Appreciation Right may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will state whether it is made in tandem with Stock Options and, if not made in tandem with any Stock Options, will specify the number of shares of Common Stock in respect of which it is made.

(b) Each grant made in tandem with Stock Options will specify the Option Price and each grant not made in tandem with Stock Options will specify the Grant Price, which in either case will not be less than 100% of the Market Value per Share on the Date of Grant.

(c) Any grant may provide that the amount payable on exercise of an Appreciation Right may be paid (i) in cash, (ii) in shares of Common Stock having an aggregate Market Value per Share equal to the Spread (or the designated percentage of the Spread) or (iii) in a combination thereof, as determined by the Committee in its discretion.

(d) Any grant may specify that the amount payable to the Participant on exercise of an Appreciation Right may not exceed a maximum amount specified by the Committee at the Date of Grant.

(e) Successive grants may be made to the same Participant whether or not any Appreciation Rights or other Awards previously granted to such Participant remain unexercised or outstanding.

(f) Each grant will specify the required period or periods of continuous service by the Participant with the Company or any Subsidiary that are necessary before the Appreciation Rights or installments thereof will become exercisable, and will provide that no Appreciation Rights may be exercised except at a time when the Spread is positive and, with respect to any grant made in tandem with Stock Options, when the related Stock Options are also exercisable.

(g) Any grant may specify the Management Objectives that must be achieved as a condition to the exercise of the Appreciation Rights.

(h) Any grant may provide for the earlier exercise of the Appreciation Rights in the event of a change in control or other similar transaction or event.

(i) On or after the Date of Grant, the Committee may provide for the payment to the Participant of dividend equivalents thereon in cash or Common Stock on a current, deferred or contingent basis.

(j) Any grant may provide for the effect on the Appreciation Rights or any shares of Common Stock issued, or other payment made, with respect to the Appreciation Rights of any conduct of the Participant determined by the Committee to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary.

(k) Each grant will be evidenced by an Evidence of Award, which may contain such terms and provisions, consistent with the Plan, as the Committee may approve, including without limitation provisions relating to the Participant's termination of employment or other termination of service by reason of retirement, death, disability or otherwise.

8. **Restricted Shares**. The Committee may also from time to time authorize grants or sales to any Participant of Restricted Shares upon such terms and conditions as it may determine in accordance with this Section 8. Each grant or sale will constitute an immediate transfer of the ownership of shares of Common Stock to the Participant in consideration of the performance of services, entitling such Participant to voting and other ownership rights, but subject to the restrictions set forth in this Section 8. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant or sale may be made without additional consideration or in consideration of a payment by the Participant that is less than the Market Value per Share at the Date of Grant, except as may otherwise be required by the Delaware General Corporation Law.

(b) Each grant or sale may limit the Participant's dividend rights during the period in which the shares of Restricted Shares are subject to any such restrictions.

(c) Each grant or sale will provide that the Restricted Shares will be subject, for a period to be determined by the Committee at the Date of Grant, to one or more restrictions, including without limitation a restriction that constitutes a "substantial risk of forfeiture" within the meaning of Section 83 of the Code and the regulations of the Internal Revenue Service under such section.

(d) Any grant or sale may specify the Management Objectives that, if achieved, will result in the termination or early termination of the restrictions applicable to the shares.

(e) Any grant or sale may provide for the early termination of any such restrictions in the event of a change in control or other similar transaction or event.

(f) Each grant or sale will provide that during the period for which such restriction or restrictions are to continue, the transferability of the Restricted Shares will be prohibited or restricted in a manner and to the extent prescribed by the Committee at the Date of Grant (which restrictions may include without limitation rights of repurchase or first refusal in favor of the Company or provisions subjecting the Restricted Shares to continuing restrictions in the hands of any transferee).

(g) Any grant or sale may provide for the effect on the Restricted Shares or any shares of Common Stock issued free of restrictions, or other payment made, with respect to the Restricted Shares of any conduct of the Participant determined by the Committee to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary.

