

Alon plans to downsize Big West refinery, process no more crude oil

By John Cox, Californian staff writer

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When finally it reopens under new ownership, Big West refinery will no longer process crude oil and will operate only a portion of its existing equipment, the head of the company finalizing a purchase of the facility said Wednesday.

The proposed changes stem from Alon USA Energy Inc.'s plans to make Big West an extension of a refining complex the company owns in Los Angeles County, rather than proceed, for now at least, with a \$700 million expansion proposed by the existing owner.

In an exclusive phone interview, Alon USA CEO Jeff Morris said the Rosedale Highway plant would take gas oil the company produces in Long Beach and neighboring Paramount and turn it into primarily gasoline and diesel for the wholesale market -- though eventually Alon hopes to buy gas stations where it could sell the fuel locally.

But it's unclear how soon Big West will resume operations after what has already been a 16-month hiatus brought on by the bankruptcy of the plant's Utah-based owner, Flying J Inc. Morris said Alon is negotiating use of an existing pipeline that would move gas oil from L.A. County to Bakersfield; he declined to estimate when those talks might conclude.

"There's a possibility that we may start up part of the (Big West) equipment earlier if we can find alternative ways to move the gas oil there," said Morris, whose Dallas-based company is the U.S. subsidiary of Alon Israel Oil Co. Ltd.

The 65 or so Flying J employees still working at the site will retain their jobs, Morris said. There will be no further hiring until the pipeline is connected, he said, adding that he was unsure how many jobs will ultimately exist at the plant.

Morris said Alon expects to sit down with United Steelworkers, the union that represents some 22 Big West workers, despite its opposition to Alon's \$40 million bid to buy the refinery out of bankruptcy from Flying J. The union said it opposed Alon purchasing the plant because the company had ignored its request to discuss honoring an existing labor contract with Flying J.

"We simply didn't feel it was in everybody's best interest to take on a legacy contract," he said. "We wanted to start fresh."

Last month Alon was named the refinery's lead bidder, and no other qualified offers came in by last week's deadline. On Wednesday a bankruptcy judge approved a final order for the refinery's sale. The plant is expected to change hands no later than June 1.

Bakersfield oil producer Chad Hathaway, who lost a big customer when Big West shut down early last year, said he was disappointed that the refinery would no longer process crude, though he said consumers should benefit from lower prices once the plant reopens and more fuel is produced locally.

Bakersfield petroleum executive Henry Medina said Alon would face tight market conditions if it did decide to buy local gas stations to sell product refined at Big West. He noted that other large companies are leaving the gas retail market.

"It'll be interesting to see how much cheaper Alon can produce the finished product to make headway in this market," he said.