

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2015

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

For the transition period from to

Commission File No. 001-36550

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**PAR PETROLEUM CORPORATION**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

84-1060803  
(I.R.S. Employer  
Identification No.)

800 Gessner Road, Suite 875  
Houston, Texas  
(Address of principal executive offices)

77024  
(Zip Code)

(281) 899-4800  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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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 Website, 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 smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate by check mark whether the registrant has filed all document and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

37,151,709 shares of common stock, \$0.01 par value, were outstanding as of May 5, 2015 .

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## INDEX

| PART I FINANCIAL INFORMATION |   | Page No. |
|------------------------------|---|----------|
| Item 1.                      | Unaudited Condensed Consolidated Financial Statements                                 |          |
|                              | Unaudited Condensed Consolidated Balance Sheets                                       | 1        |
|                              | Unaudited Condensed Consolidated Statements of Operations                             | 2        |
|                              | Unaudited Condensed Consolidated Statements of Cash Flows                             | 3        |
|                              | Notes to Unaudited Condensed Consolidated Financial Statements                        | 4        |
| Item 2.                      | Management's Discussion and Analysis of Financial Condition and Results of Operations | 17       |
| Item 3.                      | Quantitative and Qualitative Disclosures About Market Risk                            | 25       |
| Item 4.                      | Controls and Procedures   | 26       |
| PART II OTHER INFORMATION    |   |          |
| Item 1.                      | Legal Proceedings   | 26       |
| Item 1A.                     | Risk Factors  | 26       |
| Item 2.                      | Unregistered Sales of Equity Securities and Use of Proceeds                           | 27       |
| Item 3.                      | Defaults Upon Senior Securities   | 27       |
| Item 4.                      | Mine Safety Disclosures   | 27       |
| Item 5.                      | Other Information   | 27       |
| Item 6.                      | Exhibits  | 27       |

The terms "Par," "Company," "we," "our," and "us" refer to Par Petroleum Corporation and its consolidated subsidiaries unless the context suggests otherwise.

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**PART I FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements**

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In thousands, except share data)

|   | March 31, 2015    | December 31, 2014 |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| <b>Current assets</b>   |                   |                   |
| Cash and cash equivalents   | \$ 124,305        | \$ 89,210         |
| Restricted cash   | 749               | 749               |
| Trade accounts receivable   | 64,780            | 112,968           |
| Inventories   | 185,074           | 243,853           |
| Prepaid and other current assets  | 15,609            | 14,009            |
| <b>Total current assets</b>   | <b>390,517</b>    | <b>460,789</b>    |
| <b>Property and equipment</b>   |                   |                   |
| Property, plant and equipment   | 127,794           | 123,323           |
| Proved oil and gas properties, at cost, successful efforts method of accounting   | 1,122             | 1,122             |
| Total property and equipment  | 128,916           | 124,445           |
| Less accumulated depreciation, depletion and amortization   | (14,109)          | (11,510)          |
| <b>Property and equipment, net</b>  | <b>114,807</b>    | <b>112,935</b>    |
| <b>Long-term assets</b>   |                   |                   |
| Investment in Piceance Energy, LLC  | 116,595           | 104,657           |
| Intangible assets, net  | 6,893             | 7,506             |
| Goodwill  | 20,786            | 20,786            |
| Other long-term assets  | 37,991            | 34,334            |
| <b>Total assets</b>   | <b>\$ 687,589</b> | <b>\$ 741,007</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                   |
| <b>Current liabilities</b>  |                   |                   |
| Current maturities of long-term debt  | \$ 40,485         | \$ 29,100         |
| Obligations under supply and exchange agreements  | 181,899           | 197,394           |
| Accounts payable  | 21,891            | 33,064            |
| Other accrued liabilities   | 36,539            | 51,248            |
| <b>Total current liabilities</b>  | <b>280,814</b>    | <b>310,806</b>    |
| <b>Long-term liabilities</b>  |                   |                   |
| Long-term debt, net of current maturities and unamortized discount  | 72,014            | 107,510           |
| Common stock warrants   | 17,145            | 12,123            |
| Contingent consideration  | 14,060            | 9,131             |
| Long-term capital lease obligations   | 1,234             | 1,295             |
| Other liabilities   | 8,257             | 7,983             |
| <b>Total liabilities</b>  | <b>393,524</b>    | <b>448,848</b>    |
| <b>Commitments and contingencies (Note 9)</b>   |                   |                   |
| <b>Stockholders' equity</b>   |                   |                   |
| Preferred stock, \$0.01 par value: 3,000,000 shares authorized, none issued   | —                 | —                 |
| Common stock, \$0.01 par value; 500,000,000 shares authorized at March 31, 2015 and December 31, 2014, 37,135,512 shares and 37,068,886 shares issued at March 31, 2015 and December 31, 2014, respectively | 371               | 371               |
| Additional paid-in capital  | 428,732           | 427,287           |
| Accumulated deficit   | (134,592)         | (135,053)         |
| Accumulated other comprehensive loss  | (446)             | (446)             |
| <b>Total stockholders' equity</b>   | <b>294,065</b>    | <b>292,159</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 687,589</b> | <b>\$ 741,007</b> |

See accompanying notes to the unaudited condensed consolidated financial statements.

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except per share amounts)

|   | Three Months Ended March 31, |                    |
|---|------------------------------|--------------------|
|   | 2015                         | 2014               |
| <b>Revenues</b>   |                              |                    |
| Refining and distribution revenues  | \$ 473,572                   | \$ 670,043         |
| Retail revenues   | 46,719                       | 51,831             |
| Commodity marketing and logistics revenues                                    | 22,844                       | 19,795             |
| Natural gas and oil revenues  | 476                          | 1,577              |
| <b>Total operating revenues</b>   | <b>543,611</b>               | <b>743,246</b>     |
| <b>Operating expenses</b>   |                              |                    |
| Cost of revenues  | 477,506                      | 713,084            |
| Operating expense, excluding depreciation, depletion and amortization expense | 32,280                       | 33,094             |
| Lease operating expense   | 1,531                        | 1,024              |
| Depreciation, depletion and amortization                                      | 3,251                        | 3,061              |
| General and administrative expense  | 10,125                       | 4,934              |
| Acquisition and integration expense   | 1,061                        | 2,851              |
| <b>Total operating expenses</b>   | <b>525,754</b>               | <b>758,048</b>     |
| <b>Operating income (loss)</b>  | <b>17,857</b>                | <b>(14,802)</b>    |
| <b>Other income (expense)</b>   |                              |                    |
| Interest expense and financing costs, net                                     | (5,557)                      | (3,507)            |
| Other income (expense), net   | 4                            | (45)               |
| Change in value of common stock warrants                                      | (5,022)                      | 1,577              |
| Change in value of contingent consideration                                   | (4,929)                      | 2,465              |
| Equity losses from Piceance Energy, LLC                                       | (1,826)                      | (221)              |
| <b>Total other income (expense), net</b>                                      | <b>(17,330)</b>              | <b>269</b>         |
| <b>Income (loss) before income taxes</b>                                      | <b>527</b>                   | <b>(14,533)</b>    |
| Income tax expense  | (65)                         | (35)               |
| <b>Net income (loss)</b>  | <b>\$ 462</b>                | <b>\$ (14,568)</b> |
| Income (loss) per share   |                              |                    |
| Basic   | \$ 0.01                      | \$ (0.48)          |
| Diluted   | \$ 0.01                      | \$ (0.48)          |
| Weighted average number of shares outstanding:                                |                              |                    |
| Basic   | 37,188                       | 30,385             |
| Diluted   | 37,381                       | 30,385             |

See accompanying notes to the unaudited condensed consolidated financial statements.

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

|  | Three Months Ended March 31, |                  |
|--|------------------------------|------------------|
|  | 2015                         | 2014             |
| <b>Cash flows from operating activities:</b>   |                              |                  |
| Net income (loss)  | \$ 462                       | \$ (14,568)      |
| Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities: |                              |                  |
| Depreciation, depletion, amortization and accretion  | 3,251                        | 3,061            |
| Non-cash interest expense  | 4,951                        | 2,221            |
| Change in value of common stock warrants   | 5,022                        | (1,577)          |
| Change in value of contingent consideration  | 4,929                        | (2,465)          |
| Deferred taxes   | 65                           | (35)             |
| Stock-based compensation   | 1,268                        | 628              |
| Unrealized (gain) loss on derivative contracts   | 2,406                        | (149)            |
| Equity losses from Piceance Energy, LLC  | 1,826                        | 221              |
| Net changes in operating assets and liabilities:   |                              |                  |
| Trade accounts receivable  | 47,173                       | 20,512           |
| Prepaid and other assets   | 1,298                        | (628)            |
| Inventories  | 58,483                       | (36,173)         |
| Obligations under supply and exchange agreements   | (15,199)                     | 8,971            |
| Accounts payable and other accrued liabilities   | (29,163)                     | 12,089           |
| <b>Net cash provided by (used in) operating activities</b>                                     | <b>86,772</b>                | <b>(7,892)</b>   |
| <b>Cash flows from investing activities</b>  |                              |                  |
| Payment for deposit for Koko'oha acquisition   | (5,000)                      | —                |
| Capital expenditures   | (4,747)                      | (2,018)          |
| Cash paid for working capital settlement on HIE purchase                                       | —                            | (582)            |
| Investment in Piceance Energy, LLC   | (13,764)                     | —                |
| <b>Net cash used in investing activities</b>   | <b>(23,511)</b>              | <b>(2,600)</b>   |
| <b>Cash flows from financing activities</b>  |                              |                  |
| Proceeds from sale of common stock   | 300                          | —                |
| Proceeds from borrowings   | 7,500                        | 81,100           |
| Repayments of borrowings   | (34,712)                     | (87,755)         |
| Payment of deferred loan costs   | (1,254)                      | —                |
| Purchase of common stock for retirement  | —                            | (287)            |
| Restricted cash released   | —                            | 51               |
| <b>Net cash used in financing activities</b>   | <b>(28,166)</b>              | <b>(6,891)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                    | <b>35,095</b>                | <b>(17,383)</b>  |
| Cash and cash equivalents at beginning of period   | 89,210                       | 38,061           |
| Cash and cash equivalents at end of period   | <u>\$ 124,305</u>            | <u>\$ 20,678</u> |
| <b>Supplemental cash flow information</b>  |                              |                  |
| <b>Cash received (paid) for:</b>   |                              |                  |
| Interest   | \$ (415)                     | \$ (1,138)       |
| Taxes  | —                            | 509              |
| <b>Non-cash investing and financing activities</b>   |                              |                  |
| Accrued capital expenditures   | \$ 2,060                     | \$ 667           |





**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

**Note 1—Overview**

We are a diversified energy company based in Houston, Texas. Currently, we operate in four segments: (i) refining and distribution, (ii) retail, (iii) natural gas and oil production, and (iv) commodity marketing and logistics.

Our refining and distribution segment consists of a refinery in Kapolei, Hawaii, refined products terminals, pipelines, and a single-point mooring. The refinery produces ultra-low sulfur diesel, gasoline, jet fuel, marine fuel, and other associated refined products primarily for consumption in Hawaii.

Our retail segment consists of retail outlets which sell gasoline, diesel, and retail merchandise throughout Hawaii. Our retail network includes Tesoro-branded retail sites, company-operated convenience stores, and other sites operated by third parties.

Our natural gas and oil production segment consists of natural gas and oil assets that are non-operated and are concentrated in our 33.7% ownership of Piceance Energy, LLC ("Piceance Energy"), a joint venture entity operated by Laramie Energy II, LLC ("Laramie") and focused on producing natural gas in Garfield and Mesa Counties, Colorado. In addition, we own non-operated interests in Colorado and offshore California, and an overriding royalty interest in New Mexico. Our interests are heavily weighted towards natural gas and natural gas liquids.

Our commodity marketing and logistics segment focuses on marketing, transporting, and distributing crude oil and refined products. Our logistics capability consists of historical pipeline shipping status, a leased railcar fleet, and expertise in chartering tows and barges, with the capability of moving crude oil from landlocked locations in the Western U.S. and Canada to the refining hubs in the Midwest, Gulf Coast, and East Coast regions of the U.S. and to Hawaii.

