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PRESENTATION

Operator

Greetings and welcome to the Par Pacific Holdings Second Quarter Earnings conference call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Christine Laborde, Director of Investor Relations for Par Pacific Holdings. Thank you Ms. Laborde, you may begin.

Christine Coy Laborde *Par Pacific Holdings, Inc. - Director of IR & Public Affairs*

Thank you, Doug, and welcome everyone to Par Pacific Holdings Second Quarter 2017 Earnings conference call. With me today is William Pate, President and Chief Executive Officer, Will Monteleone, Chief Financial Officer and Joseph Israel, President and Chief Executive Officer of Par Petroleum.

Before we begin, please note that some of the statements we make during this call may contain plans, expectations and estimates including but not limited to our outlook for the company. These are forward-looking statements which are subject to change. They are subject to risks and uncertainties, and actual results may differ materially. Because of this, investors should not place undue reliance on forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements.

I refer you to the latest Forms 10-K and 10-Q of Par Pacific Holdings filed with the SEC for a more detailed discussion of the major risk factors affecting our business. Further information regarding these as well as supplemental financial and operating information, including reconciliations to GAAP may be found within our press release and our investor presentation on our Website at www.parpacific.com or

in our filings with the SEC.

Now, let me turn the call to Bill Pate.

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

Thank you Christine and good morning to our conference call participants. I'm delighted to report another quarter of strong financial results for Par Pacific. Second quarter adjusted net income was \$11.1 million or \$0.24 per share. This is the third consecutive quarter in which we have reported significant adjusted EPS and free cash flow. As a result, we reduced our net debt by more than \$40 million over the first six months of 2017.

Second quarter adjusted EBITDA was \$29.6 million, a substantial increase over the second quarter of 2016 results. Our businesses all made strong contributions in the second quarter. Our retail business segment had exceptionally strong results with increased margins and volumes for the quarter. Same-store fuel volumes increased 3.2% when compared with results from the second quarter of 2016. Our refining and logistics teams concluded another quarter with good safety, environmental and reliability performance and they completed necessary maintenance sufficiently.

We're also laying the groundwork for future growth. Our team delivered several key contract wins in Hawaii this quarter that will increase on-island sales over the next six months enhancing the profitability of our refining and logistics operations.

Looking forward, we've determined to reduce our exports and to address growing unfulfilled distillate demand in Hawaii. Last month our board of directors approved a new capital project to improve our clean products yield. We expect this project to be immediately accretive upon commencement of operations in 2019. Our Wyoming refining and logistics business segments continue to perform well with better conditions during this peak demand season than last summer. These conditions are becoming apparent with the reporting of our second quarter results but should be more pronounced in the third quarter.

We are seeing more competition for Wyoming crude and therefore lower diffs given the expanded pipelines and related shipper commitments to move Rockies production volumes to Cushing. Other than that development, the Wyoming acquisition is performing as we anticipated. Operating expenses, product cracks and sales volumes are at or better than our expectation. We're also pleased with the progress from Laramie's two rig program which should translate into higher production and profit contributions to Par Pacific during the last quarter of this year.

In summary, we have an attractive financial and operating profile for our corporation over the near future with healthy free cash flow dedicated to reducing our debt and interest expense. Assuming no change to product cracks and commodity prices, our declining debt balance combined with the increasing contributions from Laramie should lead to a nice growth profile for our adjusted EPS over the near-term. And now Joseph will provide more details on our operations.

Joseph Israel *Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC*

Thank you Bill and good morning everyone.

In Hawaii, combined Mid Pacific index was \$8.96 per barrel during the quarter, compared to \$6.00 per barrel during the second quarter of 2016. The favorable market conditions in the second quarter continue to be driven by strong Singapore gasoline and fuel oil crack spreads resulting in strong \$8.35 per barrel 4-1-2-1 Mid Pacific crack spreads compared to \$3.96 per barrel in the second quarter of 2016.

