PRINCETON VENTURES INC
Form NT 10-K
October 01, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 12b-25

Commission File Number: 333-71210

Notification of Late Filing

(Check One):

[X] Form 10-KSB [ ] Form 20-F [ ] Form 11-K [ ] Form 10-QSB [ ] Form N-SAR

For Period Ended: June 30, 2002

[ ] Transition Report on Form 10-K
[ ] Transition Report on Form 20-F
[ ] Transition Report on Form 11-K
[ ] Transition Report on Form 10-Q
[ ] Transition Report on Form N-SAR

For the Transition Period Ended:

Nothing in this form shall be construed to imply that the Commission has verified any information contained herein.

If the notification relates to a portion of the filing checked above, identify the Item(s) to which the notification relates:

Part I - Registrant Information

PRINCETON VENTURES, INC.
Full Name of Registrant

NOT APPLICABLE
Former Name if Applicable

304-595 HOWE STREET
Address of Principal Executive Office (Street and Number)

VANCOUVER, BRITISH COLUMBIA, CANADA V6C 27S
City, State and Zip Code

Part II - Rules 12b-25(b) and (c)

If the subject report could not be filed without unreasonable effort or expense and the registrant seeks relief pursuant to Rule 12b-(b), the following should be completed. (Check box, if appropriate)

[X] (a) The reasons described in reasonable detail in Part III of this form could not be eliminated without unreasonable effort or expense;

[X] (b) The subject annual report, semi-annual report, transition report on Form 10-K, Form 20-F, 11-K or Form N- SAR, or portion thereof will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report or transition report on Form 10-QSB, or portion thereof will be filed on or before the fifth calendar day following the prescribed due date; and

[ ] (c) The accountant's statement or other exhibit required by Rule 12b-25(c) has been attached if applicable.

Part III - Narrative

State below in reasonable detail the reasons why Form 10-K, 20-F, 11-K, 10-QSB, N-SAR, or the transition report or portion thereof could not be file within the prescribed period.

Management was unable to obtain the business information necessary to complete the preparation of the Company's financial statements for the fiscal year ended June 30, 2002 and the audit of these financial statements by the Company's auditors in time for filing. Such information is required in order to prepare a complete filing. As a result of this delay, the Company is unable to file its annual report on Form 10-KSB within the prescribed time period without unreasonable effort or expense. The Company expects to file within the extension period.

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Part IV - Other Information

(1) Name and telephone number of person to contract in regard to this notification.

Michael Cane	702	312-6255
(Name)	(Area Code)	(Telephone Number)

(2) Have all other periodic reports required under section 13 or 15(d) of the Securities Exchange Act of 1934 or section 30 of the Investment Company Act of 1940 during the preceding 12 months or for such shorter period that the registrant was required to file such report(s) been filed? If the answer is no, identify report(s).

[X] Yes [ ] No

(3) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

[ ] Yes [X] No

If so: attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

PRINCETON VENTURES, INC.

(Name of Registrant as specified in charter)

has caused this notification to be signed on its behalf by the undersigned thereunto duly authorized.

Date: September 30, 2002 By: /s/ William C. Robertson

WILLIAM C. ROBERTSON
Chief Financial Officer
and Director

GN="right">(24.9) 2,313.3

Property, plant and equipment, net

2,366.2 576.2 2,942.4

Deferred income taxes

15.6 (15.6)

Investments in affiliates

112.2 (112.2)

Goodwill

75.0 75.0

Other assets

248.6 23.8 272.4

Notes receivable from affiliate

148.4 (148.4)

$5,036.0 $199.9 $668.3 $(301.1) $5,603.1

LIABILITIES AND STOCKHOLDER S EQUITY

CURRENT LIABILITIES:

Accounts payable

$637.5 $ $200.5 $ $838.0

Payables to affiliates

20.6 52.7 21.8 95.1

Accrued expenses and other

258.5 5.1 2.3 (0.4) 265.5

Accrued taxes other than income

45.2 2.0 47.2

Current portion of long-term debt

46.4 46.4

Current portion of notes payable to affiliate

46.4 (46.4)

Total current liabilities

961.8 51.5 303.9 (25.0) 1,292.2

Long-term debt

1,620.0 148.4 (11.6) 1,756.8

Deferred income taxes

127.3 114.2 (15.6) 225.9

Other long-term liabilities

180.1 1.3 181.4

Notes payable to affiliate

148.4 (148.4)

Commitments and contingencies

COMMON STOCKHOLDER S EQUITY:

Common stock

0.1 (0.1)

Additional paid-in capital

1,433.2 395.9 (395.9) 1,433.2

Retained earnings

713.6		(295.5)	295.5	713.6
Total common stockholder s equity				
2,146.8		100.5	(100.5)	2,146.8
$5,036.0	$199.9	$668.3	$(301.1)	$5,603.1

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The Premcor Refining Group Inc. and Subsidiaries

Condensed Consolidating Statement of Operations

For the Three Months Ended March 31, 2005

(unaudited, in millions)

	PRG	PAFC	Other Guarantor Subsidiaries	Eliminations	Consolidated PRG
Net sales and operating revenues	$ 4,183.5	$	$ 723.2	$ (745.4)	$ 4,161.3
Equity in earnings of affiliates	120.2			(120.2)	
Expenses:					
Cost of sales	3,880.4		477.2	(736.1)	3,621.5
Operating expenses	190.9		50.2	(9.2)	231.9
General and administrative expenses	40.6		0.8		41.4
Depreciation	20.3		5.5		25.8
Amortization	19.3		0.6		19.9
Refinery restructuring and other charges	4.1				4.1
	4,155.6		534.3	(745.3)	3,944.6
Operating income	148.1		188.9	(120.3)	216.7
Interest and finance expense	(23.5)	(6.2)	(6.9)	6.6	(30.0)
Interest income	2.9	6.2	0.2	(6.5)	2.8
Income from continuing operations before income taxes	127.5		182.2	(120.2)	189.5
Income tax provision	(3.0)		(62.0)		(65.0)
Income from continuing operations	124.5		120.2	(120.2)	124.5
Loss from discontinued operations, net of tax	(1.5)				(1.5)
Net income	$ 123.0	$	$ 120.2	$ (120.2)	$ 123.0

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The Premcor Refining Group Inc. and Subsidiaries

Condensed Consolidating Statement of Cash Flows

For the Three Months Ended March 31, 2005

(unaudited, in millions)

	PRG	PAFC	Other Guarantor Subsidiaries	Eliminations	Consolidated PRG
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 123.0	$	$ 120.2	$ (120.2)	$ 123.0
Adjustments:					
Loss from discontinued operations	1.5				1.5
Depreciation	20.3		5.5		25.8
Amortization	20.7		1.3		22.0
Deferred income taxes	(25.3)		14.7		(10.6)
Stock-based compensation	5.1				5.1
Refinery restructuring and other charges					
Equity in earnings of affiliates	(120.2)			120.2	
Other, net	(2.4)		0.2		(2.2)
Cash provided by (reinvested in) working capital :					
Accounts receivable, prepaid expenses and other	115.1		(6.2)	(0.4)	108.5
Inventories	(224.8)		22.0		(202.8)
Accounts payable, accrued expenses, taxes other than income, and other	(211.2)	(7.0)	78.2	0.4	(139.6)
Affiliate receivables and payables	292.4	22.3	(236.9)	(0.9)	76.9
Restricted cash and cash equivalents			7.0		7.0
Net cash (used in) provided by operating activities of continuing operations	(5.8)	15.3	6.0	(0.9)	14.6
Net cash used in operating activities of discontinued operations	(0.8)				(0.8)
Net cash (used in) provided by operating activities	(6.6)	15.3	6.0	(0.9)	13.8
CASH FLOWS FROM INVESTING ACTIVITIES:					
Expenditures for property, plant and equipment	(177.8)		(0.5)		(178.3)
Expenditures for turnaround	(57.6)		(10.6)		(68.2)
Purchases and maturities of investments, net	168.7				168.7
Net cash used in investing activities	(66.7)		(11.1)		(77.8)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Long-term debt and capital lease payments		(15.3)		0.9	(14.4)
Cash and cash equivalent restricted for debt repayment			5.1		5.1
Net cash (used in) provided by financing activities		(15.3)	5.1	0.9	(9.3)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(73.3)				(73.3)
CASH AND CASH EQUIVALENTS, beginning of period	230.5				230.5
CASH AND CASH EQUIVALENTS, end of period	$ 157.2	$	$	$	$ 157.2

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The Premcor Refining Group Inc. and Subsidiaries

Condensed Consolidating Balance Sheet

As of December 31, 2004

(in millions)