**Note 2—Summary of Significant Accounting Policies**

**Principles of Consolidation and Basis of Presentation**

The unaudited condensed consolidated financial statements include the accounts of Par Petroleum Corporation ("Par") and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain amounts from prior periods have been reclassified to conform to the current presentation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to interim financial reporting as prescribed by the Securities and Exchange Commission ("SEC"). The year-end condensed consolidated balance sheet data was derived from audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP"). The unaudited condensed consolidated financial statements contained in this report include all material adjustments of a normal recurring nature that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods. Operating results for interim periods are not necessarily indicative of the results that may be expected for the complete fiscal year. These interim financial statements should be read together with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures. Actual amounts could differ from these estimates. Significant estimates include the fair value of assets and liabilities, natural gas and oil reserves, income taxes and the valuation allowances related to deferred tax assets, derivatives, asset retirement obligations, contingencies and litigation accruals.

**Accounting Principles Not Yet Adopted**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU No. 2014-09"). The FASB's objective was to provide a more robust framework to improve comparability of revenue recognition practices across entities by removing most industry and transaction specific guidance, align GAAP with International Financial Reporting Standards, and provide more useful information to financial statement users. This authoritative guidance changes the way entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for interim and annual periods beginning after December 15, 2016 and early adoption is not permitted. We are in the process of determining the impact this guidance will have on our financial condition, results of operations and cash flows.

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2016 and early adoption is permitted. We do not expect the adoption of ASU 2014-15 to have a material impact on our financial condition, results of operations and cash flows.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 changes the consolidation analysis required under U.S. generally accepted accounting principles. ASU 2015-02 eliminates the presumption that a general partner should consolidate a limited partnership and modifies the evaluation of whether limited partnerships are Variable Interest Entities or voting interest entities. Under the amended guidance, limited partners would be required to consolidate a partnership if the limited partner retains certain powers and obligations. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods beginning after December 15, 2017. Early adoption is permitted, but the guidance must be applied as of the beginning of the annual period containing the adoption date. We are in the process of determining the impact this guidance will have on our financial condition, results of operations and cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 changes the balance sheet classification of debt issuance costs. Under current GAAP, debt issuance costs are reported on the balance sheet as assets and amortized as interest expense. ASU 2015-03 requires that debt issuance costs be presented as a direct reduction from the carrying amount of the related debt liability, which is similar to the presentation of debt discounts or premiums. Debt issuance costs will continue to be amortized to interest expense using the effective interest method. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2015 and early adoption is permitted. As of March 31, 2015 and December 31, 2014, we had \$11.9 million and \$13.2 million of debt issuance costs included in Other long-term assets on our unaudited condensed consolidated balance sheets, respectively.

**Note 3—Investment in Piceance Energy**

We have a 33.7% ownership interest in Piceance Energy, a joint venture operated by Laramie Energy and focused on producing natural gas in Garfield and Mesa Counties, Colorado. Piceance Energy has a \$400 million revolving credit facility secured by a lien on its natural gas and oil properties and related assets with a borrowing base currently set at \$110 million. As of March 31, 2015, the balance outstanding on the revolving credit facility was approximately \$69.5 million. We are guarantors of Piceance Energy's credit facility, with recourse limited to the pledge of our equity interest of our wholly-owned subsidiary, Par Piceance Energy Equity, LLC. Under the terms of its credit facility, Piceance Energy is generally prohibited from making future cash distributions to its owners, including us.

On March 9, 2015, we amended the Limited Liability Company Agreement of Piceance Energy LLC ("LLC Agreement") and made a cash capital contribution of \$13.8 million to Piceance Energy. As a result of our contribution to Piceance Energy, our ownership interest increased from 33.34% to 33.7%. Pursuant to the LLC Agreement, we will contribute an additional \$13.8 million on May 29, 2015, which is expected to increase our ownership interest to 34.0%.

The change in our equity investment in Piceance Energy is as follows (in thousands):

|                                  | <b>Three Months Ended<br/>March 31, 2015</b> |
|----------------------------------|--|
| Beginning balance                | \$ 104,657                                   |
| Equity loss from Piceance Energy | (2,032)                                      |
| Accretion of basis difference    | 206  |
| Capital contributions            | 13,764                                       |
| Ending balance                   | <u>\$ 116,595</u>                            |

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

Summarized financial information for Piceance Energy is as follows (in thousands):

|                         | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|-------------------------|-----------------------|--------------------------|
| Current assets          | \$ 10,185             | \$ 13,168                |
| Non-current assets      | 471,837               | 468,379                  |
| Current liabilities     | 15,320                | 17,103                   |
| Non-current liabilities | 77,944                | 107,087                  |

  

|                               | <b>Three Months Ended<br/>March 31, 2015</b> | <b>Three Months Ended<br/>March 31, 2014</b> |
|-------------------------------|--|--|
| Natural gas and oil revenues  | \$ 10,737                                    | \$ 20,243                                    |
| Income (loss) from operations | (7,079)                                      | 3,609  |
| Net loss                      | (6,080)                                      | (1,091)                                      |

The net loss for the three months ended March 31, 2015 includes \$7.4 million and \$0.7 million of depreciation, depletion, and amortization ("DD&A") expense and unrealized losses on derivative instruments, respectively. The net loss for the three months ended March 31, 2014 includes \$6.7 million and \$1.8 million of DD&A expense and unrealized losses on derivative instruments, respectively.

As of March 31, 2015 and December 31, 2014, our equity in the underlying net assets of Piceance Energy exceeded the carrying value of our investment by approximately \$14.5 million and \$14.7 million, respectively. This difference arose due to lack of control and marketability discounts. We attributed this difference to natural gas and oil properties and are amortizing the difference over 15 years based on the estimated proved reserves at the date Piceance Energy was formed.

**Note 4—Acquisition**

On June 2, 2014, we and our subsidiary entered into an agreement to acquire Koko'oha Investments, Inc. ("Koko'Oha"), a Hawaii corporation, which owns 100% of the issued and outstanding membership interests in Mid Pac Petroleum, LLC, a Delaware limited liability company ("Mid Pac"). Mid Pac is the exclusive licensee of the "76" brand in the State of Hawaii and the owner/operator of several terminals and retail gasoline stations across Hawaii. The acquisition closed on April 1, 2015. Please read Note 16—Subsequent Events for further discussion.

As of March 31, 2015 and December 31, 2014, we had \$15 million and \$10 million, respectively, in deposits related to the Mid Pac acquisition included in Other long-term assets on our unaudited condensed consolidated balance sheets.

**Note 5—Inventories**

Inventories at March 31, 2015 consist of the following (in thousands):

|                                  | <b>Titled Inventory</b> | <b>Supply and<br/>Exchange<br/>Agreements</b> | <b>Total</b> |
|----------------------------------|-------------------------|---|--------------|
| Crude oil and feedstocks         | \$ —                    | \$ 62,299                                     | \$ 62,299    |
| Refined products and blend stock | 33,028                  | 74,526  | 107,554      |
| Warehouse stock and other        | 15,221                  | —   | 15,221       |
| Total                            | \$ 48,249               | \$ 136,825                                    | \$ 185,074   |

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

Inventories at December 31, 2014 consist of the following (in thousands):

|                                  | Titled Inventory | Supply and Exchange Agreements | Total             |
|----------------------------------|------------------|--------------------------------|-------------------|
| Crude oil and feedstocks         | \$ —             | \$ 62,594                      | \$ 62,594         |
| Refined products and blend stock | 47,922           | 118,375                        | 166,297           |
| Warehouse stock and other        | 14,962           | —                              | 14,962            |
| Total                            | <u>\$ 62,884</u> | <u>\$ 180,969</u>              | <u>\$ 243,853</u> |

The reserve for the lower of cost or market value of inventory was \$266 thousand and \$ 2.4 million as of March 31, 2015 and December 31, 2014, respectively.

**Note 6—Supply and Exchange Agreements**

HIE entered into several agreements with Barclays Bank PLC ("Barclays"), referred to collectively as the Supply and Exchange Agreements, on September 25, 2013 in connection with the acquisition of HIE for the purpose of managing its working capital and the crude oil and refined product inventory at the refinery. Effective July 31, 2014, HIE supplemented the Supply and Exchange Agreements by entering into the Refined Product Supply Master Confirmation, pursuant to which Barclays may provide refined product supply and intermediation arrangements to HIE.

Pursuant to the Supply and Exchange Agreements, Barclays holds title to all of the crude oil in the tanks at the refinery and holds title to a majority of our refined product inventory in our tanks at the refinery. Barclays also prepaid us for certain inventory held at locations outside of our refinery. We hold title to the inventory during the refining process. Barclays sells the crude oil to us as it is discharged out of the refinery's tanks. We exchange refined product owned by Barclays stored in our tanks for equal volumes of refined product produced by our refinery when we execute third-party sales of refined product. We currently market and sell the refined product independently to third parties. The Supply and Exchange Agreements have an initial term of three years with two one-year renewal options.

We include the inventory owned by Barclays on our behalf on our unaudited condensed consolidated balance sheets because we maintain the risk of loss until the refined products are sold to third parties. Because we do not hold legal title to the crude oil inventory until it enters the refinery, we record a liability in an amount equal to the carrying value of the crude oil inventory.

In accordance with the terms of the Supply and Exchange Agreements, the volume of refined products purchased by Barclays in connection with the acquisition of HIE is known as the "Block Volume". To the extent we have refined product inventory equal to or in excess of the Block Volume at period-end, we record a liability, valued at the carrying value of the related inventory, for only the Block Volume. To the extent we have refined product inventory less than the Block Volume at period-end, we record a liability for the refined product inventory on hand at its carrying value, plus a liability for the shortfall in volumes valued at current market prices. The liability related to the Supply and Exchange Agreements is included in Obligations under supply and exchange agreements on our unaudited condensed consolidated balance sheets.

For the three months ended March 31, 2015 and 2014, we incurred approximately \$ 3.9 million and \$3.5 million in handling fees related to the Supply and Exchange Agreements, respectively, which is included in Cost of revenues on our unaudited condensed consolidated statements of operations. For each of the three months ended March 31, 2015 and 2014, Interest expense and financing costs, net on our unaudited condensed consolidated statements of operations includes approximately \$1.4 million of expenses related to the Supply and Exchange Agreements.

**Note 7—Debt**

The following table summarizes our outstanding debt (in thousands):

|  | March 31, 2015   | December 31, 2014 |
|--|------------------|-------------------|
| Term Loan  | \$ 90,399        | \$ 87,360         |
| Retail Credit Agreement  | 22,100           | 22,750            |
| Texadian Uncommitted Credit Agreement                              | —                | 26,500            |
| Total debt, net of unamortized debt discount                       | 112,499          | 136,610           |
| Less current maturities  | (40,485)         | (29,100)          |
| Long-term debt, net of current maturities and unamortized discount | <u>\$ 72,014</u> | <u>\$ 107,510</u> |



**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

Additionally, as of March 31, 2015, we had approximately \$31 million and \$2.4 million in letters of credit outstanding under the Texadian Uncommitted Credit Agreement and ABL Facility, respectively.

**Term Loan**

Pursuant to the terms of our Delayed Draw Term Loan Agreement (the "Term Loan"), we were required to repay an advance of \$35 million on March 31, 2015. On March 11, 2015, we entered into a Third Amendment to the Term Loan whereby we extended the repayment date of the advance to March 31, 2016. All other terms and conditions remain unchanged.

Certain lenders under the Term Loan are our stockholders. Please read Note 15—Related Party Transactions for more information.

**Texadian Uncommitted Credit Agreement**

On February 20, 2015, Texadian Energy, Inc., and its wholly-owned subsidiary Texadian Energy Canada Limited, amended and restated the uncommitted credit agreement. The amended agreement increased the uncommitted loans and letters of credit capacity to \$200 million and extended the maturity date to February 2016.