(h) Each grant or sale will be evidenced by an Evidence of Award, which may contain such terms and provisions, consistent with the Plan, as the Committee may approve, including without limitation provisions relating to the Participant's termination of employment or other termination of service by reason of retirement, death, disability or otherwise.

9. **Restricted Stock Units**. The Committee may also from time to time authorize grants or sales to any Participant of Restricted Stock Units upon such terms and conditions as it may determine in accordance with this Section 9. Each grant or sale will constitute the agreement by the Company to issue or transfer shares of Common Stock to the Participant in the future in consideration of the performance of services, subject to the fulfillment during the Deferral Period of such conditions as the Committee may specify. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant or sale may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Market Value per Share on the Date of Grant, except as may otherwise be required by the Delaware General Corporation Law.

(b) Each grant or sale will provide that the Restricted Stock Units will be subject to a Deferral Period, which will be fixed by the Committee on the Date of Grant, and any grant or sale may provide for the earlier termination of such period in the event of a change in control or other similar transaction or event.

(c) During the Deferral Period, the Participant will not have any right to transfer any rights under the Restricted Stock Units, will not have any rights of ownership in the Restricted Stock Units and will not have any right to vote the

Restricted Stock Units, but the Committee may on or after the Date of Grant authorize the payment of dividend equivalents on such shares in cash or Common Stock on a current, deferred or contingent basis.

(d) Any grant or sale may provide for the effect on the Restricted Stock Units or any shares of Common Stock issued free of restrictions, or other payment made, with respect to the Restricted Stock Units of any conduct of the Participant determined by the Committee to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary.

(e) Each grant or sale will be evidenced by an Evidence of Award, which will contain such terms and provisions as the Committee may determine consistent with the Plan, including without limitation provisions relating to the Participant's termination of employment or other termination of service by reason of retirement, death, disability or otherwise.

10. **Performance Shares and Performance Units**. The Committee may also from time to time authorize grants to any Participant of Performance Shares and Performance Units, which will become payable upon achievement of specified Management Objectives, upon such terms and conditions as it may determine in accordance with this Section 10. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number of Performance Shares or Performance Units to which it relates.

(b) The Performance Period with respect to each Performance Share and Performance Unit will be determined by the Committee at the time of grant.

(c) Each grant will specify the Management Objectives that, if achieved, will result in the payment of the Performance Shares or Performance Units.

(d) Each grant will specify the time and manner of payment of Performance Shares or Performance Units which have become payable, which payment may be made in (i) cash, (ii) shares of Common Stock having an aggregate Market Value per Share equal to the aggregate value of the Performance Shares or Performance Units which have become payable or (iii) any combination thereof, as determined by the Committee in its discretion at the time of payment.

(e) Any grant of Performance Shares may specify that the amount payable with respect thereto may not exceed a maximum specified by the Committee on the Date of Grant. Any grant of Performance Units may specify that the amount payable, or the number of shares of Common Stock issued, with respect to the Performance Units may not exceed maximums specified by the Committee on the Date of Grant.

(f) On or after the Date of Grant, the Committee may provide for the payment to the Participant of dividend equivalents on Performance Shares in cash or Common Stock on a current, deferred or contingent basis.

(g) Any grant may provide for the effect on the Performance Shares or Performance Units or any shares of Common Stock issued, or other payment made, with respect to the Performance Shares or Performance Units of any conduct of the Participant determined by the Committee to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary.

(h) Each grant will be evidenced by an Evidence of Award, which will contain such terms and provisions as the Committee may determine consistent with the Plan, including without limitation provisions relating to the payment of the Performance Shares or Performance Units in the event of a change in control or other similar transaction or event and provisions relating to the Participant's termination of employment or other termination of service by reason of retirement, death, disability or otherwise.

11. **Senior Executive Plan Bonuses**. The Committee may from time to time authorize the payment of annual incentive compensation to a Participant who is, or is determined by the Committee to be likely to become, a "covered employee" within the meaning of Section 162(m) of the Code (or any successor provision), which incentive compensation will become payable upon achievement of specified Management Objectives. Subject to Section 5(d), Senior Executive Plan Bonuses will be payable upon such terms and conditions as the Committee may determine in accordance with the following provisions:

(a) No later than 90 days after the first day of the Company's fiscal year, the Committee will specify the Management Objectives that, if achieved, will result in the payment of a Senior Executive Plan Bonus for such year.