	PRG	PAFC	Other Guarantor Subsidiaries	Eliminations	Consolidated PRG
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 230.5	$	$	$	$ 230.5
Short-term investments	378.7				378.7
Restricted cash and cash equivalents			69.1		69.1
Accounts receivable, net	708.0		0.9	(0.6)	708.3
Receivable from affiliates	191.4	50.6	0.3	(122.6)	119.7
Inventories	747.6		25.0		772.6
Prepaid expenses and other	154.4		1.2		155.6
Deferred income taxes	69.5				69.5
Total current assets	2,480.1	50.6	96.5	(123.2)	2,504.0
Property, plant and equipment, net	2,265.2		581.3		2,846.5
Deferred income taxes	15.6			(15.6)	
Investments in affiliates	65.1			(65.1)	
Goodwill	27.6				27.6
Other assets	205.0		14.5		219.5
Note receivable from affiliate		171.6		(171.6)	
	$ 5,058.6	$ 222.2	$ 692.3	$ (375.5)	$ 5,597.6
LIABILITIES AND STOCKHOLDER S EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 873.9	$	$ 118.9	$	$ 992.8
Payable to affiliates	6.2		202.3	(84.1)	124.4
Accrued expenses and other	218.3	12.1	2.0	(0.7)	231.7
Accrued taxes other than income	64.8		5.7		70.5
Current portion of long-term debt		38.5			38.5
Current portion of notes payable to affiliate			38.5	(38.5)	
Total current liabilities	1,163.2	50.6	367.4	(123.3)	1,457.9
Long-term debt	1,619.9	171.6		(12.4)	1,779.1
Deferred income taxes	193.6		99.5	(15.6)	277.5
Other long-term liabilities	179.4		1.2		180.6
Note payable to affiliate			171.6	(171.6)	
Commitments and contingencies					
COMMON STOCKHOLDER S EQUITY:					
Common stock			0.1	(0.1)	
Additional paid-in capital	1,237.4		206.0	(206.0)	1,237.4
Retained earnings	665.1		(153.5)	153.5	665.1

Total common stockholder s equity	1,902.5		52.6	(52.6)	1,902.5
	$ 5,058.6	$ 222.2	$ 692.3	$ (375.5)	$ 5,597.6

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The Premcor Refining Group Inc. and Subsidiaries

Condensed Consolidating Statement of Operations

For the Three Months Ended March 31, 2004

(unaudited, in millions)

	PRG	PAFC	Other Guarantor Subsidiaries	Eliminations	Consolidated PRG
Net sales and operating revenues	$ 2,572.4	$	$ 633.4	$ (654.7)	$ 2,551.1
Equity in earnings of affiliates	26.3			(26.3)	
Expenses:					
Cost of sales	2,343.6		539.2	(646.4)	2,236.4
Operating expenses	115.2		39.3	(8.3)	146.2
General and administrative expenses	21.1		1.0		22.1
Depreciation	12.0		5.5		17.5
Amortization	16.0		0.2		16.2
Refinery restructuring and other charges	4.6				4.6
	2,512.5		585.2	(654.7)	2,443.0
Operating income	86.2		48.2	(26.3)	108.1
Interest and finance expense	(23.7)	(7.1)	(7.8)	7.5	(31.1)
Interest income	2.0	7.1	0.1	(7.5)	1.7
Income from continuing operations before income taxes	64.5		40.5	(26.3)	78.7
Income tax provision	(14.9)		(14.2)		(29.1)
Income from continuing operations	49.6		26.3	(26.3)	49.6
Loss from discontinued operations, net of tax	(0.3)				(0.3)
Net income	$ 49.3	$	$ 26.3	$ (26.3)	$ 49.3

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The Premcor Refining Group Inc. and Subsidiaries

Condensed Consolidating Statement of Cash Flows

For the Three Months Ended March 31, 2004

(unaudited, in millions)

	PRG	PAFC	Other Guarantor Subsidiaries	Eliminations	Consolidated PRG
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 49.3	$	$ 26.3	$ (26.3)	$ 49.3
Adjustments:					
Loss from discontinued operations	0.3				0.3
Depreciation	12.0		5.5		17.5
Amortization	17.5		0.8		18.3
Deferred income taxes	21.0		4.7		25.7
Stock-based compensation	4.9				4.9
Refinery restructuring and other charges	(0.7)				(0.7)
Equity in earnings of affiliates	(26.3)			26.3	
Other, net	0.7		0.2		0.9
Cash (reinvested in) provided by working capital:					
Accounts receivable, prepaid expenses and other	166.4		0.4		166.8
Inventories	56.3		5.1		61.4
Accounts payable, accrued expenses, taxes other than income, and other	(256.5)	(7.6)	3.7		(260.4)
Affiliate receivables and payables	40.6	18.1	(56.5)		2.2
Restricted cash and cash equivalents			8.0		8.0
Net cash provided by operating activities of continuing operations	85.5	10.5	(1.8)		94.2
Net cash used in operating activities of discontinued operations	(1.0)				(1.0)
Net cash provided by operating activities	84.5	10.5	(1.8)		93.2
CASH FLOWS FROM INVESTING ACTIVITIES:					
Expenditures for property, plant and equipment	(83.6)		(1.5)		(85.1)
Expenditures for turnaround	(52.7)		(0.2)		(52.9)
Purchases and maturities of investments, net	72.5			(0.6)	71.9
Net cash (used in) provided by investing activities	(63.8)		(1.7)	(0.6)	(66.1)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Long-term debt and capital lease payments	(0.1)	(10.5)		0.6	(10.0)
Cash and cash equivalent restricted for debt repayment			3.7		3.7
Net cash provided by (used in) financing activities	(0.1)	(10.5)	3.7	0.6	(6.3)
NET INCREASE IN CASH AND CASH EQUIVALENTS	20.6		0.2		20.8
CASH AND CASH EQUIVALENTS, beginning of period	118.9				118.9

CASH AND CASH EQUIVALENTS, end of period	$ 139.5	$	$ 0.2	$	$ 139.7

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16. Condensed Consolidating Financial Statements of Premcor Inc. as Guarantor of PRG s Senior Notes

Presented below are the Premcor Inc. condensed consolidating balance sheets, statements of operations, and statements of cash flows as required by Rule 3-10 of the Securities Exchange Act of 1934, as amended. Premcor Inc. is a full and unconditional guarantor of PRG s 6 1/8% 2011 Senior Notes and 6¾% 2014 Senior Notes. Premcor Inc. indirectly owns PRG through its 100% ownership of Premcor USA. PRG is a wholly owned subsidiary of Premcor USA. Under Rule 3-10, the condensed consolidating balance sheets, statements of operations, and statements of cash flows presented below meet the requirements for financial statements of the issuer and the guarantor of the notes, and all guarantees are full and unconditional on a joint and several basis.

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Premcor Inc. and Subsidiaries

Condensed Consolidating Balance Sheet

As of March 31, 2005

(unaudited, in millions)

	Premcor	Consolidated PRG	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Premcor
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 17.9	$ 157.2	$ 2.1	$	$ 177.2
Short-term investments	118.0	209.6	5.3		332.9
Restricted cash and cash equivalents		57.4			57.4
Accounts receivable, net	0.2	554.7	(0.4)		554.5
Receivable from affiliates	124.2	129.8	31.6	(285.6)	
Inventories		975.4			975.4
Prepaid expenses and other		200.7	1.1	(0.6)	201.2
Deferred income taxes		28.5	1.9		30.4
Total current assets	260.3	2,313.3	41.6	(286.2)	2,329.0
Property, plant and equipment, net		2,942.4	61.3		3,003.7
Investments in affiliates	2,192.0		2,118.0	(4,310.0)	
Goodwill		75.0			75.0
Other assets		272.4			272.4
	$ 2,452.3	$ 5,603.1	$ 2,220.9	$ (4,596.2)	$ 5,680.1
LIABILITIES AND STOCKHOLDERS EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$	$ 838.0	$ 0.7	$	$ 838.7
Payable to affiliates	140.9	95.1	49.7	(285.7)	
Accrued expenses and other	49.9	265.5	0.3	(0.6)	315.1
Accrued taxes other than income		47.2	0.6		47.8
Current portion of long-term debt		46.4	0.3		46.7
Total current liabilities	190.8	1,292.2	51.6	(286.3)	1,248.3
Long-term debt		1,756.8	9.5		1,766.3
Deferred income taxes	(1.4)	225.9	(3.4)		221.1
Other long-term liabilities		181.4	0.1		181.5
Commitments and contingencies					
COMMON STOCKHOLDERS EQUITY:					
Common stock	0.9		0.1	(0.1)	0.9
Additional paid-in capital	1,704.8	1,433.2	1,639.0	(3,072.2)	1,704.8
Retained earnings	557.2	713.6	524.0	(1,237.6)	557.2
Total common stockholders equity	2,262.9	2,146.8	2,163.1	(4,309.9)	2,262.9

	$ 2,452.3	$ 5,603.1	$ 2,220.9	$ (4,596.2)	$ 5,680.1

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Premcor Inc. and Subsidiaries

Condensed Consolidating Statement of Operations

For the Three Months Ended March 31, 2005

(unaudited, in millions)

	Premcor	Consolidated PRG	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Premcor
Net sales and operating revenues	$	$ 4,161.3	$ 10.5	$ (7.5)	$ 4,164.3
Equity in earnings of affiliates	124.8		124.2	(249.0)	
Expenses:					
Cost of sales		3,621.5		(5.7)	3,615.8
Operating expenses		231.9	7.2	(1.8)	237.3
General and administrative expenses		41.4	0.4		41.8
Depreciation		25.8	0.6		26.4
Amortization		19.9			19.9
Refinery restructuring and other charges		4.1			4.1
		3,944.6	8.2	(7.5)	3,945.3
Operating income	124.8	216.7	126.5	(249.0)	219.0
Interest and finance expense		(30.0)	(0.3)		(30.3)
Interest income	0.6	2.8			3.4
Income from continuing operations before income taxes	125.4	189.5	126.2	(249.0)	192.1
Income tax provision	(0.2)	(65.0)	(0.2)		(65.4)
Income from continuing operations	125.2	124.5	126.0	(249.0)	126.7
Loss from discontinued operations, net of tax		(1.5)			(1.5)
Net income	$ 125.2	$ 123.0	$ 126.0	$ (249.0)	$ 125.2