**Note 8—Fair Value Measurements**

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

**Common stock warrants.** As of March 31, 2015 and December 31, 2014, we had 749,148 common stock warrants outstanding. We estimate the fair value of our outstanding common stock warrants using a Monte Carlo simulation analysis, which is considered to be a Level 3 fair value measurement. Significant inputs used in the Monte Carlo simulation analysis include:

|                                 | March 31, 2015 | December 31, 2014 |
|---------------------------------|----------------|-------------------|
| Stock price                     | \$23.21        | \$16.25           |
| Weighted average exercise price | \$0.10         | \$0.10            |
| Term (years)                    | 7.42           | 7.67              |
| Risk-free rate                  | 1.74%          | 2.01%             |
| Expected volatility             | 49.0%          | 50.2%             |

The expected volatility is based on the 10 -year historical volatilities of comparable public companies. Based on the Monte Carlo simulation analysis, the estimated fair value of the common stock warrants was \$22.89 and \$16.17 per share as of March 31, 2015 and December 31, 2014, respectively. Since the common stock warrants were in the money upon issuance, we do not believe that changes in the inputs to the Monte Carlo simulation analysis will have a significant impact on the value of the common stock warrants other than changes in the value of our common stock. Increases in the value of our common stock will increase the value of the common stock warrants. Likewise, a decrease in the value of our common stock will result in a decrease in the value of the common stock warrants.

**Contingent consideration.** The cash consideration for our acquisition of HIE may be increased pursuant to an earn out provision. The liability is remeasured at the end of each reporting period using a Monte Carlo simulation analysis. Significant inputs used in the valuation model include estimated future gross margin, annual gross margin volatility and a present value factor. We consider this to be a Level 3 fair value measurement.

**Derivative instruments.** From time to time, we enter into certain exchange traded oil contracts that do not qualify for or for which we do not elect the normal purchase or normal sale exception. Changes in the fair value of these contracts are recorded in earnings. The fair value of our commodity derivatives is measured using the closing market price at the end of the reporting period obtained from the New York Mercantile Exchange and from third-party broker quotes and pricing providers.

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

**Financial Statement Impact**

Our assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and December 31, 2014 and their placement within our unaudited condensed consolidated balance sheets consist of the following (in thousands):

|                          | Balance Sheet Location   | March 31, 2015           | December 31, 2014 |
|--------------------------|--|--------------------------|-------------------|
|                          |  | <i>Asset (Liability)</i> |                   |
| Common stock warrants    | Common stock warrants  | \$ (17,145)              | \$ (12,123)       |
| Contingent consideration | Contingent consideration                                       | (14,060)                 | (9,131)           |
| Exchange traded futures  | Prepaid and other current assets and Other accrued liabilities | (79)                     | 1,015             |
| Exchange traded options  | Other accrued liabilities                                      | (1,312)                  | —                 |

The following table summarizes the pre-tax gains (losses) recognized in Net income (loss) on our unaudited condensed consolidated statement of operations resulting from changes in fair value of derivative instruments not designated as hedges charged directly to earnings (in thousands):

|  | Income Statement Classification             | Three Months Ended<br>March 31, 2015 | Three Months Ended<br>March 31, 2014 |
|--|---|--------------------------------------|--------------------------------------|
| Common stock warrants                    | Change in value of common stock warrants    | \$ (5,022)                           | \$ 1,577                             |
| Contingent consideration                 | Change in value of contingent consideration | (4,929)                              | 2,465                                |
| Exchange traded futures                  | Cost of revenues                            | (552)                                | —                                    |
| Commodities - physical forward contracts | Cost of revenues                            | —                                    | (516)                                |
| Exchange traded options                  | Cost of revenues                            | (2,282)                              | —                                    |

Our assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and 2014 and their level within the fair value hierarchy are as follows (in thousands):

|                          | March 31, 2015 |         |         |             |
|--------------------------|----------------|---------|---------|-------------|
|                          | Fair Value     | Level 1 | Level 2 | Level 3     |
| Common stock warrants    | \$ (17,145)    | \$ —    | \$ —    | \$ (17,145) |
| Contingent consideration | (14,060)       | —       | —       | (14,060)    |
| Commodity derivatives    | (1,391)        | (1,391) | —       | —           |

|                          | December 31, 2014 |         |         |             |
|--------------------------|-------------------|---------|---------|-------------|
|                          | Fair Value        | Level 1 | Level 2 | Level 3     |
| Common stock warrants    | \$ (12,123)       | \$ —    | \$ —    | \$ (12,123) |
| Contingent consideration | (9,131)           | —       | —       | (9,131)     |
| Commodity derivatives    | 1,015             | 1,015   | —       | —           |

A roll forward of Level 3 derivative instruments measured at fair value on a recurring basis is as follows (in thousands):

|   | Three Months Ended<br>March 31, 2015 | Three Months Ended<br>March 31, 2014 |
|---|--------------------------------------|--------------------------------------|
| Balance, at beginning of period                     | \$ (21,254)                          | \$ (29,316)                          |
| Settlements   | —                                    | —                                    |
| Acquired  | —                                    | —                                    |
| Total unrealized income (loss) included in earnings | (9,951)                              | 4,042                                |
| Balance, at end of period                           | <u>\$ (31,205)</u>                   | <u>\$ (25,274)</u>                   |





**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

The carrying value and fair value of long-term debt and other financial instruments as of March 31, 2015 and December 31, 2014 are as follows (in thousands):

|  | <b>March 31, 2015</b>    |                                  |
|--|--------------------------|----------------------------------|
|  | <b>Carrying Value</b>    | <b>Fair Value <sup>(1)</sup></b> |
| Term Loan                                  | \$ 90,399                | \$ 92,356                        |
| HIE Retail Credit Agreement <sup>(2)</sup> | 22,100                   | 22,100                           |
| Texadian Uncommitted Credit Agreement      | —                        | —                                |
| Common stock warrants                      | 17,145                   | 17,145                           |
| Contingent consideration                   | 14,060                   | 14,060                           |
|  | <b>December 31, 2014</b> |                                  |
|  | <b>Carrying Value</b>    | <b>Fair Value <sup>(1)</sup></b> |
| Term Loan                                  | \$ 87,360                | 87,068                           |
| HIE Retail Credit Agreement <sup>(2)</sup> | 22,750                   | 22,750                           |
| Texadian Uncommitted Credit Agreement      | 26,500                   | 26,500                           |
| Common stock warrants                      | 12,123                   | 12,123                           |
| Contingent consideration                   | 9,131                    | 9,131                            |

<sup>(1)</sup>The fair values of these instruments are considered Level 3 measurements in the fair value hierarchy.

<sup>(2)</sup>Fair value approximates carrying value due to the floating rate interest.

We estimate the fair value of our long-term debt using a discounted cash flow analysis and an estimate of the current yield of 11.75% and 14.11% as of March 31, 2015 and December 31, 2014, respectively, by reference to market interest rates for term debt of comparable companies.

The fair value of all non-derivative financial instruments included in current assets, including cash and cash equivalents, restricted cash and trade accounts receivable, and current liabilities, including accounts payable, approximate their carrying value due to their short term nature.

#### **Note 9—Commitments and Contingencies**

In the ordinary course of business, the Company is party to various lawsuits and other contingent matters. The Company establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on the liquidity, results of operations or financial condition of the Company.

#### **Environmental Matters**

Like other petroleum refiners and exploration and production companies, our operations are subject to extensive and periodically changing federal and state environmental regulations governing air emissions, wastewater discharges, and solid and hazardous waste management activities. Many of these regulations are becoming increasingly stringent, and the cost of compliance can be expected to increase over time.

Periodically, we receive communications from various federal, state, and local governmental authorities asserting violations of environmental laws and/or regulations. These governmental entities may also propose or assess fines or require corrective actions for these asserted violations. We intend to respond in a timely manner to all such communications and to take appropriate corrective action. We do not anticipate that any such matters currently asserted will have a material impact on our financial condition, results of operations, or cash flows.

**Regulation of Greenhouse Gases.** The United States Environmental Protection Agency (“EPA”) has begun regulating greenhouse gases (“GHG”) under the Clean Air Act Amendments of 1990 (“Clean Air Act”). New construction or material expansions that meet certain GHG emissions thresholds will likely require that, among other things, a GHG permit be issued in accordance with the Clean Air Act regulations, and we will be required in connection with such permitting to undertake a technology review to determine appropriate controls to be implemented with the project in order to reduce GHG emissions.

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

Furthermore, the EPA is currently developing refinery-specific GHG regulations and performance standards that are expected to impose GHG emission limits and/or technology requirements. These control requirements may affect a wide range of refinery operations. Any such controls could result in material increased compliance costs, additional operating restrictions for our business, and an increase in cost of the products we produce, which could have a material adverse effect on our financial position, results of operations, and liquidity.

In 2007, the State of Hawaii passed Act 234, which required that GHG emissions be rolled back on a statewide basis to 1990 levels by the year 2020. Although delayed, the Hawaii Department of Health has issued regulations that would require each major facility to reduce CO<sub>2</sub> emissions by 16% by 2020 relative to a calendar year 2010 baseline (the first year in which GHG emissions were reported to the EPA under 40 CFR Part 98). Those rules are pending final approval by the Government of Hawaii. The refinery's capacity to reduce fuel use and GHG emissions is limited. However, the state's pending regulation allows, and the refinery should be able to demonstrate, that additional reductions are not cost-effective or necessary in light of the state's current GHG inventory and future year projections. The pending regulation allows for "partnering" with other facilities (principally power plants) which have already dramatically reduced greenhouse emissions or are on schedule to reduce CO<sub>2</sub> emissions in order to comply with the state's Renewable Portfolio Standards.

**Fuel Standards.** In 2007, the U.S. Congress passed the Energy Independence and Security Act ("EISA") which, among other things, set a target fuel economy standard of 35 miles per gallon for the combined fleet of cars and light trucks in the United States by model year 2020, and contained a second Renewable Fuel Standard (the "RFS2"). In August 2012, the EPA and National Highway Traffic Safety Administration jointly adopted regulations that establish an average industry fuel economy of 54.5 miles per gallon by model year 2025. The RFS2 requires an increasing amount of renewable fuel usage, up to 36 billion gallons by 2022. In the near term, the RFS2 will be satisfied primarily with fuel ethanol blended into gasoline. The RFS2 may present production and logistics challenges for both the renewable fuels and petroleum refining and marketing industries in that we may have to enter into arrangements with other parties or purchase credits from the EPA to meet our obligations to use advanced biofuels, including biomass-based diesel and cellulosic biofuel, with potentially uncertain supplies of these new fuels.

In October 2010, the EPA issued a partial waiver decision under the Clean Air Act to allow for an increase in the amount of ethanol permitted to be blended into gasoline from 10% ("E10") to 15% ("E15") for 2007 and newer light duty motor vehicles. In January 2011, the EPA issued a second waiver for the use of E15 in vehicles model years 2001-2006. There are numerous issues, including state and federal regulatory issues, which need to be addressed before E15 can be marketed on a large scale for use in traditional gasoline engines. Since April 2006, the State of Hawaii has required that a minimum of 9.2% ethanol be blended into at least 85% of the gasoline pool, but the regulation also limited the amount of ethanol to no more than 10%. Consequently, unless either the state or federal regulations are revised, qualified Renewable Identification Numbers ("RINS") will be required to fulfill the federal mandate for renewable fuels.

In March 2014, the EPA published a final Tier 3 gasoline standard that lowers the allowable sulfur level in gasoline to 10 ppm and also lowers the allowable benzene, aromatics and olefins content of gasoline. The effective date for the new standard, January 1, 2017, gives refiners nationwide little time to engineer, permit and implement substantial modifications. Along with credit and trading options, potential capital upgrades for the refinery are being evaluated.

There will be compliance costs and uncertainties regarding how we will comply with the various requirements contained in the EISA and other fuel-related regulations. We may experience a decrease in demand for refined petroleum products due to an increase in combined fleet mileage or due to refined petroleum products being replaced by renewable fuels.

### **Environmental Agreement**

On September 25, 2013 ("Closing Date"), Hawaii Pacific Energy (a wholly-owned subsidiary of Par created for purposes of the HIE acquisition), Tesoro Corporation ("Tesoro") and HIE entered into an Environmental Agreement ("Environmental Agreement"), which allocated responsibility for known and contingent environmental liabilities related to the acquisition of HIE, including the Consent Decree as described below.