On the other hand, our Mid Pacific crude oil differentials index for the second quarter of 2017 is implying only \$0.61 per barrel discount to Brent compared to \$2.04 per barrel discount to Brent in the second quarter of 2016. This is consistent with the global narrower crude diffs environment, driven by OPEC's attempts to control production, and other sour heavy supply disruptions around the world. In the second quarter we successfully executed our 11-days planned reformer catalyst regeneration. As mentioned in our May earnings call, we also took the opportunity to perform in that window, planned maintenance and upgrades to our diesel hydrocracker, hydrogen plant and naphtha hydrotreater.

As a result of the maintenance works, we incurred approximately \$1.9 million in cost plus estimated \$4.5 million of missed opportunities in the second quarter.

Our Hawaii refinery throughput in the second quarter was 73,000 barrels per day. Adjusted gross margin was \$5.76 per barrel including a negative \$0.70 per barrel impact related to a true-up of certain tax liabilities. Excluding the tax adjustments and turnaround impact we would expect capturing approximately \$7.15 per barrel of gross margin.

Production costs were \$3.56 per barrel. We sold 69,000 barrels per day including 61,000 barrels per day of on-island sales. This quarter we were able to add a couple of significant supply contracts including DLA and Aloha Petroleum, and as a result, we're expecting approximately 5% to 10% increase of our on-island sales, starting the fourth quarter.

In our earnings release, we announced the strategic 10,000 barrels per day diesel hydrotreater, "DHT", capital project for our Hawaii refinery. Estimated cost is \$27 million and timing target is fourth quarter of 2019. We anticipate the new DHT will allow us to increase ultra low sulfur diesel and jet fuel production, and as a result, to reduce jet fuel imports and better position Par Pacific for the new IMO specifications starting 2020. The DHT operations will be based on existing open hydrogen and sulfur capacity.

So far in the third quarter our combined Mid Pacific index is approximately \$9.60 per barrel and our third quarter planned throughput in Hawaii is 72,000 to 74,000 barrels per day. We have no planned maintenance in Hawaii until the first quarter of 2018 reformer regeneration.

In Wyoming, our 3-2-1 index was \$21.47 per barrel during the quarter, compared to \$18.16 per barrel during the second quarter of 2016.

In the second quarter, our refinery throughput averaged 16,000 barrels per day. Adjusted gross margin was \$13.08 per barrel, and production costs were \$7.06 per barrel. We continue to see strong distillate demand, and as a result, we have increased distillate yields from 40% in the first quarter to 46% in the second quarter.

So far in the third quarter, our Wyoming 3-2-1 index has averaged approximately \$22.30 per barrel, and we continue to benefit from the seasonal high demand in our products. Target throughput for the third quarter in Wyoming is 16,000 to 17,000 barrels per day.

Our next turnaround in Wyoming is planned for the fourth quarter this year. In a planned 14-days window, we will replace the reformer and diesel hydrotreater catalysts. In addition, we will perform maintenance in our naphtha hydrotreater and upgrade our diesel hydrotreater to increase distillate capacity by approximately 700 barrels per day. Following this turnaround, our Wyoming refinery will have approximately 50% of distillate capacity. We expect this turnaround to cost us \$500,000 to \$1 million in production costs in the fourth quarter, and overall 2017 related capex to this turnaround, including catalysts costs, is approximately \$4 million to \$5 million.

At this point I'll turn the call over to Will to review consolidated results and Laramie highlights.

William Monteleone *Par Pacific Holdings, Inc. - Chief Financial Officer*

Thank you Joseph.

We had two unusual items impacting our adjusted EBITDA and adjusted net incomes for the quarter that I would like to call out.

One, during the quarter we incurred approximately a \$4.5 million charge within our Hawaii refining operations associated with the true-up of certain tax obligations.

Two, an approximate \$1.5 million negative impact within our Wyoming refining operation associated with FIFO accounting. While the supply chain in Wyoming is short, in a declining crude price environment, FIFO accounting negatively impacts our gross margins.