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Premcor Inc. and Subsidiaries

Condensed Consolidating Statement of Cash Flows

For the Three Months Ended March 31, 2005

(unaudited, in millions)

	Premcor	Consolidated PRG	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Premcor
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 125.2	$ 123.0	$ 126.0	$ (249.0)	$ 125.2
Adjustments:					
Loss from discontinued operations		1.5			1.5
Depreciation		25.8	0.6		26.4
Amortization		22.0			22.0
Deferred income taxes		(10.6)	0.4		(10.2)
Stock-based compensation		5.1			5.1
Refinery restructuring and other charges					
Equity in earnings of affiliates	(124.8)		(124.2)	249.0	
Other, net		(2.2)	0.2		(2.0)
Cash provided by (reinvested in) working capital:					
Accounts receivable, prepaid expenses and other		108.5	2.1	(1.8)	108.8
Inventories		(202.8)			(202.8)
Accounts payable, accrued expenses, taxes other than income and other	74.6	(139.6)	(1.8)	1.8	(65.0)
Affiliate receivables and payables	(74.2)	76.9	(2.7)		
Restricted cash and cash equivalents		7.0			7.0
Net cash provided by operating activities of continuing operations	0.8	14.6	0.6		16.0
Net cash used in operating activities of discontinued operations		(0.8)			(0.8)
Net cash provided by operating activities	0.8	13.8	0.6		15.2
CASH FLOWS FROM INVESTING ACTIVITIES:					
Expenditures for property, plant and equipment		(178.3)	(0.3)		(178.6)
Expenditures for turnaround		(68.2)			(68.2)
Net sales of short-term investments	18.0	168.7			186.7
Net cash provided by (used in) investing activities	18.0	(77.8)	(0.3)		(60.1)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Long-term debt and capital lease payments		(14.4)	(0.1)		(14.5)
Dividends paid to shareholders	(1.8)				(1.8)
Cash and cash equivalent restricted for debt repayment		5.1			5.1
Net cash provided by (used in) financing activities	(1.8)	(9.3)	(0.1)		(11.2)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17.0	(73.3)	0.2		(56.1)
CASH AND CASH EQUIVALENTS, beginning of year	0.9	230.5	1.9		233.3

CASH AND CASH EQUIVALENTS, end of year	$	17.9	$	157.2	$	2.1	$		$	177.2

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Premcor Inc. and Subsidiaries

Condensed Consolidating Balance Sheet

As of December 31, 2004

(in millions)

	Premcor	Consolidated PRG	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Premcor
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 0.9	$ 230.5	$ 1.9	$	$ 233.3
Short-term investments	136.0	378.7	5.3		520.0
Restricted cash and cash equivalents		69.1			69.1
Accounts receivable	0.2	708.3	0.2		708.7
Receivable from affiliates	268.3	119.7	65.6	(453.6)	
Inventories		772.6			772.6
Prepaid expenses and other		155.6	2.6	(2.4)	155.8
Deferred income taxes		69.5	5.4		74.9
Total current assets	405.4	2,504.0	81.0	(456.0)	2,534.4
Property, plant and equipment, net		2,846.5	61.6		2,908.1
Investments in affiliates	1,986.8		1,875.5	(3,862.3)	
Goodwill		27.6			27.6
Other assets		219.5			219.5
	$ 2,392.2	$ 5,597.6	$ 2,018.1	$ (4,318.3)	$ 5,689.6
LIABILITIES AND STOCKHOLDERS EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$	$ 992.8	$ 0.6	$	$ 993.4
Payable to affiliates	283.9	124.4	45.2	(453.5)	
Accrued expenses and other	(24.7)	231.7	2.9	(2.4)	207.5
Accrued taxes other than income		70.5	(0.1)		70.4
Current portion of long-term debt		38.5	0.3		38.8
Total current liabilities	259.2	1,457.9	48.9	(455.9)	1,310.1
Long-term debt		1,779.1	9.6		1,788.7
Deferred income taxes	(1.4)	277.5	(0.3)		275.8
Other long-term liabilities		180.6			180.6
Commitments and contingencies					
COMMON STOCKHOLDERS EQUITY:					
Common stock	0.9		0.1	(0.1)	0.9
Additional paid-in capital	1,699.7	1,237.4	1,516.8	(2,754.2)	1,699.7
Retained earnings	433.8	665.1	443.0	(1,108.1)	433.8
Total common stockholders equity	2,134.4	1,902.5	1,959.9	(3,862.4)	2,134.4

	$ 2,392.2	$ 5,597.6	$ 2,018.1	$ (4,318.3)	$ 5,689.6

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Premcor Inc. and Subsidiaries

Condensed Consolidating Statement of Operations

For the Three Months Ended March 31, 2004

(unaudited, in millions)

	Premcor	Consolidated PRG	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Premcor
Net sales and operating revenues	$	$ 2,551.1	$ 2.5	$ (1.9)	$ 2,551.7
Equity in earnings of affiliates	49.8		51.1	(100.9)	
Expenses:					
Cost of sales		2,236.4		(1.9)	2,234.5
Operating expenses		146.2	2.3	(1.5)	147.0
General and administrative expenses	0.1	22.1	0.1	0.2	22.5
Depreciation		17.5	0.4		17.9
Amortization		16.2			16.2
Refinery restructuring and other charges		4.6			4.6
	0.1	2,443.0	2.8	(3.2)	2,442.7
Operating income	49.7	108.1	50.8	(99.6)	109.0
Interest and finance expense	(0.2)	(31.1)	(0.3)	0.3	(31.3)
Interest income	0.1	1.7		(0.1)	1.7
Income from continuing operations before income taxes	49.6	78.7	50.5	(99.4)	79.4
Income tax provision		(29.1)	(0.3)		(29.4)
Income from continuing operations	49.6	49.6	50.2	(99.4)	50.0
Loss from discontinued operations, net of tax		(0.3)			(0.3)
Net income	$ 49.6	$ 49.3	$ 50.2	$ (99.4)	$ 49.7

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Premcor Inc. and Subsidiaries

Condensed Consolidating Statement of Cash Flows

For the Three Months Ended March 31, 2004

(unaudited, in millions)

	Premcor	Consolidated PRG	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Premcor
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 49.6	$ 49.3	$ 50.2	$ (99.4)	$ 49.7
Adjustments:					
Loss from discontinued operations		0.3			0.3
Depreciation		17.5	0.4		17.9
Amortization		18.3			18.3
Deferred income taxes		25.7	2.0		27.7
Stock-based compensation		4.9			4.9
Refinery restructuring and other charges		(0.7)			(0.7)
Equity in earnings of affiliates	(49.8)		(51.1)	100.9	
Other, net	(0.1)	0.9	(0.2)	0.3	0.9
Cash provided by (reinvested in) working capital:					
Accounts receivable, prepaid expenses and other		166.8	0.9	(1.4)	166.3
Inventories		61.4			61.4
Accounts payable, accrued expenses, taxes other than income and other	1.4	(260.4)	(1.9)	1.2	(259.7)
Affiliate receivables and payables	(1.0)	2.2	(1.3)	0.1	
Restricted cash and cash equivalents		8.0			8.0
Net cash provided by (used in) operating activities of continuing operations	0.1	94.2	(1.0)	1.7	95.0
Net cash used in operating activities of discontinued operations		(1.0)			(1.0)
Net cash provided by (used in) operating activities	0.1	93.2	(1.0)	1.7	94.0
CASH FLOWS FROM INVESTING ACTIVITIES:					
Expenditures for property, plant and equipment		(85.1)	(0.1)	(0.2)	(85.4)
Expenditures for turnaround		(52.9)			(52.9)
Net (purchases) sales of short-term investments	0.4	71.9			72.3
Net cash provided by (used in) investing activities	0.4	(66.1)	(0.1)	(0.2)	(66.0)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of common stock	1.3				1.3
Long-term debt and capital lease payments		(10.0)			(10.0)
Cash and cash equivalent restricted for debt repayment		3.7			3.7
Net cash provided by (used in) financing activities	1.3	(6.3)			(5.0)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1.8	20.8	(1.1)	1.5	23.0

CASH AND CASH EQUIVALENTS, beginning of year		118.9	1.8		120.7
CASH AND CASH EQUIVALENTS, end of year	$ 1.8	$ 139.7	$ 0.7	$ 1.5	$ 143.7

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17. Commitments and Contingencies

Legal and Environmental Liabilities

As a result of its normal course of business, the closure of two refineries, and continuing obligations related to previously owned retail operations (as disclosed in Note 12), the Company is party to certain legal proceedings and environmental-related obligations. As of March 31, 2005, the Company had accrued a total of approximately $94 million (December 31, 2004 $96 million), on primarily an undiscounted basis, for legal and environmental-related obligations. Should a development in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts in excess of our accrual, they could have a material adverse effect on the Company s operating results, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

In addition to the specific matters discussed below, the Company also has been named in various other suits and claims. The Company believes that the ultimate resolution of these claims, to the extent not previously provided for, will not have a material adverse effect on the Company s consolidated financial condition, results of operations or cash flows. However, an adverse outcome of any one or more of these matters could have a material adverse effect on quarterly or annual operating results or cash flows.