**Consent Decree.** Tesoro is currently negotiating a consent decree with the EPA and the United States Department of Justice concerning alleged violations of the federal Clean Air Act related to the ownership and operation of multiple facilities owned or formerly owned by Tesoro and its affiliates ("Consent Decree"), including the Hawaii refinery. It is anticipated that the Consent Decree will be finalized sometime during 2015 and will require certain capital improvements to our refinery to reduce emissions of air pollutants.

We estimate the cost of compliance with the final decree could be \$20 million to \$25 million. However, Tesoro is responsible under the Environmental Agreement for reimbursing HIE for all reasonable third-party capital expenditures incurred for the construction, installation and commissioning of such capital projects and for the payment of any fines or penalties imposed

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

on HIE arising from the Consent Decree to the extent related to acts or omission of Tesoro or HIE prior to the Closing Date. Tesoro's obligation to reimburse HIE for such fines and penalties is not subject to a monetary limitation; however, the obligation relating to fines and penalties terminates on the third anniversary of the Closing Date.

**Tank Replacements.** Tesoro replaced, at its expense, the existing underground storage tanks at six retail locations. The tank replacements were completed at five of the stations during 2014. The sixth location was completed during the first quarter of 2015.

**Indemnification.** In addition to its obligation to reimburse us for capital expenditures incurred pursuant to the Consent Decree, Tesoro agreed to indemnify us for claims and losses arising out of related breaches of Tesoro's representations, warranties and covenants in the Environmental Agreement, certain defined "corrective actions" relating to pre-existing environmental conditions, third-party claims arising under environmental laws for personal injury or property damage arising out of or relating to releases of hazardous materials that occurred prior to the Closing Date, any fine, penalty or other cost assessed by a governmental authority in connection with violations of environmental laws by HIE prior to the Closing Date, certain groundwater remediation work, the replacement of underground storage tanks located at certain retail sites, fines or penalties imposed on HIE by the Consent Decree related to acts or omissions of Tesoro prior to the Closing Date and to claims and losses related to the Pearl City Superfund Site.

Tesoro's indemnification obligations are subject to certain limitations as set forth in the Environmental Agreement. These limitations include a deductible of \$1 million and a cap of \$15 million for certain of Tesoro's indemnification obligations related to certain pre-existing conditions as well as certain restrictions regarding the time limits for submitting notice and supporting documentation for remediation actions.

### **Recovery Trusts**

We emerged from the reorganization of Delta Petroleum on August 31, 2012 ("Emergence Date") when the plan of reorganization ("Plan") was consummated. On the Emergence Date, we formed the Delta Petroleum General Recovery Trust ("General Trust"). The General Trust was formed to pursue certain litigation against third parties, including preference actions, fraudulent transfer and conveyance actions, rights of setoff and other claims, or causes of action under the U.S. Bankruptcy Code, and other claims and potential claims that the Debtors hold against third parties.

We are the beneficiary of the General Trust, subject to the terms of the respective trust agreement and the Plan. Since the Emergence Date, the General Trust has filed various claims and causes of action against third parties before the Bankruptcy Court, which actions are ongoing. Upon liquidation of the various claims and causes of action held by the General Trust, the proceeds, less certain administrative reserves and expenses, will be transferred to us. It is unknown at this time what proceeds, if any, we will realize from the General Trust's litigation efforts.

The Plan provides that certain allowed general unsecured claims be paid with shares of our common stock. As of December 31, 2014, 27 claims totaling approximately \$26.5 million remain to be resolved by the trustee for the General Trust and we have reserved approximately \$1.1 million representing the estimated value of claims remaining to be settled which are deemed probable and estimable at period end. No claims were settled during the three months ended March 31, 2015 .

### **Note 10—Stockholders' Equity**

#### **Incentive Plan**

For the three months ended March 31, 2015 and 2014, we recognized compensation costs of approximately \$ 1.3 million and \$0.6 million , respectively, in General and administrative expenses on our unaudited condensed consolidated statements of operations related to restricted stock awards under the Par Petroleum Corporation 2012 Long-term Incentive Plan ("LTIP"). During the three months ended March 31, 2015, we granted 128 thousand shares of restricted stock with a fair value of approximately \$2.5 million and 78 thousand stock options with a weighted-average exercise price of \$ 20.16 and a fair value of approximately \$0.6 million . As of March 31, 2015 , there was approximately \$11.1 million of total unrecognized compensation costs related to restricted stock and stock option awards, which are expected to be recognized on a straight-line basis over a weighted-average period of 3.53 years.

### **Note 11—Benefit Plans**

#### **Other Post-retirement Benefits - Medical**

Our refining and distribution segment and our retail segment sponsor a post-retirement medical plan to provide health care coverage continuation from the date of retirement to age 65 for qualifying employees. Employees hired before 2006 are

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

generally eligible to participate in the plan after five years of service and reaching the age of 55 and will pay 20% of the monthly insurance premium. Employees hired after 2006 are generally eligible to participate in the plan after five years of service and reaching the age of 55 and are required to pay 100% of the monthly insurance premium; however, after 10 years of service, they are only required to pay 50% of the monthly insurance premium.

The components of the net periodic benefit cost related to our defined benefit plan consist of the following (in thousands):

|                                    | <b>Three Months Ended March 31,</b> |             |
|------------------------------------|-------------------------------------|-------------|
|                                    | <b>2015</b>                         | <b>2014</b> |
| Service cost                       | \$ 93                               | \$ —        |
| Interest cost                      | 53                                  | —           |
| Amortization of prior service cost | 2                                   | —           |
| Net periodic benefit cost          | <u>\$ 148</u>                       | <u>\$ —</u> |

**Note 12—Income (Loss) Per Share**

Basic income (loss) per share is computed by dividing net income (loss) by the sum of the weighted-average number of common shares outstanding and the weighted-average number of shares issuable under the common stock warrants, representing 749,148 shares and 790,683 shares as of March 31, 2015 and 2014, respectively. The common stock warrants are included in the calculation of basic income (loss) per share because they are issuable for minimal consideration. Non-vested restricted stock is excluded from the basic weighted-average common stock outstanding computation as these shares are not considered earned until vested. The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

|  | <b>Three Months Ended March 31,</b> |                    |
|--|-------------------------------------|--------------------|
|  | <b>2015</b>                         | <b>2014 (1)</b>    |
| Net income (loss)  | \$ 462                              | \$ (14,568)        |
| Undistributed income allocated to participating securities (2) | 8                                   | —                  |
| Net income (loss) attributable to common stockholders          | <u>\$ 454</u>                       | <u>\$ (14,568)</u> |
| Basic weighted-average common stock outstanding                | 37,188                              | 30,385             |
| Add dilutive effects of common stock equivalents               | 193                                 | —                  |
| Diluted weighted-average common stock outstanding              | <u>37,381</u>                       | <u>30,385</u>      |
| Basic income (loss) per common share                           | \$ 0.01                             | \$ (0.48)          |
| Diluted income (loss) per common share                         | \$ 0.01                             | \$ (0.48)          |

(1) Entities with a net loss are prohibited from including potential common shares in the computation of diluted per share amounts. We have utilized the basic shares outstanding to calculate both basic and diluted loss per share for the three months ended March 31, 2014.

(2) Participating securities includes restricted stock that has been issued but is not yet vested.

As of March 31, 2014, our weighted-average potentially dilutive securities excluded from the calculation of diluted shares outstanding consisted of 584 thousand shares of non-vested restricted stock and no stock options, respectively.

**Note 13—Income Taxes**

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future results of operations, and tax planning strategies in making this assessment. Based upon the level of historical taxable income, significant book losses during prior periods, and projections for future results of operations over the periods in which the deferred tax assets are deductible, among other factors, management continues to conclude that we did not meet the “more likely than not” requirement in order to recognize deferred tax assets and a valuation allowance has been recorded for the full amount of our net deferred tax assets at March 31, 2015 .



**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

During the three month periods ended March 31, 2015 and 2014, no adjustments were recognized for uncertain tax positions.

Our net taxable income must be apportioned to various states based upon the income tax laws of the states in which we derive our revenue. Our net operating loss ("NOL") carry forwards will not always be available to offset taxable income apportioned to the various states. The states from which some of our revenues are derived are not the same states in which our NOLs were incurred; therefore we expect to incur state tax liabilities on the net income of our commodity marketing and logistics segment, our refining and distribution segment and our retail segment. State income tax expense of approximately \$65 thousand and \$35 thousand was recognized for the three months ended March 31, 2015 and 2014, respectively.

We will continue to assess the realizability of our deferred tax assets based on consideration of actual and projected operating results and tax planning strategies. Should actual operating results continue to improve, the amount of the deferred tax asset considered more likely than not to be realizable could be increased.

**Note 14—Segment Information**

We have changed our reportable segments to separate our retail operations from our refining operations due to a change in senior leadership, organizational structure, the acquisition of Mid Pac and to reflect how we currently make financial decisions and allocate resources. Prior to this report, we reported results for the following three business segments: (i) Refining, Distribution and Marketing, (ii) Natural Gas and Oil Production and (iii) Commodity Marketing and Logistics. Effective in the first quarter of 2015, our reportable segments are: (i) Refining and Distribution, (ii) Retail, (iii) Natural Gas and Oil Production, and (iv) Commodity Marketing and Logistics. Corporate and Other includes administrative and other costs. We have recast the segment information for the three months ended March 31, 2014 below to conform to the current period presentation.

Summarized financial information concerning reportable segments consists of the following (in thousands):

| <b>Three months ended March 31, 2015</b>    | <b>Refining and<br/>Distribution</b> | <b>Retail</b> | <b>Natural Gas<br/>and Oil<br/>Production</b> | <b>Commodity<br/>Marketing<br/>and Logistics</b> | <b>Corporate<br/>and Other</b> | <b>Total</b>  |
|---|--------------------------------------|---------------|---|--|--------------------------------|---------------|
| Revenues                                    | \$ 473,572                           | \$ 46,719     | \$ 476  | \$ 22,844  | \$ —                           | \$ 543,611    |
| Costs of revenue                            | 421,270                              | 33,430        | —   | 22,806   | —                              | 477,506       |
| Operating expense, excluding DD&A           | 26,355                               | 5,925         | —   | —  | —                              | 32,280        |
| Lease operating expenses                    | —                                    | —             | 1,531   | —  | —                              | 1,531         |
| Depreciation, depletion, and amortization   | 2,267                                | 593           | 14  | 229  | 148                            | 3,251         |
| General and administrative expense          | 4,209                                | 826           | —   | 1,232  | 3,858                          | 10,125        |
| Acquisition and integration costs           | —                                    | —             | —   | —  | 1,061                          | 1,061         |
| Operating income (loss)                     | 19,471                               | 5,945         | (1,069)                                       | (1,423)  | (5,067)                        | 17,857        |
| Interest expense and financing costs, net   |                                      |               |   |  |                                | (5,557)       |
| Other income, net                           |                                      |               |   |  |                                | 4             |
| Change in value of common stock warrants    |                                      |               |   |  |                                | (5,022)       |
| Change in value of contingent consideration |                                      |               |   |  |                                | (4,929)       |
| Equity loss from Piceance Energy, LLC       |                                      |               |   |  |                                | (1,826)       |
| Income before income taxes                  |                                      |               |   |  |                                | 527           |
| Income tax expense                          |                                      |               |   |  |                                | (65)          |
| Net income                                  |                                      |               |   |  |                                | <u>\$ 462</u> |
| Capital expenditures                        | \$ 4,016                             | \$ 398        | \$ —  | \$ —   | \$ 333                         | \$ 4,747      |

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

| Three months ended March 31, 2014           | Refining and<br>Distribution | Retail    | Natural Gas<br>and Oil<br>Production | Commodity<br>Marketing and<br>Logistics | Corporate<br>and Other | Total              |
|---|------------------------------|-----------|--------------------------------------|---|------------------------|--------------------|
| Revenues                                    | \$ 670,043                   | \$ 51,831 | \$ 1,577                             | \$ 19,795                               | \$ —                   | \$ 743,246         |
| Costs of revenue                            | 650,916                      | 43,968    | 35                                   | 18,165                                  | —                      | 713,084            |
| Operating expense, excluding DD&A           | 27,171                       | 5,923     | —                                    | —                                       | —                      | 33,094             |
| Lease operating expense                     | —                            | —         | 1,024                                | —                                       | —                      | 1,024              |
| Depreciation, depletion, and amortization   | 1,704                        | 554       | 270                                  | 506                                     | 27                     | 3,061              |
| General and administrative expense          | 1,100                        | 523       | 150                                  | 1,090                                   | 2,071                  | 4,934              |
| Acquisition and integration costs           | 2,500                        | —         | —                                    | —                                       | 351                    | 2,851              |
| Operating (loss) income                     | (13,348)                     | 863       | 98                                   | 34                                      | (2,449)                | (14,802)           |
| Interest expense and financing costs, net   |                              |           |                                      |   |                        | (3,507)            |
| Other expense, net                          |                              |           |                                      |   |                        | (45)               |
| Change in value of common stock warrants    |                              |           |                                      |   |                        | 1,577              |
| Change in value of contingent consideration |                              |           |                                      |   |                        | 2,465              |
| Equity loss from Piceance Energy, LLC       |                              |           |                                      |   |                        | (221)              |
| Loss before income taxes                    |                              |           |                                      |   |                        | (14,533)           |
| Income tax expense                          |                              |           |                                      |   |                        | (35)               |
| Net loss                                    |                              |           |                                      |   |                        | <u>\$ (14,568)</u> |
| Capital expenditures                        | \$ 1,839                     | \$ —      | \$ 72                                | \$ 107                                  | \$ —                   | \$ 2,018           |

**Note 15—Related Party Transactions**

**Term Loan**

Certain of our stockholders, or affiliates of our stockholders, are the lenders under our Term Loan. In previous years, they received common stock warrants exercisable for shares of common stock in connection with the origination of the Term Loan. Please read Note 7—Debt for further information.