These items aggregate \$6 million in charges impacting our adjusted EBITDA and adjusted net income for the period. We continue to build momentum and demonstrate the cash generative attributes of our assets with approximately \$14 million in free cash flow during the quarter. During the quarter, we paid down the remaining \$50 million principal balance for the parent company term loan with a combination of cash from operations and the previously announced \$30 million J. Aron forward sale arrangement. Paying off this high cost debt allows for cash interest expense savings of approximately \$1.5 million in the second half of 2017 or roughly \$0.03 per share. In addition, net debt to capitalization continues to improve ending the quarter at 43%. We also recently entered into an amendment of the Wyoming refining company revolver and term loan credit agreement extending the maturity date until June 30,

2019. As of August 3rd, our cash balance stood at \$79 million and undrawn capacity totaled \$39 million bringing our total liquidity to \$118 million.

During the quarter, our capital expenditures totaled \$4.2 million, net of \$2 million related to reimbursement of the Tesoro consent decree. Year-to-date capex total at \$11.8 million, net of \$4.7 million of reimbursements received from Tesoro. We're slightly reducing our expected range for full-year capital expenditures to \$38 million to \$42 million from \$42 million to \$46 million range previously provided. Assuming the mid-point of the range, we expect sustaining and maintenance capex of \$30 million and \$10 million in growth capex.

Shifting back to cover some details on Laramie, Laramie added a second rig during May, and execution of the two rig program is proceeding as planned. During the quarter Laramie generated net income of \$2.4 million and a loss from operations of \$1.5 million. Laramie's net income included \$8.7 million in unrealized derivative gains and \$2.2 million in realized derivative losses for a net derivative benefit in the quarter of \$6.5 million. DD&A totaled \$12.5 million and non-cash compensation expense totaled \$1.7 million.

During the quarter, Laramie spud 26 and completed 19 wells, finishing the quarter with 29 drilled but uncompleted wells.

Unhedged price realizations during the quarter were the following: natural gas \$2.76 per Mcf; natural gas liquids \$0.37 per gallon; and condensate \$43 per barrel. Laramie generated approximately \$12 million in EBITDAX for the second quarter, spent approximately \$25 million in capex, leaving a revolver balance of \$131 million as of June 30. Laramie's debt to EBITDAX as of quarter end was approximately 3x.

Laramie's focus on capital discipline continues to demonstrate itself with well costs coming in below AFE levels and partially offsetting service cost inflation. Recently drilled and completed wells are ranging between \$850,000 to \$900,000 per well. While early, initial production data from the two-column completion pattern is yielding encouraging results.

Regarding future plans, Laramie expects to continue its two-rig program for the second half of the year, and completions activity is back-end weighted. Based upon this staggered two-rig program, Laramie anticipates exiting 2017 with production between 160 million and 170 million cubic feet a day equivalent, within the range of our prior expectations.

This concludes our prepared remarks. Operator, I'll turn it back to you for Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions.) Our first question comes from the line of Chi Chow from Tudor,

Pickering, Holt. Please proceed with your question.

Chi Chow Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of US Refining Equity Research

Back on the hydrotreater project, a couple of questions here. Do you have any details on the capacity of the unit and the capex seems really low which is a good thing but do you have any details on how you're keeping that spending down?

Joseph Israel Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC

The design capacity is 10,000 barrels per day and what we are doing is we are utilizing an open hydrogen and sulfur capacity that already exists in the plat. So not having the need to come up with additional resources there is a big help from cost standpoint. 27 million plus or minus 15% cost estimate is what we came up with.

Chi Chow Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of US Refining Equity Research

Is there a new vessel being installed Joseph?

Joseph Israel Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC

Yes.

Chi Chow Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of US Refining Equity Research

Okay.

Joseph Israel Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC

We will get it skid mounted. It's going to be shipped on the water. It's going to be built in the lower 48. We're going to assemble it and add more stuff to it and, yep, going to be based on new vessels.

Chi Chow Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of US Refining Equity Research

So the ULSD production obviously goes up but what does this do to your fuel oil production in export volumes and how can we expect yields to trend going forward?

Joseph Israel Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC

Yes, so currently we put low quality feed stock in our hydrocracker to get jet and ULSD production, and by having a separate DHT unit, we will be able to keep the quality for the hydrocracker and basically increase our jet fuel production. This is our main driver for this project. So, additional jet fuel to offset current jet fuel imports is the main driver. We will make slightly more ULSD instead of high sulfur diesel. There won't be any volumetric impact on the fuel oil production at this point.