Village of Hartford, Illinois Litigation. In May 2003, the Attorney General s office for the State of Illinois filed a lawsuit against the Company and a former owner of the Hartford refinery for injunctive relief, cost recovery and penalties related to subsurface contamination in the area of the refinery and facilities owned by other companies. The case, entitled *People of the State of Illinois, ex rel. v. The Premcor Refining Group, Inc. et al.,* is filed in the Circuit Court for the Third Judicial Circuit, Madison County, Illinois. The Attorney General s office also sent notices to other companies with current or former operations in the area of the state s intent to sue those companies as well. The lawsuit has been stayed while the Company discusses with the State implementing an assessment and remediation plan for the Hartford refinery site. Also, in the first quarter of 2004, an Administrative Order on Consent was signed by Premcor, two other potentially responsible parties, and the U.S. Environmental Protection Agency. This order requires the investigation of groundwater contamination and the development of a remedial solution for a portion of the Village of Hartford.

In July 2003, approximately 12 residents of the Village of Hartford, Illinois filed a lawsuit against the Company and a prior owner of the Hartford refinery alleging personal injury and property damage due to releases from the refinery and related pipelines. The plaintiffs are seeking class certification and unspecified damages. The case, entitled *Sparks, et al. v. The Premcor Refining Group, Inc., et al.* was removed to the United States District Court for the Southern District of Illinois. In the second quarter of 2004, plaintiffs filed an amended complaint in the United States District Court Southern District of Illinois. The amended complaint added new, non-diverse defendants, eliminated a cause of action for strict liability and added a new cause of action based on a negligence theory. The Company filed an answer to the amended complaint setting forth its defenses. The United States District Court also remanded the case to state court. The case is currently in the Circuit Court Third Judicial Circuit Madison County, Illinois, Case No. 03-L-1053 captioned *Sparks, et al. v. The Premcor Refining Group, Inc. et al.*

Also in the second quarter of 2004, two new lawsuits were served by residents in the Village of Hartford. The original complaints have since been amended. The two lawsuits are *Bedwell, et al. v. The Premcor Refining Group, Inc., et al.* in the Circuit Court Third Judicial Circuit Madison County, Illinois, Case No. 04-L-342 and *Abert, et al. v. Alberta Energy Company, Ltd., et al.* in the Circuit Court Third Judicial Circuit Madison County, Illinois, Case No. 04-L-354. *Bedwell* contains allegations substantially similar to *Sparks*. *Bedwell* includes a request for class certification similar to *Sparks*. No class certification has been granted in either case. *Abert* also raises allegations substantially similar to *Sparks* but on behalf of approximately 114 individually named plaintiffs against approximately 24 different defendants. The Company has filed responsive pleadings in both cases including defenses to plaintiffs claims.

Lawsuits by Residents of Port Arthur, Texas. During the fourth quarter of 2004, the Company received service of 13 lawsuits brought by residents in the area of Port Arthur, Texas alleging personal and pecuniary injuries caused by emissions from industrial facilities in the area. The Company was non-suited without prejudice in three of the lawsuits prior to filing an appearance. The cases have been consolidated into one lead case entitled *Crystal Faulk, et al. v. Premcor Refining, et al.* in the District Court of Jefferson County, Texas,

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Case No. B-173,357. Consolidated petitions have been filed in the case which assert the claims of 142 plaintiffs, 85 of whom are alleging claims against the Company and others. The cases generally involve allegations of negligence *per se*, negligence, fraud, permanent nuisance, trespass and gross negligence.

Methyl-Tertiary Butyl Ether Products Liability Litigation. During the fourth quarter of 2003 and continuing, the Company has been named in approximately 51 cases, along with dozens of other companies, filed in approximately 15 states concerning the use of methyl-tertiary butyl ether, or MTBE. The cases contain allegations that MTBE is defective. The cases have been removed to federal court and consolidated in the Southern District of New York under the rules for Multi-District Litigation, or MDL. The cases are before the Judicial Panel on MDL Docket No. 1358, *In Re: Methyl-Tertiary Butyl Ether Products Liability Litigation*. The Company has filed or joined in responsive pleadings and has raised additional defenses to plaintiffs claims including those defenses based on the Company s limited use of MTBE and its narrow geographical use.

Port Arthur: Enforcement. The Texas Commission on Environmental Quality, or TCEQ, conducted a site inspection of our Port Arthur refinery in the spring of 1998. In August 1998, the Company received a notice of enforcement alleging 47 air-related violations and 13 hazardous waste-related violations. The number of allegations was significantly reduced in an enforcement determination response from the TCEQ in April 1999. A follow-up inspection of the refinery in June 1999 concluded that only two alleged items remained outstanding, namely that the refinery failed to maintain the temperature required by our air permit at one of its incinerators and that five process wastewater sump vents did not meet applicable air emission control requirements. The alleged conditions that existed at the time have since changed. In May 2001, the TCEQ proposed an order covering some of the 1998 air and hazardous waste allegations and proposed the payment of a fine of $562,675 and the implementation of a series of technical provisions requiring corrective actions. The Company disputes the allegations and the proposed penalty, and negotiations with the TCEQ are ongoing.

The TCEQ conducted another inspection at our Port Arthur refinery on April 4, 2003. In August 2003, the Company received a notice of enforcement regarding that inspection alleging 46 air-related violations. The Company disputes the allegations and negotiations with the TCEQ are ongoing.

Blue Island: Class Action Matters. In October 1994, our Blue Island refinery experienced an accidental release of used catalyst into the air. In October 1995, a class action, *Rosolowski v. Clark Refining & Marketing, Inc., et al.,* was filed against the Company seeking to recover damages in an unspecified amount for alleged property damage and non-permanent personal injury resulting from that catalyst release. The complaint underlying this action was later amended to add allegations of subsequent events that allegedly interfered with the use and enjoyment of neighboring property. In June 2000, our Blue Island refinery experienced an electrical malfunction that resulted in another accidental release of used catalyst into the air. Following the 2000 catalyst release, two cases were filed purporting to be class actions, *Madrigal et al. v. The Premcor Refining Group Inc.* and *Mason et al. v. The Premcor Refining Group Inc.* Both cases sought damages in an unspecified amount for alleged property damage and personal injury resulting from that catalyst release. *Mason* was voluntarily dismissed in 2004. *Rosolowski* and *Madrigal* have been consolidated for the purpose of conducting discovery, which is currently proceeding. Other single plaintiff cases regarding the same incidents are also pending. The cases are pending in Circuit Court of Cook County, Illinois.

People of the State of Illinois v. Clark Retail Enterprises, Inc. et al.; Circuit Court of Tazewell, Illinois. In this case the Illinois Attorney General s office filed suit alleging violations of environmental standards and other common law actions arising from operations of a retail site in Morton, Illinois. The Company has filed a motion to dismiss the lawsuit and is in discussions with the Attorney General s office and the Illinois EPA on disposition of the site.

Former Retail Sites Violation Notices. In the first quarter of 2004, the Company received 39 Violation Notices from the Illinois EPA as a result of remediation activities at 35 former retail sites in the State of Illinois. The notices do not contain any proposed penalties but penalties may be sought under the applicable law. The Company has responded to the Violation Notices and the Company is continuing the remediation work being performed at these sites.

Alleged Asbestos and Benzene Exposure. The Company, along with numerous other defendants, has been named in certain individual lawsuits alleging personal injury resulting from exposure to asbestos or benzene. A majority of the claims have been filed by employees of third party independent contractors who purportedly were exposed while performing services at our Hartford and Port Arthur refineries. Some of the cases are in the

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early stages of litigation. Substantive discovery has not yet been concluded. Therefore it is not possible at this time for us to quantify our exposure from these claims, but, based on currently available information, the Company does not believe that any liability resulting from the resolution of these matters will have a material adverse effect on our financial condition, results of operations and cash flows.

New Source Review Permit Issues. New Source Review requirements under the Clean Air Act apply to newly constructed facilities, significant expansions of existing facilities, and significant process modifications and require new major stationary sources and major modifications at existing major stationary sources to obtain permits, perform air quality analysis and install stringent air pollution control equipment at affected facilities. The EPA previously commenced an industry-wide enforcement initiative regarding New Source Review and other laws. The EPA initiative, which includes sending numerous refineries information requests pursuant to Section 114 of the Clean Air Act, appears to target many items that the industry has historically considered routine repair, replacement, maintenance or other activity exempted from the New Source Review requirements.

The Company has responded to information requests from the EPA regarding New Source Review compliance at our Port Arthur, Lima and Memphis refineries, all of which were purchased within the last ten years. The Company believes that any costs to respond to New Source Review issues at those refineries prior to our purchase are the responsibility of the prior owners and operators of those facilities.

At the Memphis refinery, under the purchase agreement, Williams is not responsible for any costs we incur for capital improvements arising out of EPA Section 114 proceedings. The Memphis refinery has installed advanced pollution controls that reduced the amount of additional control equipment that may be required. Williams has retained responsibility for any penalties that may arise due to non-compliance.