**Equity Group Investments ("EGI") and Whitebox - Service Agreements**

On September 17, 2013, we entered into letter agreements (“Services Agreements”) with Equity Group Investments (“EGI”), an affiliate of Zell Credit Opportunities Fund, LP (“ZCOF”), and Whitebox Advisors, LLC (“Whitebox”), each of which owns 10% or more of our common stock directly or through affiliates. Pursuant to the Services Agreements, EGI and Whitebox agreed to provide us with ongoing strategic, advisory and consulting services that may include (i) advice on financing structures and our relationship with lenders and bankers, (ii) advice regarding public and private offerings of debt and equity securities, (iii) advice regarding asset dispositions, acquisitions or other asset management strategies, (iv) advice regarding potential business acquisitions, dispositions or combinations involving us or our affiliates, or (v) such other advice directly related or ancillary to the above strategic, advisory and consulting services as may be reasonably requested by us.

EGI and Whitebox will not receive a fee for the provision of the strategic, advisory or consulting services set forth in the Services Agreements, but may be periodically reimbursed by us, upon request, for (i) travel and out of pocket expenses, provided that in the event that such expenses exceed \$50 thousand in the aggregate with respect to any single proposed matter, EGI or Whitebox, as applicable, will obtain our consent prior to incurring additional costs, and (ii) provided that we provide prior consent to their engagement with respect to any particular proposed matter, all reasonable fees and disbursements of counsel, accountants and other professionals incurred in connection with EGI’s or Whitebox’s, as applicable, services under the Services Agreements. In consideration of the services provided by EGI and Whitebox under the Services Agreements, we agreed to indemnify each of them for certain losses incurred by them relating to or arising out of the Services Agreements or the services provided thereunder.

**PAR PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the Interim Periods Ended March 31, 2015 and 2014**

The Services Agreements have a term of one year and will be automatically extended for successive one -year periods unless terminated by either party at least 60 days prior to any extension date. There were no significant costs incurred related to these agreements during the three months ended March 31, 2015 and 2014.

**Note 16—Subsequent Events**

**Mid Pac Acquisition**

On April 1, 2015 , the Company completed the acquisition of Mid Pac for cash consideration of \$107.0 million , before adjustments as set forth in the merger agreement and any post-closing adjustments. The consideration was paid with existing cash reserves of the Company, the application of a deposit previously paid by the Company, and amounts borrowed pursuant to a Credit Agreement with the Bank of Hawaii ("Mid Pac Credit Agreement"). Please read Note 4—Acquisition for more information. Given the recent closing date, we have not yet finalized our purchase price allocation.

**Mid Pac Credit Agreement**

On April 1, 2015, Koko’oha and Mid Pac entered into the Mid Pac Credit Agreement in the form of a senior secured term loan in the amount of \$50 million (“Mid Pac Term Loan”) and a senior secured revolving line of credit (“Mid Pac Revolving Credit Facility”) in the aggregate principal amount of up to \$5.0 million . The lenders of the Mid Pac Credit Agreement advanced the full amount of the Mid Pac Term Loan and the Mid Pac Revolving Credit Facility at the closing. The proceeds of the loans were used to repay certain existing debt of Koko’oha and Mid Pac, pay a portion of the acquisition consideration and for general corporate purposes.

The Mid Pac Term Loan matures and is fully payable on April 1, 2022. Principal on the term loan will be repaid in 28 equal quarterly principal payments over the term. The revolving credit facility matures on April 1, 2018. Letters of credit issued under the revolving credit facility are not to expire beyond the maturity date of the revolving credit facility.

The Mid Pac Term Loan and advances under the Mid Pac Revolving Credit Facility will bear interest, at the Company's election, at a rate equal to (a) 30, 90 or 180 day LIBOR plus a margin, or (ii) the primary interest rate established from time to time by Bank of Hawaii plus a margin. For both LIBOR and primary interest rate loans, the margin is calculated based on the leverage ratio determined as of the last day of the immediately preceding quarter. Interest is payable at the end of the selected interest period, but no less frequently than quarterly.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

We are a diversified energy company based in Houston, Texas, created through the successful reorganization of Delta Petroleum Corporation in August 2012. The reorganization converted unsecured debt to equity and allowed us to preserve significant tax attributes. We currently operate in four segments:

- refining and distribution;
- retail;
- natural gas and oil production; and
- commodity marketing and logistics.

Effective in the first quarter of 2015, we changed our reportable segments to separate our retail operations from our prior refining, distribution and marketing segment due to a change in senior leadership, organizational structure, the acquisition of Mid Pac and to reflect how we currently make financial decisions and allocate resources. Prior to this report, we reported results for the following three business segments: (i) Refining, Distribution and Marketing, (ii) Natural Gas and Oil Production and (iii) Commodity Marketing and Logistics. We have recast the segment information for the three months ended March 31, 2014 to conform to the current period presentation.

Our refining and distribution segment consists of a refinery in Kapolei, Hawaii, refined products terminals, pipelines, and a single-point mooring. Our retail segment consists of retail outlets which distribute gasoline, diesel, and retail merchandise throughout Hawaii. Our natural gas and oil segment consists of natural gas and oil assets that are non-operated and are concentrated in our 33.7% ownership of Piceance Energy, a joint venture focused on producing natural gas in Garfield and Mesa Counties, Colorado. Our commodity marketing and logistics segment focuses on sourcing, transporting, marketing and distributing crude oil from Canada and the Western U.S. to refining hubs in the Midwest, Gulf Coast, and East Coast regions of the U.S. and to Hawaii.

### Recent Events

#### *Mid Pac Acquisition*

On June 2, 2014, we entered into an agreement and plan of merger with Koko'oha to indirectly acquire 100% of the outstanding membership interests of Mid Pac. Mid Pac owns and operates several terminals and retail gasoline stations. On April 1, 2015, the Company completed the acquisition for cash consideration of \$107.0 million, before adjustments as set forth in the merger agreement and any post-closing adjustments. The consideration was paid with existing cash reserves of the Company, the application of a deposit previously paid by the Company, and amounts borrowed pursuant to the Mid Pac Credit Agreement. Beginning with the second quarter of 2015, the results of operations of Mid Pac will be allocated between our Refining and Distribution and Retail segments.

#### *Union Contract*

Our collective bargaining agreement expired in January 2015. Since the expiration of the agreement, employees represented by the USW continued to work under the terms of the expired agreement pursuant to a 24-hour rolling extension. On March 23, 2015, the union ratified a four-year extension of the collective bargaining agreement.

### Results of Operations

During the three months ended March 31, 2015, we saw our highest level of on-island sales volumes and refinery throughput. We also continued our focus on optimizing our operations, closing the Mid Pac acquisition and positioning Par for additional growth.

*Consolidated Summary of Financial Information*

|  | <b>Three Months<br/>Ended<br/>March 31,<br/>2015</b> | <b>Three Months<br/>Ended<br/>March 31,<br/>2014</b> | <b>Increase<br/>(Decrease)</b> | <b>% Change</b> |
|--|--|--|--------------------------------|-----------------|
| <b>Gross Margin</b>  |  |  |                                |                 |
| Refining and distribution  | \$ 52,302  | \$ 19,127  | \$ 33,175                      | 173 %           |
| Retail   | 13,289   | 7,863  | 5,426                          | 69 %            |
| Commodity marketing and logistics  | 38   | 1,630  | (1,592)                        | (98)%           |
| Natural gas and oil  | 476  | 1,542  | (1,066)                        | (69)%           |
| Total gross margin   | 66,105   | 30,162   |                                |                 |
| Operating expense, excluding depreciation, depletion, and amortization expense | 33,811   | 34,118   | (307)                          | (1)%            |
| Depreciation, depletion, and amortization                                      | 3,251  | 3,061  | 190                            | 6 %             |
| General and administrative expense   | 10,125   | 4,934  | 5,191                          | 105 %           |
| Acquisition and integration costs  | 1,061  | 2,851  | (1,790)                        | (63)%           |
| Total operating expenses   | 48,248   | 44,964   |                                |                 |
| Operating income (loss)  | 17,857   | (14,802)   |                                |                 |
| <b>Other income (expense)</b>  |  |  |                                |                 |
| Interest expense and financing costs, net                                      | (5,557)  | (3,507)  | (2,050)                        | 58 %            |
| Other income (expense), net  | 4  | (45)   | 49                             | (109)%          |
| Change in value of common stock warrants                                       | (5,022)  | 1,577  | (6,599)                        | (418)%          |
| Change in value of contingent consideration                                    | (4,929)  | 2,465  | (7,394)                        | (300)%          |
| Equity losses from Piceance Energy LLC   | (1,826)  | (221)  | (1,605)                        | 726 %           |
| Total other expense, net   | (17,330)   | 269  |                                |                 |
| Income (loss) before income taxes  | 527  | (14,533)   |                                |                 |
| Income tax expense   | (65)   | \$ (35)  | \$ (30)                        | 86 %            |
| <b>Net income (loss)</b>   | <b>\$ 462</b>  | <b>\$ (14,568)</b>                                   |                                |                 |

Below is a summary of key operating statistics for the three months ended March 31, 2015 and 2014 :

|   | <b>Three Months Ended March 31,</b> |               |
|---|-------------------------------------|---------------|
|   | <b>2015</b>                         | <b>2014</b>   |
| <b><i>Refining and Distribution Segment</i></b>                         |                                     |               |
| Total Crude Oil Throughput (Mbpd)                                       | 74.8                                | 67.0          |
| Source of Crude Oil:  |                                     |               |
| North America   | 45.9%                               | 52.3%         |
| Latin America   | 13.1%                               | 29.4%         |
| Africa  | 11.4%                               | 0.3%          |
| Russia  | 20.9%                               | 5.2%          |
| Middle East   | 8.7%                                | 12.8%         |
| Total   | <u>100.0%</u>                       | <u>100.0%</u> |
| Yield (% of total throughput)   |                                     |               |
| Gasoline and gasoline blendstocks                                       | 27.1%                               | 23.7%         |
| Distillate  | 44.5%                               | 37.7%         |
| Fuel oils   | 21%                                 | 33.4%         |
| Other products  | 4.5%                                | 2.3%          |
| Total yield   | <u>97.1%</u>                        | <u>97.1%</u>  |
| Refined product sales volume (Mbpd)                                     |                                     |               |
| On-island sales volume  | 60.4                                | 50.2          |
| Exports sale volume   | 21.7                                | 16.3          |
| Total refined product sales volume                                      | <u>82.1</u>                         | <u>66.5</u>   |
| 4-1-2-1 Mid Pacific Crack Spread (1)                                    | \$9.09                              | \$6.84        |
| Mid Pacific Crude Differential (2)                                      | \$(2.42)                            | \$(0.69)      |
| Gross refining margin per bbl (\$/throughput bbl) (3)                   | \$7.77                              | \$3.17        |
| Production costs before DD&A expense per barrel (\$/throughput bbl) (4) | \$4.12                              | \$4.53        |
| Net operating margin per bbl (\$/throughput bbl) (5)                    | \$3.65                              | \$(1.36)      |
| <b><i>Retail Segment</i></b>  |                                     |               |
| Retail sales volumes (thousands of gallons)                             | 12,166                              | 11,336        |

(1) Calculated using a ratio of 80% Singapore and 20% San Francisco indexes.