Chi Chow Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of US Refining Equity

Research

Okay. And then Bill on the new fuel sales agreement, do you have any details related to the term and the volume associated with those and how does this translate to your finding optimization in yields with those agreements in place?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

I don't want to get into the specifics of the volumes or the terms but DLA is actually out there publicly. With respect to the term, the DLA is a one-year deal and we've had some DLA business in the past and picked up more business for the coming year and this is a year that begins in the fall, so it's not a calendar year basis. With respect to Aloha, the business there is a longer-term but I'd rather not get into the terms of the transaction. It will put us in a position where we are able to optimize our current production and reduce our exports from the state.

Chi Chow *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of US Refining Equity Research*

Okay, is this -- are these new volumes or is it a gain on market share on-island?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

It's a gain on market share. They're not new volumes and as Joseph mentioned, it should increase our on-island sales in the next six months 5% to 10%.

Operator

Our next question comes from the line of Mike Harrison with Seaport Global Securities. Please proceed with your question.

Michael Joseph Harrison *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

I was wondering if you could talk a little bit about the relationship between sourcing more crude from the Middle East and seeing a little bit of degradation in your gross margin performance in Hawaii and what has been driving the need to source more crude from the Middle East?

Joseph Israel *Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC*

The crude selection continues to be a monthly exercise, we have a very robust LP, linear programming model for it. With the ANS being under pressure here in the second and third quarters, obviously we will go after alternative crude grades around the world, and this time, the Middle East couple of grades, happened to be our best economic selection. I don't see any impact necessarily on the yields. I mean, we made less fuel oil, it's now down to 14% in the quarter; we made more distillate, 49% this quarter, and this is what is driving profitability.

William Monteleone *Par Pacific Holdings, Inc. - Chief Financial Officer*

And Mike, this is Will, I'd add, within that gross margin on a per barrel basis includes the tax through-up that we've referenced to the \$4.5 million or the roughly \$0.70 per barrel that Joseph referenced. So that

is impacting the comparability to prior periods.

Joseph Israel Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC

And we also mentioned the turnaround impact, I want to make sure that this is clear, we gave guidance on the previous call: \$4.5 million of missed opportunity for not having the hydrocracker available for 11 days, not having the reformer available, we ended up making less jet fuel and importing more as a result, not having the full flexibility on the octane and MAR production as a result. So between this \$0.70 per barrel, the \$0.70 that Will just referred to, we probably came short of what you would expect a typical capture for Par.

Michael Joseph Harrison Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst

Okay, so it sounds like it's not necessarily related to the Middle East crude sourcing then, the gross margin weakness?

Joseph Israel Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC

Correct. It does impact the way that we operate but it's not a significant driver at all.

Michael Joseph Harrison Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst

Okay, in terms of the -- your crude differential as you look into the second half, are you expecting to be able to source more ANS or see those differentials get back to where we've seen them historically or could they remain kind of under pressure?

Joseph Israel Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC

Yes, we honestly don't know, this is a global crude balance question, we continue to look at ANS. I saw one trade yesterday on Bloomberg at \$0.48 per barrel under Brent so it continues to be relatively expensive. So, we keep our eyes open toward the world and we continue to buy the crude that makes most sense for us.

Michael Joseph Harrison Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst

And then switching over to Wyoming, I was wondering if you could just talk about your production cost expectations for the second half of the year as we get into the seasonally stronger Q3 and then slow down a little bit in Q4?

Joseph Israel Par Pacific Holdings, Inc. - President and Chief Executive Officer of Par Petroleum, LLC

Yeah, the \$7.06 per barrel production costs that were reported in 2Q are slightly higher than historical numbers. We had some inventory "reval" timing that impacted that number by about \$0.45 to \$0.50 per barrel. Without that, \$6.50 is probably closer to our run rate. The other component is that we do see slightly higher personnel costs, more specifically healthcare related costs and I think that another quarter per barrel is probably going to be a fair run rate for the second half of the year. So call it \$6.75 per barrel

is what we think right now is a good guidance.