Environmental matters are as follows:

Port Arthur, Lima, Memphis and Delaware City Refineries. The original refineries on the sites of the Port Arthur and Lima refineries began operating in the late 1800s and early 1900s, prior to modern environmental laws and methods of operation. There is contamination at these sites, which the Company believes will be required to be remediated. Under the terms of the 1995 purchase of the Port Arthur refinery, Chevron Products Company, the former owner, generally retained liability for all required investigation and remediation relating to pre-purchase contamination discovered by June 1997, except with respect to certain areas on or around active processing units, which are the Company s responsibility. Less than 200 acres of the 3,600-acre refinery site are occupied by active processing units. Extensive due diligence efforts prior to the Company s acquisition and additional investigation after the acquisition documented contamination for which Chevron is responsible. In June 1997, the Company entered into an agreed order with Chevron and the Texas Commission on Environmental Quality, or TCEQ, that incorporates the contractual division of the remediation responsibilities for certain assets into an agreed order. The Company has recorded a liability for its portion of the Port Arthur remediation.

Under the terms of the purchase of the Lima refinery, BP, the former owner, indemnified the Company, subject to certain time and dollar limits, for all pre-existing environmental liabilities, except for contamination resulting from releases of hazardous substances in or on sewers, process units, storage tanks and other equipment at the refinery as of the closing date, but only to the extent the presence of these hazardous substances was a result of normal operations of the refinery and does not constitute a violation of any environmental law.

Although the Company is not primarily responsible for the majority of the currently required remediation of these sites, the Company may become jointly and severally liable for the cost of investigating and remediating a portion of these sites in the event that Chevron or BP fails to perform the remediation. In such an event, however, the Company believes it would have a contractual right of recovery from these entities. The cost of any such remediation could be substantial and could have a material adverse effect on the Company s financial position.

The Memphis refinery was constructed in 1941 and also has contamination on the property. An order was originally issued in 1998 by the Tennessee Department of Environment and Conservation (TDEC) Division of Solid Waste Management to MAPCO Petroleum, Inc. (the owner of the refinery prior to Williams). This order addresses groundwater remediation of light non-aqueous phase liquids and dissolved phase hydrocarbons underlying the refinery. Williams has agreed, subject to the limitations described below, to indemnify the

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Company against all environmental liabilities incurred as a result of a breach of their environmental representations and as a result of environmental related matters (1) known by them prior to the closing but not disclosed to the Company and (2) not known by them prior to the closing. The Company is responsible for all other environmental liabilities, including various pending clean-up and compliance matters. The Company recorded a liability for various on-going remediation matters as part of the acquisition accounting. Any claims made by the Company against Williams for environmental liabilities must be made within seven years. Williams obtained, at their expense, a ten-year fully pre-paid $50 million environmental insurance policy in support of this obligation covering unknown and undisclosed liabilities for the period of time prior to the acquisition. The insurance policy provides for a $25 million (with a $5 million limit for third party claims for offsite non-owned locations) limit per incident, with a $25 million aggregate limit and a self-insured retention of $250,000 per incident. The maximum amount the Company can recover for environmental liabilities is limited to $50 million from Williams plus any amounts provided under the insurance policy. Williams has also agreed to indemnify the Company against breaches of their representations and from liabilities arising from the ownership and operation of the assets (other than environmental liabilities) prior to the closing, but the liability of the sellers will be subject to a $5 million deductible and a maximum liability of $50 million. In addition, Williams has agreed to indemnify the Company for any fines and penalties that result from William s operations or ownership.

The Delaware City purchase agreement provides that, subject to certain limitations, the seller shall indemnify the Company against certain environmental liabilities and costs to the extent related to, arising out of, resulting from, or occurring during the ownership, operation or use of the refinery assets prior to the closing. Conversely, the Company has agreed to indemnify the seller against environmental liabilities and costs to the extent related to, arising out of, resulting from, or occurring during the period of time after the closing. These indemnities are generally subject to a cap of $50 million, with the exception of certain matters, including outstanding consent orders involving, and ongoing cleanup projects at, the refinery, which are subject to an aggregate cap of $800 million. In addition, the Company has agreed to assume responsibility under an existing consent order which requires the installation of air pollution control technology to the refinery s coker and fluid catalytic cracker. There can be no assurances that the seller will satisfy its obligations under this agreement, or that significant liabilities will not arise with respect to the matters the Company has assumed or for which the Company is indemnifying the seller.

There can be no assurances that these environmental liabilities and/or costs or expenditures to comply with environmental laws will not have a material adverse effect on our current or future financial condition, results of operations, and cash flow.

Blue Island Refinery Decommissioning and Closure. In January 2001, the Company ceased refining operations at its Blue Island refinery. The decommissioning of the facility is complete. The Company has been in discussions with state and local governmental agencies concerning remediation of the site and entered into a consent order setting forth the agreement for investigation of the site. The Company has recorded a liability for the environmental remediation of the refinery site based on costs that are reasonably foreseeable at this time, taking into consideration studies performed in conjunction with the insurance policies discussed below. In 2002, the Company obtained environmental risk insurance policies covering the Blue Island refinery site. This insurance program allows the Company to quantify and, within the limits of the policies, cap its cost to remediate the site, and provide insurance coverage from future third party claims arising from past or future environmental releases. The remediation cost overrun policy has a term of ten years and, subject to certain exceptions and exclusions, provides $25 million in coverage in excess of a self-insured retention amount of $26 million. The pollution legal liability policy provides for $25 million in aggregate coverage in excess of a $100,000 deductible per incident. The responsibility for the dismantling and environmental remediation of the refinery s above ground assets had been assumed by a third party in connection with its purchase of the assets for resale. The third party has defaulted on its obligation and the Company recorded a liability of $4.1 million in the fourth quarter of 2003 to provide for its estimated cost to dismantle and remediate the remaining above ground refinery equipment. The project is currently underway and is expected to be completed in 2005.

Hartford Refinery Closure. In September 2002, the Company ceased refining operations at its Hartford refinery. In the fourth quarter of 2002, the Company completed the removal of hydrocarbons, catalyst and chemicals from the refinery processing units. The Company has recorded a liability for the environmental remediation of the refinery site based on costs that are reasonably foreseeable at this time, and the Company is also currently in discussions with state governmental agencies concerning environmental remediation of the site.

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Former Retail Sites. In 1999, the Company sold its former retail marketing business, which it operated over a number of years at a total of 1,150 sites. During the course of operations of these sites, releases of petroleum products from underground storage tanks occurred. Federal and state laws require that contamination caused by such releases be assessed and remediated to meet applicable standards. The enforcement of the underground storage tank regulations under the Resource Conservation and Recovery Act has been delegated to the states that administer their own underground storage tank programs. The Company s obligation to remediate such contamination varies, depending upon the extent of the releases and the stringency of the laws and regulations of the states in which the releases were made. A portion of these remediation costs may be recoverable from the appropriate state underground storage tank reimbursement fund once the applicable deductible has been satisfied. The 1999 sale included approximately 670 sites, 225 of which had no known preclosure contamination, 365 of which had known preclosure contamination of varying extent, and 80 of which had been previously remediated. The Company and the purchaser of the retail division assumed certain preclosure environmental obligations. The bankruptcy discussed below may have an affect on these obligations.

In connection with the 1999 sale, the Company assigned approximately 170 leases and subleases of retail stores to the purchaser of its retail division, Clark Retail Enterprises, Inc., or CRE. The Company, subject to certain defenses, remained jointly and severally liable for CRE s obligations under approximately 150 of these leases, including payment of rent and taxes. The Company may also be contingently liable for environmental obligations at these sites. In October 2002, CRE and its parent company, Clark Retail Group, Inc., filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In bankruptcy hearings throughout 2003, CRE rejected, and subject to certain defenses, the Company became primarily obligated for, approximately 36 of these leases. During the third quarter of 2003, CRE conducted an orderly sale of its remaining retail assets, including most of the leases and subleases previously assigned by the Company to CRE except those that were rejected by CRE. The primary obligation under the non-rejected leases and subleases was transferred in the CRE sale process to various unrelated third parties; however, the Company, subject to certain defenses, will likely remain jointly and severally liable on the assigned leases.

Of the remaining 478 former retail sites not sold in the 1999 transaction described above, the Company has sold all but 4 stores. The Company is actively seeking to sell these remaining properties. The Company generally retained the remediation obligations for sites that were sold with presale contamination. Typically, the Company agreed to retain liability for all of these sites until an appropriate state regulatory agency issued a letter indicating that no further remedial action is necessary. However, these letters are subject to revocation if it is later determined that contamination exists at the properties, and the Company would remain liable for the remediation of any property for which a letter was received and subsequently revoked. The Company is currently involved in the active remediation of approximately 108 of the former retail sites that were not sold in the 1999 transaction.

During the period from the beginning of 1999 through March 31, 2005, the Company expended approximately $25 million to satisfy all the environmental cleanup obligations of the former retail marketing business and, as of March 31, 2005, had $21.4 million accrued to satisfy those obligations in the future.