(2) Weighted average differentials, excluding shipping costs, of a blend of crudes with an API of 31.98 and sulphur wt% of 0.65% that is indicative of our typical crude mix quality.

(3) Management uses gross refining margin per barrel to evaluate performance and compare profitability to other companies in the industry. There are a variety of ways to calculate gross refining margin per barrel; different companies within the industry may calculate it in different ways. We calculate gross refining margin per barrel by dividing gross refining margin (revenues less feedstocks, purchased refined products, refinery fuel burn, and transportation and distribution costs) by total refining throughput.

(4) Management uses production costs before DD&A expense per barrel to evaluate performance and compare efficiency to other companies in the industry. There are a variety of ways to calculate production cost before DD&A expense per barrel; different companies within the industry calculate it in different ways. We calculate production costs before DD&A expense per barrel by dividing all direct production costs by total refining throughput.

(5) Calculated as gross refining margin less production costs before DD&A expense.

## Non-GAAP Performance Measures

Management uses certain non-GAAP financial measures to evaluate our operating performance. These measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP, and our calculations thereof may not be comparable to similarly entitled measures reported by other companies.

### Gross Margin

Gross margin is defined as revenues less cost of revenues. We believe gross margin is an important measure of operating performance and provides useful information to investors because it eliminates the impact of volatile market prices on revenues and demonstrates the earnings potential of the business before other fixed and variable costs. In order to assess our operating performance, we compare our gross margin to industry gross margin benchmarks.

Gross margin should not be considered an alternative to operating income (loss), net cash flows from operating activities, or any other measure of financial performance or liquidity presented in accordance with GAAP. Gross margin presented by other companies may not be comparable to our presentation since each company may define this term differently.

The following table presents a reconciliation of gross margin to the most directly comparable GAAP financial measure, operating income (loss), on a historical basis for the periods indicated (in thousands):

|  | <b>Three Months Ended March 31,</b> |                    |
|--|-------------------------------------|--------------------|
|  | <b>2015</b>                         | <b>2014</b>        |
| <b>Gross Margin</b>  |                                     |                    |
| Refining and distribution  | \$ 52,302                           | \$ 19,127          |
| Retail   | 13,289                              | 7,863              |
| Commodity marketing and logistics  | 38                                  | 1,630              |
| Natural gas and oil  | 476                                 | 1,542              |
| Total gross margin   | 66,105                              | 30,162             |
| Operating expense, excluding depreciation, depletion, and amortization expense | 32,280                              | 33,094             |
| Lease operating expense  | 1,531                               | 1,024              |
| Depreciation, depletion, and amortization                                      | 3,251                               | 3,061              |
| General and administrative expense   | 10,125                              | 4,934              |
| Acquisition and integration costs  | 1,061                               | 2,851              |
| Total operating expenses   | 48,248                              | 44,964             |
| Operating income (loss)  | <u>\$ 17,857</u>                    | <u>\$ (14,802)</u> |

### Adjusted Net Income and Adjusted EBITDA

Adjusted Net Income (Loss) is defined as net income (loss) excluding changes in the value of contingent consideration and common stock warrants, any acquisition and integration expenses, lower of cost or market adjustments, and unrealized (gains) losses on derivatives. Adjusted EBITDA is Adjusted Net Income excluding interest, taxes, depreciation and amortization and equity (earnings) losses from Piceance Energy, LLC. We believe Adjusted Net Income (Loss) and Adjusted EBITDA are useful supplemental financial measures to assess:

- The financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- The ability of our assets to generate cash to pay interest on our indebtedness; and
- Our operating performance and return on invested capital as compared to other companies without regard to financing methods and capital structure.

Adjusted Net Income (Loss) and Adjusted EBITDA should not be considered in isolation or as a substitute for operating income (loss), net income (loss), cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.

The following table presents a reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to the most directly comparable GAAP financial measure, net income (loss), on a historical basis for the periods indicated (in thousands):

|   | <b>Three Months Ended March 31,</b> |                    |
|---|-------------------------------------|--------------------|
|   | <b>2015</b>                         | <b>2014</b>        |
| Adjusted EBITDA                             | \$ 22,400                           | \$ (9,084)         |
| Income tax expense                          | (65)                                | (35)               |
| Equity losses from Piceance Energy, LLC     | (1,826)                             | (221)              |
| Interest expense and financing costs, net   | (5,557)                             | (3,507)            |
| Depreciation, depletion and amortization    | (3,251)                             | (3,061)            |
| Adjusted Net Income (loss)                  | 11,701                              | (15,908)           |
| Change in value of contingent consideration | (4,929)                             | 2,465              |
| Change in value of common stock warrants    | (5,022)                             | 1,577              |
| Acquisition and integration expense         | (1,061)                             | (2,851)            |
| Lower of cost or market adjustment          | 2,179                               | —                  |
| Unrealized (loss) gain on derivatives       | (2,406)                             | 149                |
| Net income (loss)                           | <u>\$ 462</u>                       | <u>\$ (14,568)</u> |

## Discussion of Results of Operations

### *Three months ended March 31, 2015 compared to the three months ended March 31, 2014*

**Refining and Distribution Gross Margin.** For the three months ended March 31, 2015, our refining and distribution gross margin was approximately \$52.3 million, an increase of \$33.2 million compared to \$19.1 million for the three months ended March 31, 2014. The increase is primarily due to an increase in sales volumes of approximately 23 percent due to successful marketing efforts throughout 2014, the impact of our supply agreement with Mid Pac effective January 1, 2015 and lower production costs due to lower crude prices. In addition, the first quarter of 2015 had a higher percentage of sales of higher margin products, particularly jet fuel and gasoline, compared to the first quarter of 2014.

**Retail Gross Margin.** For the three months ended March 31, 2015, our retail gross margin was approximately \$13.3 million, an increase of \$5.4 million compared to \$7.9 million for the three months ended March 31, 2014. The increase is primarily due to a seven percent increase in gasoline sales volumes and an increase in merchandise sales of 14 percent.

**Commodity, Marketing and Logistics Gross Margin.** For the three months ended March 31, 2015, our commodity, marketing, and logistics gross margin was flat, a decrease of \$1.6 million when compared to \$1.6 million for the three months ended March 31, 2014. The decrease is primarily due to lower rail car revenues and transportation margin due to market conditions and lower pipeline revenues due to the expiration of certain contracts.

**Natural Gas and Oil Gross Margin.** For the three months ended March 31, 2015, our natural gas and oil gross margin was approximately \$0.5 million, a decrease of \$1.1 million when compared to \$1.5 million for the three months ended March 31, 2014. The decrease is primarily related to lower commodity prices as a result of market factors.

**Operating Expense.** For the three months ended March 31, 2015, operating expense was approximately \$33.8 million, which was relatively flat when compared to \$34.1 million for the three months ended March 31, 2014.

**Depreciation, Depletion, and Amortization.** For the three months ended March 31, 2015, DD&A expense was approximately \$3.3 million, an increase of \$190 thousand compared to \$3.1 million for the three months ended March 31, 2014. The increase is primarily due to capital expenditures incurred during 2014 partially offset by our historical shipper status intangible asset being fully amortized as of December 31, 2014.

**General and Administrative Expense.** For the three months ended March 31, 2015, general and administrative expense was approximately \$10.1 million, an increase of \$5.2 million when compared to \$4.9 million for the three months ended March 31, 2014. The increase is primarily due to an increase in payroll costs, audit fees and consulting costs.

**Acquisition and Integration Costs.** For the three months ended March 31, 2015, acquisition and integration costs were approximately \$1.1 million, a decrease of \$1.8 million when compared to \$2.9 million for the three months ended March 31, 2014. The decrease is primarily due to no costs related to the integration of HIE in the three months ended March 31, 2015 partially offset by costs incurred for the Mid Pac acquisition.

**Interest Expense and Financing Costs, Net.** For the three months ended March 31, 2015, our interest expense and financing costs were approximately \$5.6 million, an increase of \$2.1 million when compared to \$3.5 million for the three months ended March 31, 2014. The increase was due to a higher outstanding debt balance during the period.

**Change in Value of Common Stock Warrants.** For the three months ended March 31, 2015, the change in value of common stock warrants resulted in a loss of approximately \$5.0 million, a change of \$6.6 million when compared to a gain of \$1.6 million for the three months ended March 31, 2014. For the three months ended March 31, 2015, our stock price increased from \$16.25 per share as of December 31, 2014 to \$23.21 per share as of March 31, 2015 which resulted in an increase in the fair value of the common stock warrants. During the three months ended March 31, 2014, our stock price decreased from \$22.30 per share on December 31, 2013 to \$19.98 per share on March 31, 2014 which resulted in a decrease in the value of the common stock warrants.

**Change in Value of Contingent Consideration.** For the three months ended March 31, 2015, the change in value of our contingent consideration liability resulted in a loss of approximately \$4.9 million, a change of \$7.4 million when compared to a gain of \$2.5 million for the three months ended March 31, 2014. The contingent consideration relates to the acquisition of HIE which occurred on September 25, 2013, and the change in value during the three months ended March 31, 2015 is due to an increase in our expected cash flows related to HIE during the contingency period based on our actual results.

**Equity Losses From Piceance Energy, LLC.** For the three months ended March 31, 2015, losses from Piceance Energy were approximately \$1.8 million, a change of \$1.6 million compared to a loss of \$221 thousand for the three months ended March 31, 2014. The higher loss is primarily due to lower sales prices for natural gas and condensate.

**Income Taxes.** For the three months ended March 31, 2015, we recorded approximately \$65 thousand of state tax expense, an increase of \$30 thousand when compared to \$35 thousand of state tax expense for the three months ended March 31, 2014.

**Adjusted EBITDA and Adjusted Net Income.** For the three months ended March 31, 2015 Adjusted EBITDA was \$22.4 million when compared to a \$9.1 million loss for the three months ended March 31, 2014. For the three months ended March 31, 2015, Adjusted Net Income was \$11.7 million when compared to a \$15.9 million loss for the three months ended March 31, 2014. The change is primarily related to improved crack spreads and lower crude oil prices.

## Liquidity and Capital Resources

Our liquidity and capital requirements are primarily a function of our debt maturities and debt service requirements, fixed capacity payments and contractual obligations, capital expenditures and working capital needs. Examples of working capital needs include purchases and sales of commodities and associated margin and collateral requirements, facility maintenance costs and other costs such as payroll. Our primary sources of liquidity are cash flows from operations, cash on hand, amounts available under our credit agreements, and access to capital markets.

The following table summarizes our liquidity position as of May 5, 2015 and March 31, 2015 (in thousands):

| May 5, 2015               | Refining and<br>Distribution | Retail           | Commodity<br>Marketing and<br>Logistics | Corporate and<br>Other | Total             |
|---------------------------|------------------------------|------------------|---|------------------------|-------------------|
| Cash and cash equivalents | \$ 8,753                     | \$ 30,362        | \$ 19,119                               | \$ 2,854               | \$ 61,088         |
| Revolver availability     | —                            | 5,000            | —                                       | —                      | 5,000             |
| ABL Facility              | 42,536                       | —                | 23,838                                  | —                      | 66,374            |
| Total available liquidity | <u>\$ 51,289</u>             | <u>\$ 35,362</u> | <u>\$ 42,957</u>                        | <u>\$ 2,854</u>        | <u>\$ 132,462</u> |

| <b>March 31, 2015</b>     | <b>Refining and Distribution</b> | <b>Retail</b>    | <b>Commodity Marketing and Logistics</b> | <b>Corporate and Other</b> | <b>Total</b>      |
|---------------------------|----------------------------------|------------------|--|----------------------------|-------------------|
| Cash and cash equivalents | \$ 18,918                        | \$ 18,855        | \$ 24,882                                | \$ 61,650                  | \$ 124,305        |
| Revolver availability     | —                                | 5,000            | —  | —                          | 5,000             |
| ABL Facility              | 40,669                           | —                | 36,296                                   | —                          | 76,965            |
| Total available liquidity | <u>\$ 59,587</u>                 | <u>\$ 23,855</u> | <u>\$ 61,178</u>                         | <u>\$ 61,650</u>           | <u>\$ 206,270</u> |

The change in our liquidity position from March 31, 2015 to May 5, 2015 was primarily attributable to closing the Mid Pac acquisition and a reduction in the borrowing base of the Texadian Uncommitted Credit Agreement.