Michael Joseph Harrison *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right and then just looking over at the retail segment, the EBITDA growth was very strong even though the sales volume was only up 3%. Can you kind of walk through what the pricing versus I guess input costs or cost to purchase, how that was moving in the quarter and is that what was driving that big EBITDA growth?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

Well, as I mentioned in my comments the profitability is related to both volumes and margin. We typically don't get into margin and Hawaii is a very competitive market. Often the pump prices in Hawaii are below the average California price but our performance, our same store sales performance is driven by the rebranding initiative that we commenced last year and we're still in the process of completing as well as a few marketing strategies that we've deployed to drive more traffic to our locations. With increased volumes, the impact given the drop to the bottom line is disproportionate in terms of the change in EBITDA relative to change in fuel volumes.

Operator

Our next question comes from the line of Andrew Shapiro from Lawndale Capital Management. Please proceed with your question.

Andrew Evan Shapiro *Lawndale Capital Management - Founder, Chairman, President, Portfolio Manager, and Managing Member*

Thank you. Regarding your distillate production investment project, that \$27 million or so in costs, is that cash outflow, does that include any special downtime or will this project fit within the various scheduled downtimes over the horizon of the construction?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

It doesn't include any downtime as Joseph mentioned or any significant downtime. The skid will actually be manufactured in the mainland and we expect to be able to connect it without any substantial downtime given the nature of the fabrication and the construction and the integration with our existing facilities.

Andrew Evan Shapiro *Lawndale Capital Management - Founder, Chairman, President, Portfolio Manager, and Managing Member*

Okay, and then have you seen any signs of improved pricing from your now less integrated Hawaii refinery competitor exercising profitability discipline? In particular, if you have -- was this a contributing factor to beating them for the new defense contract?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

No, I think pricing is still a very competitive market and we really haven't seen any change in the posture

of the old Chevron franchise with the new ownership. They continue to be a very competitive, very significant, competitor for us on the island.

Andrew Evan Shapiro *Lawndale Capital Management - Founder, Chairman, President, Portfolio Manager, and Managing Member*

And you're winning this contract because it's something that kind of bounces around between years, was this a function of -- it was just pricing that you have either cut on the margin or cut your costs efficiently that we won the bid here on a better price but maintaining our margin goal?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

Well, with respect to the DLA, typically Chevron has not been a significant competitor for those products. Keep in mind that some of those products are difficult to manufacture, and we're really the only source in the state that can supply them. So our competition has typically not been our local competitor but it's been West Coast refiners.

Andrew Evan Shapiro *Lawndale Capital Management - Founder, Chairman, President, Portfolio Manager, and Managing Member*

And then now that you've added the refinery that will leverage your refining capabilities amongst the other assets that you've got in Wyoming, can you give a little update on if you shifted your focus for acquisition targets, what are you finding and seeing where you're looking and where you're seeing opportunity?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

Well, we're looking in and around our existing assets because we're really focused on assets that would have a very good fit with our current businesses in Wyoming and Hawaii. Obviously we've been successful with acquisitions and I'm confident that we can extend that success. But we're really focused today on increasing our adjusted earnings per share with the existing asset base and the free cash flow that we have.

Andrew Evan Shapiro *Lawndale Capital Management - Founder, Chairman, President, Portfolio Manager, and Managing Member*

Okay, and with that in mind, is -- it's all debt pay down, what do you -- what's like the next allocation, I guess, of growth of capital that you're going to generate a bunch of EBITDA presuming your guidance is good and the spreads stay favorable for you. What's the next big slug of, I guess, debt in the conga line of either refinancing or pay down that makes sense for the company?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

Yes, that's a good question and obviously paying off that term facility at the parent was beneficial for us and accretive. The next slug really is if you think about the acquisition financing in Wyoming, that intermediate holding company loan which was also pretty high cost debt, there is a prepayment penalty associated with that that lapses the middle of next year but we'll continue to pay down all of our debt and take that debt out hopefully relatively quickly given our free cash flow.