(b) Following the close of the Company's fiscal year, the Committee will certify in writing whether the specified Management Objectives have been achieved. Approved minutes of a meeting of the Committee at which such certification is made will be treated as written certification for this purpose. The Committee will also specify the time and manner of payment of a Senior Executive Plan Bonus which becomes payable, which payment may be made in (i) cash, (ii) shares of Common Stock having an aggregate Market Value per Share equal to the aggregate value of the Senior Executive Plan Bonus which has become payable or (iii) any combination thereof, as determined by the Committee in its discretion at the time of payment.

(c) If a change in control occurs during a Performance Period, the Senior Executive Plan Bonus payable to each Participant for the Performance Period will be determined at the highest level of achievement of the Management Objectives, without regard to actual performance and without proration for less than a full

Performance Period. The Senior Executive Plan Bonus will be paid at such time following the change in control as the Committee determines in its discretion, but in no event later than 30 days after the date of an event which results in a change in control.

(d) Each grant may be evidenced by an Evidence of Award, which will contain such terms and provisions as the Committee may determine consistent with the Plan, including without limitation provisions relating to the Participant's termination of employment by reason of retirement, death, disability or otherwise.

12. **Awards to Eligible Directors**.

(a) Effective upon the consummation of the Company's initial public offering, each Eligible Director will be granted Restricted Shares having an aggregate Market Value per Share equal to $25,000 on the Date of Grant.

(b) Following the Company's initial public offering, on the date of an Eligible Director's first election to the Board, if such date is not also the date of an annual meeting of the stockholders of the Company, and immediately after each annual meeting of the stockholders of the Company, each Eligible Director will be granted Restricted Shares having an aggregate Market Value per Share equal to $25,000 on the Date of Grant.

(c) Each grant of Restricted Shares to an Eligible Director will vest in three equal installments on the first, second and third anniversaries of the Date of Grant and may not be sold or otherwise transferred (other than by will or the laws of descent and distribution) prior to such vesting date. If, prior to a vesting date, an Eligible Director voluntarily resigns or is removed from the Board, the Eligible Director's unvested Restricted Shares will be forfeited and canceled. In the event of an Eligible Director's retirement from the Board, death or disability prior to a vesting date, all unvested Restricted Shares will become fully vested.

13. **Transferability**. No Award may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, pursuant to a qualified domestic relations order or, with the consent of the Committee, by gifts to family members of the Participant, including to trusts in which family members of the Participant own more than 50% of the beneficial interests, to foundations in which family members of the Participant or the Participant controls the management of assets and to other entities in which more than 50% of the voting interests are owned by family members of the Participant or the Participant. No Stock Option or Appreciation Right granted to a Participant will be exercisable during the Participant's lifetime by any person other than the Participant or the Participant's guardian or legal representative or any permitted transferee.

14. **Adjustments**.

(a) The Committee may make or provide for such adjustments in (i) the maximum number of shares of Common Stock specified in Sections 4 and 5,

(ii) the number of shares of Common Stock covered by outstanding Stock Options, Appreciation Rights, Performance Shares and Restricted Stock Units granted under the Plan, (iii) the Option Price or Grant Price applicable to any Stock Options and Appreciation Rights, and (iv) the kind of shares covered by any such Awards (including shares of another issuer), as the Committee in its discretion, exercised in good faith, may determine is equitably required to prevent dilution or enlargement of the rights of Participants that otherwise would result from (x) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (y) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (z) any other corporate transaction or event having an effect similar to any of the foregoing. In the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for any or all outstanding Awards such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection with such substitution the surrender of all Awards so replaced. Moreover, the Committee may on or after the Date of Grant provide in the Evidence of Award under the Plan that the holder of the Award may elect to receive an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect, or the Committee may provide that the holder will automatically be entitled to receive such an equivalent award.