As of March 31, 2015, we had access to the HIE committed ABL Credit Agreement, the HIE-Retail Revolving Credit Agreement, the Texadian Uncommitted Credit Agreement, and cash of \$124.3 million. In addition to the above, in conjunction with our acquisition of HIE, and to finance the acquisition and the operations of the business of HIE after the acquisition, we entered into the crude oil Supply and Exchange Agreements. Generally, the primary uses of our capital resources have been in the operations of our refining and distribution segment, our retail segment, our commodity marketing and logistics segment, payments related to the acquisition of Mid Pac, and payments of operating expenses related to our natural gas and oil assets.

We believe our cash flows from operations and available capital resources will be sufficient to meet our current capital expenditures, working capital and debt service requirements for the next 12 months. Additionally, we may seek to raise additional debt or equity capital to fund any other significant changes to our business or to refinance existing debt. We cannot offer any assurances that such capital will be available in sufficient amounts or at an acceptable cost.

### **Cash Flows**

The following table summarizes cash activities for the three months ended March 31, 2015 and 2014 (in thousands):

|   | <b>Three Months Ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2015</b>                         | <b>2014</b> |
| Net cash provided by (used in) operating activities | \$ 86,772                           | \$ (7,892)  |
| Net cash used in investing activities               | \$ (23,511)                         | \$ (2,600)  |
| Net cash used in financing activities               | \$ (28,166)                         | \$ (6,891)  |

Net cash provided by operating activities was approximately \$86.8 million for the three months ended March 31, 2015 which resulted from net income of approximately \$0.5 million, non-cash charges to operations of approximately \$23.7 million and net cash provided by changes in operating assets and liabilities of approximately \$62.6 million. Net cash used in operating activities was approximately \$7.9 million for the three months ended March 31, 2014 which resulted from a net loss of approximately \$14.6 million offset by non-cash charges to operations of approximately \$1.9 million and net cash provided by changes in operating assets and liabilities of approximately \$4.8 million.

For the three months ended March 31, 2015, net cash used in investing activities was approximately \$23.5 million and primarily related to an investment in Piceance Energy of \$13.8 million, additions to property and equipment totaling approximately \$4.7 million and a \$5.0 million deposit for the acquisition of Mid Pac. Net cash used in investing activities was approximately \$2.6 million for the three months ended March 31, 2014 and was primarily related to additions to property and equipment totaling approximately \$2.0 million and the working capital settlement associated with the acquisition of HIE for approximately \$0.6 million.

Net cash used in financing activities for the three months ended March 31, 2015 was approximately \$28.2 million and consisted primarily of net repayments of borrowings of approximately \$27.2 million. Net cash used in financing activities for the three months ended March 31, 2014 of approximately \$6.9 million resulted primarily from net repayments of borrowings of approximately \$6.7 million.

### **Capital Expenditures**

Our capital expenditures excluding acquisitions for the three months ended March 31, 2015 totaled approximately \$4.7 million and were primarily related to our refinery and information technology systems. Our total capital expenditure budget for 2015 ranges from \$10 to \$15 million and primarily relates to projects to improve our refinery reliability and efficiency plus

approximately \$28 million for investments in Piceance Energy. The first portion of the investment in Piceance Energy was made during the first quarter 2015 and the remainder is expected to be funded in May 2015.

Additional capital may be required to maintain our interests at our Point Arguello Unit offshore California, but production is not economic in the current low-price environment and we are not able to estimate the amount of any potential capital requirement. We also continue to seek strategic investments in business opportunities, but the amount and timing of those investments are not predictable.

## **Commitments and Contingencies**

### ***Supply and Exchange Agreements***

HIE entered into several agreements with Barclays Bank PLC (“Barclays”), referred to collectively as the Supply and Exchange Agreements, on September 25, 2013 in connection with the acquisition of HIE for the purpose of managing our working capital and the crude oil and refined product inventory at the refinery. Effective as of July 31, 2014, HIE supplemented the Supply and Exchange Agreements by entering into the Refined Product Supply Master Confirmation, pursuant to which Barclays may provide refined product supply and intermediation arrangements to HIE. Please read Note 6—Supply and Exchange Agreements for more information.

### ***Consent Decree***

Tesoro is currently negotiating a Consent Decree with the EPA and the United States Department of Justice concerning alleged violations of the federal Clean Air Act related to the ownership and operation of multiple facilities owned or formerly owned by Tesoro and its affiliates, including our refinery. It is anticipated that the Consent Decree will be finalized sometime during 2015 and will require certain capital improvements to our refinery to reduce emissions of air pollutants.

We estimate the cost of compliance with the final Consent Decree could be \$20 million to \$25 million. However, Tesoro is responsible under the Environmental Agreement for reimbursing HIE for all reasonable third-party capital expenditures incurred for the construction, installation, and commissioning of such capital projects and for the payment of any fines or penalties imposed on HIE arising from the Consent Decree to the extent related to acts or omission of Tesoro or HIE prior to the Closing Date. Tesoro’s obligation to reimburse HIE for such fines and penalties is not subject to a monetary limitation; however, the obligation relating to fines and penalties terminates on the third anniversary of the Closing Date.

For a discussion of other Commitments and Contingencies, please read Note 9—Commitments and Contingencies.

## **Forward Looking Statements**

Certain statements in this Quarterly Report on Form 10-Q may constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (“PSLRA”), or in releases made by the SEC, all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements of Par and our subsidiaries to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “will,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws.



The forward-looking statements contained in this Quarterly Report on Form 10-Q are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control, including those set out in our most recent Annual Report on Form 10-K under "Risk Factors".

In addition, management's assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements contained in this Quarterly Report on Form 10-Q are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or that the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors described above and under Critical Accounting Policies and Risk Factors included in our most recent Annual Report on Form 10-K and under Risk Factors in this Quarterly Report on Form 10-Q. All forward-looking statements speak only as of the date they are made. We do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risks, including changes in commodity prices and interest rates. Our primary commodity price risk is associated with:

- the difference between the prices for which we sell our refined products and the prices we pay for crude oil and other feedstocks;
- the fuel consumed in the refining process; and
- the difference between the price we sell crude and the price we pay for crude in our commodity marketing and logistics segment.

We may use derivative instruments to manage the risks from changes in the prices of crude oil and refined products, interest rates, or to capture market opportunities.

#### *Commodity Price Risk*

Our earnings, cash flow and liquidity are significantly affected by a variety of factors beyond our control, including the supply of, and demand for, crude oil, other feedstocks, refined products and natural gas. The supply of and demand for these commodities depend on, among other factors, changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, planned and unplanned downtime in refineries, pipelines and production facilities, production levels, the availability of imports, the marketing of competitive and alternative fuels, and the extent of government regulation. As a result, the prices of these commodities can be volatile. Our revenues fluctuate significantly with movements in industry refined product prices and our cost of sales fluctuates significantly with movements in crude oil and feedstock prices. We manage our exposure to these commodity price risks through our supply and exchange agreements as well as through the use of various commodity derivative instruments.

Certain of our agreements reduce the time we are exposed to market price fluctuations. For example, our supply and exchange agreements allow us to price and pay for our crude oil as it is processed at the refinery. The supply and exchange agreements also create exposure to refined product prices to the extent we have refined product inventory less than the Block Volume at period end as we record a liability for the amount of the volume deficit at market prices. Please read Note 6—Supply and Exchange Agreements for more information.

We may use non-trading derivative instruments to manage exposure to commodity price risks associated with the purchase or sale of crude oil and feedstocks, finished products and natural gas outside of the agreements.

The derivative instruments we use to manage our commodity risk include physical commodity contracts and exchange-traded and over-the-counter financial instruments. We elect the normal purchase normal sale exemption for physical commodity contracts. We mark-to-market our derivative financial instruments and recognize the changes in their fair value in our consolidated statements of operations.

At March 31, 2015, we had gross open commodity derivative contracts representing forward sales of 181 thousand barrels and forward purchases of 368 thousand barrels. Our forward sales are for our commodity marketing and logistics business and economically hedge our physical inventory. Our forward purchases relate to our shortfall in the Block Volume.

A \$1.00 change in the price of crude oil would result in an immaterial change in our results of operations. The open commodity derivative contracts as of March 31, 2015 expire at various times during 2015.

Our predominant variable operating cost is the cost of fuel consumed in the refining process, which is included in Cost of revenues on our consolidated statement of operations. Assuming normal operating conditions, we consume approximately 70 thousand barrels a month of crude oil during the refining process. We have economically hedged 52 thousand barrels per month of internally consumed fuel cost using costless collars with weighted average strike prices ranging from a floor of \$53/Bbl to a ceiling of \$71/Bbl through March of 2016.

#### *Compliance Program Price Risk*

We are exposed to market risks related to the volatility in the price of Renewable Identification Numbers ("RINs") required to comply with the Renewable Fuel Standard. Our overall RINs obligation is based on a percentage of our domestic shipments of on-road fuels as established by the EPA. To the degree we are unable to blend the required amount of biofuels to satisfy our RINs obligation, we must purchase RINs on the open market. To mitigate the impact of this risk on our results of operations and cash flows we may purchase RINs when the price of these instruments is deemed favorable.

#### *Interest Rate Risk*

As of March 31, 2015, \$22 million, excluding discounts, of our outstanding debt was subject to floating interest rates. An increase of 1% in the variable rate on our indebtedness, after considering the instruments subject to minimum interest rates, would result in an increase to our interest expense of approximately \$0.2 million per year.

#### *Credit Risk*

We are subject to risk of losses resulting from nonpayment or nonperformance by our counterparties. We will continue to closely monitor the creditworthiness of customers to whom we grant credit and establish credit limits in accordance with our credit policy.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

In connection with the preparation of this Quarterly Report on Form 10-Q, as of March 31, 2015, an evaluation was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2015, these disclosure controls and procedures were effective and designed to ensure that the information required to be disclosed in our reports filed with the SEC is recorded, processed, summarized and reported on a timely basis.

#### **Changes in Internal Control over Financial Reporting**

There were no changes during the quarter ended March 31, 2015 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of our business. Please read Note 9—Commitments and Contingencies to our unaudited condensed consolidated financial statements for more information.

#### ***Kawaihae Loading Rack***

On October 9, 2014, Mid Pac received a notice from the United States Environmental Protection Agency (the "EPA") alleging that Mid Pac had violated the Clean Air Act at its terminal located in Kawaihae, Hawaii by "failing to equip its loading rack with pollution controls" and by "failing to limit emissions from its loading rack," and advising Mid Pac that the matter had been referred to the United States Department of Justice ("DOJ"). The DOJ has proposed civil penalties of approximately \$700 thousand. Subsequently, Mid Pac and the DOJ entered into a tolling agreement to facilitate settlement discussions. Mid Pac disputes the EPA's allegations. On April 1, 2015, we acquired Mid Pac. While we are unable at this time to quantify the ultimate exposure, we believe an adverse determination could result in fines and penalties in excess of \$100 thousand.

### **Item 1A. Risk Factors**

There have been no material changes from the risk factors included under Part I, Item 1A of the Company's 2014 Annual Report on



## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Unregistered Sales of Equity Securities

There were no sales of equity securities during the three months ended March 31, 2015 that were not registered under the Securities Act of 1933, as amended.

### Dividends

We have not paid dividends on our common stock, and we do not expect to do so in the foreseeable future. Our current debt agreements restrict the payment of dividends. In addition, as long as any obligations remain outstanding under the Term Loan, we are prohibited from paying dividends.