A portion of the $21.4 million liability discussed above was established pursuant to an environmental indemnity agreement with CRE in connection with the 1999 sale of retail assets. The environmental indemnity obligation as it relates to the CRE retail properties was not extended to the buyers of CRE s retail assets in the recent bankruptcy proceedings.

Former Terminals. In December 1999, the Company sold 15 refined product terminals to a third party, but retained liability for environmental matters at four terminals and, with respect to the remaining eleven terminals, the first $250,000 per year of environmental liabilities until December 2005 up to a maximum of $1.5 million. In 2004, these terminals were sold to another third party except for the Hammond, Indiana terminal which we repurchased and continue to retain responsibility for most environmental matters.

Other Memphis Related Assets. On February 18, 1998, TDEC Division of Solid Waste Management issued an order to Truman Arnold Company Memphis Terminal (prior owner) to address increasing levels of petroleum in groundwater underlying the Riverside Terminal facility. The Company has been working with TDEC to continue remediation of the groundwater. A non-hazardous land farm was operated at the Memphis refinery up until February 2002, most recently for disposal of catalyst from the Poly Unit. The cost to close the land farm in accordance with the permit s closure procedures is not material.

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Environmental Product Standards

The Environmental Protection Agency, or EPA, has promulgated regulations under the Clean Air Act that establish stringent sulfur content specifications for gasoline and diesel fuel designed to reduce air emissions from the use of these products. The Company expects to incur, in the aggregate, approximately $780 million, of which $452.4 million has been incurred as of March 31, 2005, in order to comply with environmental regulations related to the new stringent sulfur content specifications. Future revisions to the current cost estimates may be necessary as the Company continues to finalize its engineering and procurement plans. Additionally, the increase in worldwide prices and demand for steel and equipment may also require us to further revise our estimates. Information related to the expected expenditures in relation to these new regulations is shown below.

	Total Estimated Expenditures	Total Expenditures Incurred To-Date	Remaining Expenditures at March 31, 2005
Gasoline low sulfur standards	$ 345.0	$ 322.6	$ 22.4
Diesel low sulfur standards	435.0	129.8	305.2
Total	$ 780.0	$ 452.4	$ 327.6

As of March 31, 2005, the Company had outstanding contractual commitments of $149.4 million related to the design and construction activity at the refineries for the gasoline and diesel low sulfur standards compliance.

18. Subsequent Events

On April 22, 2005 the Board of Directors declared a dividend of $0.02 per share payable on June 15, 2005 to all stockholders of record on June 1, 2005.

On April 25, 2005 Valero Energy Corp. (Valero) and Premcor announced that the companies have executed a merger agreement for Valero to acquire Premcor in an $8 billion transaction. The boards of directors of both companies unanimously approved Valero s acquisition of Premcor, which is subject to the approval of Premcor s shareholders and customary regulatory approvals. The transaction is expected to close Dec. 31, 2005, and both companies expect a smooth transition.

Under the terms of the merger agreement, Premcor shareholders will have the right to receive either 0.99 shares of Valero common stock, or $72.76 in cash for each share of Premcor stock they own, or a combination of the two, subject to pro-ration so that 50 percent of the total Premcor shares are acquired for cash.

Valero and Premcor have made customary representations, warranties and covenants in the Merger Agreement, including, among others, covenants (i) that both Valero and Premcor will conduct their respective businesses in the ordinary course consistent with past practice during the interim period between the execution of the Merger Agreement and the Effective Time and (ii) not to engage in certain kinds of transactions during such period. In addition, Premcor has agreed to cause a meeting of holders of Premcor common stock to be held by Premcor to consider adoption of the Merger Agreement. Premcor has also made certain additional customary covenants, including, among others, covenants not to: (i) solicit proposals relating to alternative business combination transactions or (ii) subject to certain exceptions, enter into discussions concerning, or provide confidential information in connection with, any proposals for alternative business combination transactions.

Consummation of the Merger is subject to customary conditions, including (i) approval of the holders of Premcor Common Stock, (ii) absence of any law or order prohibiting the consummation of the Merger, and (iii) expiration or termination of the Hart-Scott-Rodino waiting period and certain other regulatory approvals. In addition, each party s obligation to consummate the Merger is subject to certain other conditions, including (i) subject to certain exceptions, the accuracy of the representations and warranties of the other party, (ii) material compliance of the other party with its covenants, and (iii) the delivery of customary opinions from counsel to Valero and counsel to Premcor that the Merger will qualify as a reorganization under Section 368(a) of the Code.

The Merger Agreement contains certain termination rights for both Valero and Premcor, and further provides that, upon termination of the Merger Agreement under specified circumstances, Premcor may be required to pay Valero a termination fee of $150,000,000.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not historical facts, but only predictions and generally can be identified by use of statements that include phrases such as believe, expect, anticipate, intend, plan, f or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those currently anticipated. Factors that could materially affect these forward-looking statements include, but are not limited to, changes in:

Industry-wide refining margins and crude oil price differentials;

Crude oil and other raw material costs, the cost of transportation of crude oil, embargoes, military conflicts between, or internal instability in, one or more oil-producing countries, governmental actions, and other disruptions of our ability to obtain crude oil;

The ability of members of the Organization of the Petroleum Exporting Countries (OPEC) to agree on and to maintain crude oil price and production controls;

Market volatility due to world and regional events;

Availability and cost of debt and equity financing;

Labor relations;

U.S. and world economic conditions;

Supply and demand for refined petroleum products;

Reliability and efficiency of our operating facilities which are affected by such potential hazards as equipment malfunctions, plant construction/repair delays, explosions, fires, oil spills and the impact of severe weather and other factors which could result in significant unplanned downtime;

Actions taken by competitors which may include both pricing and expansion or retirement of refinery capacity;

Civil, criminal, regulatory or administrative actions, claims or proceedings and regulations dealing with protection of the environment, including refined petroleum product specifications and characteristics;

Natural gas prices, as our refineries purchase and consume significant amounts of natural gas to fuel their operations;

Other unpredictable or unknown factors not discussed, including acts of nature, war or terrorism; and

Changes in the credit ratings assigned to Premcor Inc. s subsidiaries debt securities or credit facilities.

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Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this report are made only as of the date of this report and we undertake no obligation to publicly update these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. We cannot assure you that projected results or events will be achieved.

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Overview

This Management s Discussion and Analysis of Financial Condition and Results of Operations reflects the results of operations and financial condition of Premcor Inc. and subsidiaries, which are materially the same as the results of operations and financial condition of PRG. Therefore, the discussions provided are equally applicable to Premcor Inc. and PRG except where otherwise noted.

We are an independent petroleum refiner and supplier of unbranded transportation fuels, heating oil, petrochemical feedstocks, petroleum coke and other petroleum products in the United States. PRG owns and operates four refineries with a combined total throughput capacity of approximately 800,000 barrels per day, or bpd. The refineries are located in Port Arthur, Texas; Lima, Ohio; Memphis, Tennessee and Delaware City, Delaware. We sell petroleum products in the Midwest, the Gulf Coast, the Northeastern and the Southeastern United States on an unbranded basis to approximately 1,200 distributors and chain retailers through a combination of our own product distribution system and an extensive third-party owned product distribution system, as well as in the spot market.

Delaware City Refinery Acquisition

Effective May 1, 2004, we completed an agreement with Motiva Enterprises LLC (Motiva) to purchase its Delaware City refining complex located in Delaware City, Delaware. The Delaware City refinery has a rated crude unit throughput capacity of approximately 190,000 bpd. Also included in the purchase was a 2,400 tons per day petroleum coke gasification unit, a 180 megawatt cogeneration facility, 8.5 million barrels of crude oil, intermediates, blendstock, and product tankage and a 50,000 bpd truck-loading rack. The purchase price was $800 million ($780 million cash and $20 million assumed liabilities), plus additional petroleum inventories valued at $90 million and approximately $2 million in transaction fees. In addition, Motiva will be entitled to receive contingent purchase payments of $25 million per year up to a total of $75 million over a three-year period depending on the amount of crude oil processed at the refinery and the level of refining margins during that period, and a $25 million payment per year up to a total of $50 million over a two-year period depending on the achievement of certain performance criteria at the gasification facility. Any amount we pay to Motiva for the contingent consideration will be recorded as goodwill. Such goodwill will not be amortized but will be subject to an annual impairment test.

The Delaware City refinery is a high-conversion medium and heavy high-sulfur crude oil refinery. Major process units include a crude unit, a reformer unit, a fluid catalytic cracking unit, a fluid coking unit, a high pressure hydrocracking unit and a coke gasification unit. Primary products include regular and premium conventional and reformulated gasoline, low-sulfur diesel, heating oil and jet fuel. The refinery s production is sold in the U.S. Northeast via pipeline, barge and truck distribution. The refinery s petroleum coke production is sold to third parties or gasified to fuel in the cogeneration facility, which is designed to supply electricity and steam to the refinery as well as outside electrical sales to third parties.

We financed the acquisition from a portion of the proceeds from its April 2004 public common stock offering of 14.9 million shares which provided net proceeds of $490 million; from PRG s $400 million senior notes offering completed April 2004 of which $200 million, due in 2011, bear interest at 6 $^{1}/8$% per annum and $200 million, due in 2014, bear interest at 6 $^{3}/4$% per annum; and from available cash.