(b) The Committee may accelerate the payment of, or vesting with respect to, any Award under the Plan upon the occurrence of a transaction or event described in this Section 14; provided, however, that in the case of any Award that constitutes a deferral of compensation within the meaning of Section 409A of the Code, the Committee will not accelerate the payment of the Award unless it determines in good faith that such transaction or event satisfies the requirements of a change in control event under guidance issued by the Secretary of the Treasury under Section 409A.

15. **Fractional Shares**. the Company will not be required to issue any fractional share of Common Stock pursuant to the Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

16. **Withholding Taxes**. To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under the Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld. In addition, if permitted by the Committee, the Participant or such other person may elect to have any withholding obligation of the Company satisfied with shares of Common Stock that would otherwise be transferred to the Participant or such other person in payment of the Participant's Award.

However, without the consent of the Committee, shares of Common Stock will not be withheld in excess of the minimum number of shares required to satisfy the Company's withholding obligation.

17. **Administration of the Plan**.

(a) Unless the administration of the Plan has been expressly assumed by the Board pursuant to a resolution of the Board, the Plan will be administered by the Committee. A majority of the Committee will constitute a quorum, and the action of the members of the Committee present at any meeting at which a quorum is present, or acts unanimously approved in writing, will be the acts of the Committee.

(b) The Committee has the full authority and discretion to administer the Plan and to take any action that is necessary or advisable in connection with the administration of the Plan, including without limitation the authority and discretion to interpret and construe any provision of the Plan or of any agreement, notification or document evidencing an Award. The interpretation and construction by the Committee of any such provision and any determination by the Committee pursuant to any provision of the Plan or of any such agreement, notification or document will be final and conclusive. No member of the Committee will be liable for any such action or determination made in good faith.

(c) It is the Company's intention that any Award granted under the Plan that constitutes a deferral of compensation within the meaning of Section 409A of the Code and the guidance issued by the Secretary of the Treasury under Section 409A satisfy the requirements of Section 409A. In granting such an Award, the Committee will use its best efforts to exercise its authority under the Plan with respect to the terms of such Award in a manner that the Committee determines in good faith will cause the Award to comply with Section 409A and thereby avoid the imposition of penalty taxes and interest upon the Participant receiving the Award.

(d) If the administration of the Plan is assumed by the Board pursuant to Section 17(a), the Board will have the same authority, power, duties, responsibilities and discretion given to the Committee under the terms of the Plan.

18. **Amendments and Other Matters**.

(a) The Plan may be amended from time to time by the Committee or the Board but may not be amended without further approval by the stockholders of the Company if such amendment would result in the Plan no longer satisfying any applicable requirements of the New York Stock Exchange (or the principal national securities exchange on which the Common Stock is traded), Rule 16b-3 or Section 162(m) of the Code.

(b) Neither the Committee nor the Board will authorize the amendment of any outstanding Stock Option to reduce the Option Price without the further approval of the stockholders of the Company. Furthermore, no Stock Option will be canceled and replaced with Stock Options having a lower Option Price without further approval of the stockholders of the Company. The provisions of this Section 18(b) are intended to prohibit the repricing of "underwater" Stock Options and will not be construed to prohibit the adjustments provided for in Section 14.

(c) The Plan may be terminated at any time by action of the Board. The termination of the Plan will not adversely affect the terms of any outstanding Award.

(d) The Plan does not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate such Participant's employment or other service at any time.

(e) If the Committee determines, with the advice of legal counsel, that any provision of the Plan would prevent the payment of any Award intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code from so qualifying, such Plan provision will be invalid and cease to have any effect without affecting the validity or effectiveness of any other provision of the Plan.

19. **Governing Law**. The Plan, all Awards and all actions taken under the Plan and the Awards will be governed in all respects in accordance with the laws of the State of Delaware, including without limitation, the Delaware statute of limitations, but without giving effect to the principles of conflicts of laws of such State.

**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: May 8, 2012

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: May 8, 2012

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 March 31, 2012, 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: May 8, 2012

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

Date: May 8, 2012

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