Andrew Evan Shapiro *Lawndale Capital Management - Founder, Chairman, President, Portfolio Manager, and Managing Member*

Okay, and lastly on the calendar here for the fall and into the winter in terms of non-deal road shows, other activities to tell the story here and maybe get a little bit more favorable expansion to sell-side coverage and/or valuation model?

Christine Coy Laborde *Par Pacific Holdings, Inc. - Director of IR & Public Affairs*

Good morning Andrew, during the third quarter we're going to have three NDR's covering the West Coast, Midwest and East Coast. And as of now, during the fourth quarter, we'll have three conferences.

Andrew Evan Shapiro *Lawndale Capital Management - Founder, Chairman, President, Portfolio Manager, and Managing Member*

In what geographies?

Christine Coy Laborde *Par Pacific Holdings, Inc. - Director of IR & Public Affairs*

West Coast and East Coast for the fourth quarter conferences.

Andrew Evan Shapiro *Lawndale Capital Management - Founder, Chairman, President, Portfolio Manager, and Managing Member*

Okay, well appreciate if you can let us know in advance where those things will be in case our schedules coordinate. Thank you.

Operator

[Operator Instructions.] Our next question comes from the line of Tim Rezvan from Mizuho Securities. Please proceed with your question.

Timothy A. Rezvan *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

I wanted to first follow-up on Chi's questions before on capex. You know, you announced the new project and then you'd lower kind of capex for the year. How should we think about the cadence of capex for the \$27 million project?

William Monteleone *Par Pacific Holdings, Inc. - Chief Financial Officer*

I mean there's roughly \$2 million being spent in 2017 and it's a growth capex portion associated with the DHT project and then the cadence thereafter will probably be back end loaded in 2018 and into 2019 as we sort of move closer to the installation. So I think the majority of that capex is going to flow out sort of the second half of 2018 into the first half of 2019.

Timothy A. Rezvan *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

That's helpful. And while you're on the line Will, you gave some pretty bullish updates on well costs seen with Laramie and you didn't quantify these but you gave some kind of signal towards encouraging well results. Do you have anything to share on the EUR's of the vertical wells being drilled?

William Monteleone *Par Pacific Holdings, Inc. - Chief Financial Officer*

I think it's still early. I think typically we're going to want at least 60 days of production data before we're going to come out and have a view on EUR's so I think we need a little bit more time there before we can provide an update. So, we'll be sure to be back in front of you once we've got a large enough sample set with enough history there to be confident in the new number.

Timothy A. Rezvan *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Okay, do you feel that \$850,000 to \$900,000 is sustainable?

William Monteleone *Par Pacific Holdings, Inc. - Chief Financial Officer*

We do based on the current operations. Again, the team at Laramie is doing a great job both in terms of reducing drilling times and then again we are -- we're a little unusual in that we've got -- we don't have the exposure to sand service inflation that you're seeing for a lot of other operators. So we're able to keep our D&C costs down. So we believe that's sustainable and we are seeing service cost inflation but we're more than offsetting that with some of these efficiencies.

Timothy A. Rezvan *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Okay, that's great. And then if I could just ask one more. You gave some comments about the wins you had in the quarter and how that will increase your on-island sales starting in the fourth quarter. On-island sales have ranged kind of in the 58,000 to 64,000 barrels a day on average on over the last couple of years, when we think about that increase, what's a good baseline assumption to use when we think about the sales moving forward?

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

I think we were 61,000 last quarter and when Joseph mentioned the 5% to 10% he was really basing it on that baseline. So, that would get you up in the 65,000 plus range.

Timothy A. Rezvan *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Okay, that's all I had. Thank you.

Operator

There are no further questions in the queue. I'd like to hand the call back over to Bill Pate for closing comments.

William C. Pate *Par Pacific Holdings, Inc. - President and Chief Executive Officer*

Thank you Doug. We're happy with our team's performance this year. We will remain focused on generating strong free cash flow to reduce our debt, bolster our balance sheet and grow our adjusted earnings. Thanks for joining us this morning.

Operator

Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation, you

may disconnect your lines at this time and have a wonderful day.

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