The acquisition of the Delaware City refinery assets was accounted for using the purchase method, and the results of operations of these assets have been included in our results from the date of acquisition. In the fourth quarter of 2004, we adjusted the purchase price allocation based on the management s evaluation of independent appraisals and other information. The adjusted preliminary purchase price allocation, which will be finalized in the second quarter, is as follows:

Current assets	$ 128.3
Property, plant & equipment	756.0
Other assets	4.4
Accrued expenses and other	(1.6)
Other long-term liabilities	(15.8)
Total purchase price allocation	$ 871.3

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In conjunction with the acquisition of the Delaware City refinery, we entered into an agreement, effective May 1, 2004, with the Saudi Arabian Oil Company for the supply of 105,000 bpd of crude oil; however, due to certain quota restrictions the current supply is 85,000 bpd. The agreement has terms extending to April 30, 2005, with automatic one-year extensions thereafter unless terminated at the option of either party. The contract has been renewed effective May 1, 2005. The crude oil is priced by a market-based formula as defined in the agreement. We also entered into a product offtake agreement with Motiva that provides for the delivery by Premcor to Motiva of approximately 36,700 bpd of finished light petroleum products, such as gasoline and heating oil. The agreement was effective May 1, 2004, and the main portion of the offtake agreement has terms extending for six months with automatic renewals until canceled by either party. Both Premcor and Motiva have decided not to renew the contract and as of April 30, 2005, the contract will expire.

Results of Operations

The following tables reflect Premcor Inc. s financial and operating highlights for the three months ended March 31, 2005 and 2004.

Financial Results (in millions except per share data)	**Three months ended March 31, 2005**	**2004**
Net sales and operating revenues	**$ 4,164.3**	$ 2,551.7
Cost of sales	**3,615.8**	2,234.5
Gross margin (1)	**548.5**	317.2
Operating expenses	**237.3**	147.0
General and administrative expenses	**41.8**	22.5
Depreciation and amortization	**46.3**	34.1
Refinery restructuring and other charges	**4.1**	4.6
Operating income	**219.0**	109.0
Interest and finance expense, net	**(26.9)**	(29.6)
Income tax provision	**(65.4)**	(29.4)
Income from continuing operations	**126.7**	50.0
Loss from discontinued operations, net of tax	**(1.5)**	(0.3)
Net income	**$ 125.2**	$ 49.7
Income from continuing operations per common share:		
Basic	**$ 1.42**	$ 0.67
Diluted	**1.38**	0.66
Weighted average common shares outstanding:		
Basic	**89.2**	74.2
Diluted	**91.8**	75.7

(1) In order to assess our operating performance, we compare our actual gross margin (net sales and operating revenues less cost of sales) to industry gross margin benchmarks, such as the crack spread and crude oil price differentials defined in the table below.

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	Three months ended March 31, 2005	Three months ended March 31, 2004
Market Indicators (dollars per barrel, unless otherwise noted)		
West Texas Intermediate, or WTI (sweet)	**$ 49.79**	$ 35.25
Industry Refining Margins:		
Gulf Coast 2/1/1	**6.56**	5.39
Chicago 3/2/1	**6.86**	6.98
NYH RFG 3/2/1	**6.00**	**
Crude Oil Price Differentials:		
WTI less Maya (heavy sour)	**17.09**	9.36
WTI less Arab Medium	**9.48**	**
WTI less Dated Brent (foreign)	**2.30**	3.28
Natural Gas (per mmbtu)	**6.15**	5.39

** Not relevant

Selected Throughput and Per Barrel Data **(in thousands of bpd, except as noted)**	Three months ended March 31, 2005	Three months ended March 31, 2004
Total throughput by refinery:		
Port Arthur	**183.5**	222.1
Lima	**133.9**	105.5
Memphis	**135.3**	153.7
Delaware City (1)	**172.1**	
Total throughput	**624.8**	481.3
Total throughput (in millions of barrels)	**56.2**	43.8
Per barrel of total throughput (in dollars):		
Gross margin	**$ 9.76**	$ 7.24
Operating expenses	**4.22**	3.36

(1) We acquired the Delaware City refinery effective May 1, 2004.

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Selected Volumetric Data (in thousands of bpd)	Three months ended March 31, 2005 Port Arthur	Lima	Memphis	Delaware City (2)	Total	Percent of Total	Three months ended March 31, 2004 Port Arthur	Lima	Memphis	Total	Percent of Total
Throughput:											
Crude unit throughput	153.5	133.8	125.9	153.8	567.0	91%	207.2	106.3	143.4	456.9	95%
Other throughputs	30.0	0.1	9.4	18.3	57.8	9%	14.9	(0.8)	10.3	24.4	5%
Total throughput	183.5	133.9	135.3	172.1	624.8	100%	222.1	105.5	153.7	481.3	100%
Production:											
Light products											
Conventional gasoline	65.6	70.2	52.2	43.3	231.3	36%	69.3	61.9	61.0	192.2	39%
Premium and reformulated gasoline	6.4	6.7	8.7	42.7	64.5	10%	21.8	5.5	8.5	35.8	7%
Diesel fuel	48.1	22.9	35.3	46.6	152.9	24%	57.7	14.5	49.4	121.6	25%
Jet fuel	10.8	19.8	27.0	3.1	60.7	10%	20.8	16.9	24.5	62.2	13%
Other products / blendstocks, net	36.2	12.7	4.6	32.7	86.2	14%	36.9	4.9	5.6	47.4	10%
Total light products	167.1	132.3	127.8	168.4	595.6	94%	206.5	103.7	149.0	459.2	93%
Solid by products / residual oil (1)	21.3	3.1	7.6	7.1	39.1	6%	26.1	3.6	5.4	35.1	7%
Total production	188.4	135.4	135.4	175.5	634.7	100%	232.6	107.3	154.4	494.3	100%

(1) Volumes are per barrel equivalents.
(2) We acquired the Delaware City refinery effective May 1, 2004.

Three months ended March 31, 2005 as compared to three months ended March 31, 2004

Overview. Net income was $125.2 million ($1.36 per diluted share) for the three months ended March 31, 2005 as compared to $49.7 million ($0.66 per diluted share) in 2004. Our operating income was $219.0 million for the three months ended March 31, 2005 as compared to $109.0 million in 2004.

The results of operations for the three months ended March 31, 2004 do not reflect the operations of our Delaware City refinery, which was acquired May 1, 2004.

Net Sales and Operating Revenues. Net sales and operating revenues increased $1,612.6 million, or 63%, to $4,164.3 million for the three months ended March 31, 2005 from $2,551.7 million in 2004. The increase in net sales and operating revenue is primarily due to higher refined product prices and the three months of operations at Delaware City in 2005 as compared to no operations in 2004. We believe the favorable market conditions were driven in part by increased global product demand outpacing increases in global refining capacity.

Gross Margin. Gross margin increased $231.3 million, or 73% to $548.5 million for the three months ended March 31, 2005 from $317.2 million in 2004. The increase in gross margin for the three months ended March 31, 2005 was principally driven by the three months of operations at Delaware City in 2005 as compared to no operations in 2004. Additionally, the increase in gross margin for the three months ended March 31, 2005 was also impacted by strong crude oil price differentials and industry refining margins in our markets. These increases were partially offset by the scheduled plant-wide turnaround maintenance work at our Port Arthur refinery and other unscheduled downtime at our Memphis and Delaware City refineries.

It is common practice in our industry to look to benchmark market indicators as a predictor of actual refining margins. We utilize the Gulf Coast 2/1/1 as an indicator of refining margins at our Port Arthur and Memphis refineries, the Chicago 3/2/1 as an indicator of refining margins at our Lima refinery and the

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New York Harbor Reformulated Gasoline 3/2/1, or NYH RFG 3/2/1, at our Delaware City refinery. Our actual results will vary as our crude oil and product slates differ from the benchmarks and for other ancillary costs that are not included in the benchmarks, such as crude oil and product grade differentials, transportation costs, storage and credit fees, inventory fluctuations and price risk management activities.

Average industry refining margins for the three months ended March 31, 2005 for the most part were at higher levels as compared to similar periods in 2004. The Gulf Coast 2/1/1 was approximately 22% higher for the three months ended March 31, 2005 as compared to the same period in 2004. The Chicago 3/2/1 was approximately 2% lower for the three months ended March 31, 2005 as compared to the corresponding period in 2004. The NYH RFG 3/2/1 has averaged $6.00 for the three months ended March 31, 2005. We believe the strong industry refining margins for the three months ended March 31, 2005 were driven in part by increased product demand outpacing increases in refining capacity.

The WTI less Maya crude oil price differential was approximately 83% higher for the three months ended March 31, 2005 than in 2004. The WTI less Arab Medium crude oil price differential has averaged $9.48 for the three months ended March 31, 2005. These heavy high-sulfur sour crude oil price differentials had a significant positive impact on Port Arthur s and Delaware City s gross margin as these refineries are capable of producing medium to heavy high-sulfur crude oil. Both Lima and Memphis process primarily light sweet crude oils, and accordingly, do not require an adjustment for crude oil price differentials except to the extent to which their crude oil is purchased in a foreign market versus a domestic market. The WTI less Brent crude oil price differential was approximately 30% lower for the three months ended March 31, 2005 than in 2004.