### Stock Repurchases

The following table sets forth certain information with respect to repurchases of our common stock during the quarter ended March 31, 2015:

| Period                         | Total number of shares (or units) purchased <sup>(1)</sup> | Average price paid per share (or unit) | Total number of shares (or units) purchased as part of publicly announced plans or programs | Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs |
|--------------------------------|--|--|---|---|
| January 1 - January 31, 2015   | —  | \$ —                                   | —   | —   |
| February 1 - February 28, 2015 | 6,372  | 18.82                                  | —   | —   |
| March 1 - March 31, 2015       | 134  | 18.44                                  | —   | —   |
| <b>Total</b>                   | <b>6,506</b>   | <b>\$ 37.26</b>                        | <b>—</b>  | <b>—</b>  |

<sup>(1)</sup> All shares repurchased were surrendered by employees to pay taxes withheld upon the vesting of restricted stock awards.

## Item 3. Defaults Upon Senior Securities

Not applicable.

## Item 4. Mine Safety Disclosure

Not applicable.

## Item 5. Other Information

None.

## Item 6. Exhibits

- 2.1 Third Amended Joint Chapter 11 Plan of Reorganization of Delta Petroleum Corporation and Its Debtor Affiliates dated August 13, 2012. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 2.2 Contribution Agreement, dated as of June 4, 2012, among Piceance Energy, LLC, Laramie Energy, LLC and the Company. Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on June 8, 2012.

- 2.3 Purchase and Sale Agreement dated as of December 31, 2012, by and among the Company, SEACOR Energy Holdings Inc., SEACOR Holdings Inc., and Gateway Terminals LLC. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on January 3, 2013.
- 2.4 Membership Interest Purchase Agreement dated as of June 17, 2013, by and among Tesoro Corporation, Tesoro Hawaii, LLC and Hawaii Pacific Energy, LLC Incorporated by reference to Exhibit 2.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, filed on August 14, 2013.
- 2.5 Agreement and Plan of Merger dated as of June 2, 2014, by and among the Company, Bogey, Inc., Koko'oha Investments, Inc., and Bill D. Mills, in his capacity as the Shareholders' Representative. Incorporated by reference to Exhibit 2.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, filed on August 11, 2014.
- 2.6 Amendment to Agreement and Plan of Merger dated as of September 9, 2014, by and among the Company, Bogey, Inc., Koko'oha Investments, Inc. and Bill D. Mills, in his capacity as the shareholders' representative. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 10, 2014.
- 2.7 Second Amendment to Agreement and Plan of Merger dated as of December 31, 2014, by and among Par Petroleum Corporation, Bogey, Inc., Koko'oha Investments, Inc. and Bill D. Mills, in his capacity as the shareholder's representative. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 7, 2015.
- 2.8 Third Amendment to Agreement and Plan of Merger dated as of March 31, 2015, by and among the Company, Bogey, Inc., Koko'oha Investments, Inc. and Bill D. Mills, in his capacity as the shareholders' representative. Incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 3.1 Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 3.2 Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company dated effective September 25, 2013. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 27, 2013.
- 3.3 Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company dated January 23, 2014. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 23, 2014.
- 3.4 Amended and Restated Bylaws of the Company. Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 3.5 First Amendment to the Amended and Restated Bylaws of Par Petroleum Corporation dated June 12, 2014. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 18, 2014.
- 3.6 Second Amendment to the Amended and Restated Bylaws of Par Petroleum Corporation dated September 16, 2014. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 18, 2014.
- 3.7 Third Amendment to the Amended and Restated Bylaws of Par Petroleum Corporation dated January 5, 2015. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 7, 2015.
- 3.8 Fourth Amendment to the Amended and Restated Bylaws of Par Petroleum Corporation dated April 10, 2015. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 13, 2015.
- 4.1 Form of the Company's Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed on March 31, 2014.
- 4.2 Stockholders Agreement effective as of August 31, 2012, by and among the Company, Zell Credit Opportunities Master Fund, L.P., Waterstone Capital Management, L.P., Pandora Select Partners, LP, Iam Mini-Fund 14 Limited, Whitebox Multi-Strategy Partners, LP, Whitebox Credit Arbitrage Partners, LP, HFR RVA Combined Master Trust, Whitebox Concentrated Convertible Arbitrage Partners, LP and Whitebox Asymmetric Partners, LP. Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on September 7, 2012.



- 4.3 First Amendment to the Stockholders Agreement dated June 12, 2014 by and among Par Petroleum Corporation, Zell Credit Opportunities Fund, L.P., ZCOF Par Petroleum Holdings, LLC, Waterstone Offshore ER Fund, Ltd., Prime Capital Master SPC, GOT WAT MAC Segregated Portfolio, Waterstone Market Neutral Master Fund, Ltd., Pandora Select Partners, LP, Whitebox Multi-Strategy Partners, LP, Whitebox Credit Arbitrage Partners, LP, Whitebox Concentrated Convertible Arbitrage Partners, LP, and Whitebox Asymmetric Partners, LP. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 18, 2014.
- 4.4 Second Amendment to the Stockholders Agreement dated September 16, 2014 by and among Par Petroleum Corporation, Zell Credit Opportunities Fund, L.P., ZCOF Par Petroleum Holdings, LLC, Waterstone Offshore ER Fund, Ltd., Prime Capital Master SPC, GOT WAT MAC Segregated Portfolio, Waterstone Market Neutral Master Fund, Ltd., Pandora Select Partners, LP, Whitebox Multi-Strategy Partners, LP, Whitebox Credit Arbitrage Partners, LP, Whitebox Concentrated Convertible Arbitrage Partners, LP, and Whitebox Asymmetric Partners, LP. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 18, 2014.
- 4.5 Third Amendment to the Stockholders Agreement dated January 5, 2015 by and among Par Petroleum Corporation, Zell Credit Opportunities Fund, L.P., ZCOF Par Petroleum Holdings, LLC, Waterstone Offshore ER Fund, Ltd., Prime Capital Master SPC, GOT WAT MAC Segregated Portfolio, Waterstone Market Neutral Master Fund, Ltd., Pandora Select Partners, LP, Whitebox Concentrated Convertible Arbitrage Partners, LP, and Whitebox Asymmetric Partners, LP. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 7, 2015.
- 4.6 Stockholders Agreement dated April 10, 2015. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 13, 2015.
- 4.7 Registration Rights Agreement effective as of August 31, 2012, by and among the Company, Zell Credit Opportunities Master Fund, L.P., Waterstone Capital Management, L.P., Pandora Select Partners, LP, Iam Mini-Fund 14 Limited, Whitebox Multi-Strategy Partners, LP, Whitebox Credit Arbitrage Partners, LP, HFR RVA Combined Master Trust, Whitebox Concentrated Convertible Arbitrage Partners, LP and Whitebox Asymmetric Partners, LP. Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 4.8 Warrant Issuance Agreement dated as of August 31, 2012, by and among the Company and WB Delta, Ltd., Waterstone Offshore ER Fund, Ltd., Prime Capital Master SPC, GOT WAT MAC Segregated Portfolio, Waterstone Market Neutral MAC51, Ltd., Waterstone Market Neutral Master Fund, Ltd., Waterstone MF Fund, Ltd., Nomura Waterstone Market Neutral Fund, ZCOF Par Petroleum Holdings, L.L.C. and Highbridge International, LLC. Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 4.9 Form of Common Stock Purchase Warrant dated as of June 4, 2012. Incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on September 7, 2012.
- 4.10 Par Petroleum Corporation 2012 Long Term Incentive Plan. Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed on December 21, 2012.
- 4.11 Registration Rights Agreement dated as of September 25, 2013, by and among the Company and the Purchasers party thereto. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 27, 2013.
- 4.12 Form of Par Petroleum Corporation Shareholder Subscription Rights Certificate. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 22, 2014.
- 10.1 Award Notice of Restricted Stock with Joseph Israel dated January 5, 2015. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 7, 2015.
- 10.2 Nonstatutory Stock Option Agreement with Joseph Israel dated January 5, 2015. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on January 7, 2015.
- 10.3 Amended and Restated Uncommitted Credit Agreement dated as of February 20, 2015, by and among Texadian Energy, Inc., Texadian Energy Canada Limited, BNP Paribas and the other lenders from time to time party thereto, and BNP Paribas, as the administrative agent and collateral agent for the lenders, and as an issuing bank, daylight overdraft bank and swing line lender. Incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed on February 25, 2015.
- 10.4 Third Amendment to Delayed Draw Term Loan and Bridge Loan Credit Agreement dated as of March 11, 2015, by and among the Company, the Guarantors party thereto, the Term Lenders party thereto and Jefferson Finance LLC as administrative agent

for the Lenders. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 3, 2015.



- 10.5 Fourth Amendment to Delayed Draw Term Loan and Bridge Loan Credit Agreement dated as of April 1, 2015, by and among the Company, the Guarantors party thereto, the Term Lenders party thereto and Jefferies Finance LLC, as administrative agent for the lenders. Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.6 Amendment No. 1 to Amended and Restated Limited Liability Company Agreement dated as of March 9, 2015, by and among the Laramie Energy II, LLC, Par Piceance Energy Equity LLC and the new investors party thereto. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 13, 2015.
- 10.7 Credit Agreement dated as of April 1, 2015, by and among Koko'oha Investments, Inc., Mid Pac Petroleum, LLC, Bank of Hawaii and the other lenders party thereto, and Bank of Hawaii, as administrative agent. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.8 Pledge Agreement dated as of April 1, 2015, by Hawaii Pacific Energy, LLC in favor of Jefferies Finance LLC. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.9 Limited Recourse Guaranty dated as of April 1, 2015, by Hawaii Pacific Energy, LLC. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.10 Second Amendment and Waiver to ABL Credit Agreement dated as of March 30, 2015, by and among Hawaii Independent Energy, LLC, Hawaii Pacific Energy, LLC, the Lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent and collateral agent for the Lenders. Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.11 First Amendment to Credit Agreement dated as of March 30, 2015 among HIE Retail, LLC, Bank of Hawaii, American Savings Bank, F.S.B. and Central Pacific Bank, and Bank of Hawaii, as administrative and collateral agent for the Lenders. Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.12 Form of Award of Restricted Stock (Discretionary Long Term Incentive Plan). Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.13 Form of Award of Restricted Stock Units (Discretionary Long Term Incentive Plan). Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.14 Form of Nonstatutory Stock Option Agreement (Discretionary Long Term Incentive Plan). Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 2, 2015.
- 10.15 Termination of Stockholders Agreement dated April 10, 2015 by and among Par Petroleum Corporation, Zell Credit Opportunities Master Fund, L.P., ZCOF Par Petroleum Holdings, LLC, Pandora Select Partners, LP, Whitebox Multi-Strategy Partners, LP, Whitebox Credit Arbitrage Partners, LP, Whitebox Concentrated Convertible Arbitrage Partners, LP, and Whitebox Asymmetric Partners, LP. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 13, 2015.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. \*
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. \*
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.\*
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350. \*
- 101.INS XBRL Instance Document.\*\*
- 101.SCH XBRL Taxonomy Extension Schema Documents.\*\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.\*\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.\*\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.\*\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document.\*\*

\* Filed herewith.

\*\* These interactive data files are furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## SIGNATURES

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

PAR PETROLEUM CORPORATION  
(Registrant)

By: /s/ Joseph Israel  
Joseph Israel  
President and Chief Executive Officer

By: /s/ Christopher Micklas  
Christopher Micklas  
Chief Financial Officer

Date: May 11, 2015

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Joseph Israel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Par Petroleum Corporation;
  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(s) 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(s) 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 11, 2015

/s/ Joseph Israel

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Joseph Israel

President and Chief Executive Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Christopher Micklas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Par Petroleum Corporation;
  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(s) 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(s) 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):
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- 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 11, 2015

/s/ Christopher Micklas

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Christopher Micklas

Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Par Petroleum Corporation (the "Company") on Form 10-Q for the period ended March 31, 2015 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Joseph Israel, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Israel

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Joseph Israel

President and Chief Executive Officer

May 11, 2015



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Par Petroleum Corporation (the "Company") on Form 10-Q for the period ended March 31, 2015 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Christopher Micklas, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher Micklas

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Christopher Micklas  
Chief Financial Officer

May 11, 2015