Approximately 12% to 15% and 5% to 8% of the product slate at Port Arthur and Delaware City, respectively, is lower value petroleum coke, sulfur, and residual oils, which negatively impacted the refinery s gross margin against the benchmark crack spread. Less than 5% of the product slate at Lima and Memphis is the lower value residual oils or petroleum coke. In addition to these adjustments to the crack spreads, savings from our marine charter agreements for Port Arthur continued to be favorable to the current market rates for the three months ended March 31, 2005. These charters are primarily used for the transportation of Maya crude oil to our Port Arthur refinery.

Although benchmark market indicators such as the Gulf Coast 2/1/1, Chicago 3/2/1, and the NYH RFG 3/2/1 are useful in predicting industry refining gross margins, changes in absolute hydrocarbon prices, the structure of the hydrocarbon futures market and our specific price risk management activities have an effect on our results that does not correlate with the benchmark market indicators. Based on our current refinery operations, we have an average net fixed price purchase commitment position of approximately 8 million barrels. To manage the absolute price risk while holding these net fixed price purchase commitments, we may buy or sell futures contracts on the New York Mercantile Exchange, or NYMEX, that correspond volumetrically with all or a portion of our net fixed price purchase commitments. We may also take positions on the NYMEX or over the counter market to hedge the price risk forecasted transaction such as crude and product purchases, refined product sales and natural gas purchases. See Quantitative and Qualitative Disclosures about Market Risk Commodity Risk for a description of our price risk management strategies and policies. Our operating results were positively affected by approximately $2 million related to our price risk management activities for the three months ended March 31, 2005.

Refinery Operations

The total throughput rate at our Port Arthur refinery was 183,500 bpd for the three months ended March 31, 2005, as compared to 222,100 bpd in the corresponding period of 2004. For the three months ended March 31, 2005, the throughput rates were restricted due to the scheduled plant-wide maintenance turnarounds. The turnarounds included maintenance on the crude unit, hydrocracker, coker, catalytic cracker and alkylation units. On average, most of the units were down 30 to 35 days each.

The total throughput rate at our Lima refinery was 133,900 bpd for the three months ended March 31, 2005, as compared to 105,500 bpd in the corresponding period of 2004. The total throughput rate increased in 2005 due to the scheduled full refinery maintenance turnaround that occurred during the first quarter of 2004.

The total throughput rate at our Memphis refinery was 135,300 bpd for the three months ended March 31, 2005 as compared to 153,700 bpd in the corresponding period of 2004. Total throughput was reduced beginning March 9 due to unplanned downtime on the continuous catalytic reformer.

The total throughput rate at our Delaware City refinery was 172,100 bpd for the three months ended March 31, 2005. Total throughput for the first quarter 2005 was slightly lower than expected due to unplanned maintenance work on its continuous catalytic reformer and hydrogen plant for 12 days.

Operating Expenses. Operating expenses increased $90.3 million to $237.3 million in the three months ended March 31, 2005 from $147.0 million in the corresponding period of 2004. The increase in operating expenses for the three months ended March 31, 2005 is primarily due to the three months of operations at Delaware City in 2005 and natural gas prices increasing 14% for the three months ended March 31, 2005 as compared to the similar period in 2004.

General and Administrative Expenses. General and administrative expenses increased $19.3 million to $41.8 million for the three months ended March 31, 2005 from $22.5 million in the corresponding period in 2004. The increase in general and administrative expenses for the three months ended March 31, 2005 is primarily related to an $11 million increase for incentive compensation accrual and increases in various professional fees, the three months of operations of the Delaware City refinery and certain employee benefit programs. Included in general and administrative expenses is stock-based compensation expense which increased $0.2 million, or 4% to $5.1 million for the three months ended March 31, 2005 from $4.9 million in the corresponding period in 2004.

Depreciation and Amortization. Depreciation and amortization increased $12.2 million to $46.3 million in the three months ended March 31, 2005 from $34.1 million in the corresponding period in 2004. This increase for the three months ended March 31, 2005, was principally due to capital expenditure activity and three months of depreciation for Delaware City in 2005.

Refinery Restructuring and Other Charges. During the three months ended March 31, 2005, we recorded refinery restructuring and other charges of $4.1 million. The charges relate to litigation and environmental matters at closed refineries.

During the three months ended March 31, 2004, we recorded refinery restructuring and other charges of $4.6 million, which included a $4.0 million charge related to the St. Louis administrative office closure and $0.6 million related to litigation and environmental matters at closed refineries. Below is further discussions regarding the administrative function restructuring.

Administrative Restructuring. In 2002, we began a restructuring of its administrative functions, and at that time the elimination of certain positions in the St. Louis office was scheduled for early 2003. In May 2003, we announced that it would be closing the St. Louis office and moving the administrative functions to the Connecticut office over the next twelve months. The office move, which was completed in 2004, cost $14.8 million, which included $4.3 million of severance related benefits and $10.5 million of other costs such as training, relocation and the movement of physical assets. The severance related costs were amortized over the future service period of the affected employees and the other costs were expensed as incurred.

Interest and Finance Expense, net. Interest and finance expense, net decreased by $2.7 million to $26.9 million for the three months ended March 31, 2005 from $29.6 million in the corresponding period in 2004. This decrease is primarily due to an increase in capitalized interest incurred from our capital expenditures and an increase in interest income from our investments in debt securities that were $325.9 million as of March 31, 2005 compared to $233.6 million as of March 31, 2004. Those increases were partially offset by a $400 million increase in long-term debt in 2004 that is fully reflected in 2005 interest expense.

Income Tax Provision. We recorded a $65.4 million income tax provision in the three months ended March 31, 2005, compared to a $29.4 million income tax provision in the corresponding period in 2004. Our effective tax rate was 34.0% for the three months ended March 31, 2005 versus 37.0% in 2004. Our subsidiaries are subject to different statutory tax rates. These differing tax rates and the differing amount of taxable income or loss recognized by each subsidiary impact our consolidated effective tax rate. The decrease in our 2005 consolidated effective tax rate as compared to 2004 resulted from a higher percentage of our 2005 consolidated income being recognized by Sabine, which has a lower effective tax rate than other subsidiaries.

Discontinued Operations. In connection with the 1999 sale of PRG s retail assets to Clark Retail Enterprises, Inc. (CRE), PRG assigned certain leases and subleases of retail stores to CRE. Subject to certain

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defenses, PRG remains jointly and severally liable for CRE s obligations under approximately 150 of these leases, including payment of rent and taxes. PRG may also be contingently liable for environmental obligations at these sites. In 2002, CRE and its parent company, Clark Retail Group, Inc., filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In July 2004, the CRE bankruptcy estate was liquidated and the case dismissed. As of March 31, 2005, PRG was subleasing 39 operating stores, the leases on 29 stores had either been terminated or expired, the leases on 81 operating stores were held by third parties, and PRG is in the process of buying out the leases on the remaining two stores. For the three months ended March 31, 2005 and 2004, PRG recorded an after-tax charge of $1.5 million and $0.3 million, respectively. These charges represent the estimated net present value of its remaining liability under the current operating stores that were subleased, net of estimated sublease income, and other direct costs. The following table reconciles the activity and balance of the liability for the lease obligations as well as our environmental liability for previously owned and leased retail sites:

	Lease Obligations	Environmental Obligations of Previously Owned and Leased Sites	Total Discontinued Operations
Balance, December 31, 2003	$ 7.4	$ 21.2	$ 28.6
Accretion and other expenses	9.1		9.1
Net cash outlays	(4.1)	0.4	(3.7)
Ending balance, December 31, 2004	$ 12.4	$ 21.6	$ 34.0
Accretion and other expenses	2.4		2.4
Net cash outlays	(0.6)	(0.2)	(0.8)
Ending balance, March 31, 2005	$ 14.2	$ 21.4	$ 35.6

Outlook

This Outlook section contains forward-looking statements that reflect our current judgment regarding future operations. Even though we believe our expectations regarding future events are reasonable assumptions, forward-looking statements are not guarantees of future performance. Factors beyond our control could cause our actual results to vary materially from our expectations and are discussed on the first page of the Management s Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q, under the heading Forward-Looking Statements .

Market. Market conditions during the first month of the second quarter of 2005 have been strong yet volatile. The Gulf Coast 2/1/1 has averaged approximately $10.50 per barrel, the Chicago 3/2/1 has averaged approximately $12.15 per barrel and the NYH RFG 3/2/1 has averaged approximately $10.90 per barrel. The WTI/Maya differential has averaged approximately $15.00 per barrel, and the WTI/Arab Medium differential has averaged approximately $7.45 per barrel. Based on the global refining capacity and the demand for clean transportation fuels and heating oils, we believe refining margins will stay strong and the heavy high-sulfur crude oil differentials will continue to provide profitable margins for refineries for the next few years.

It is common practice in our industry to look to benchmark market indicators as a predictor of actual refining margins, such as the Gulf Coast 2/1/1, Chicago 3/2/1 and NYH RFG 3/2/1. To improve the reliability of this benchmark as a predictor of actual refining margins, it must first be adjusted for a crude oil slate that is not 100% light and sweet. Secondly, it must be adjusted to reflect variances from the benchmark product slate to the actual, or anticipated, product slate. Lastly, it must be adjusted for any other factors not anticipated in the benchmark, including product grade differentials, ancillary crude and product costs such as transportation, storage and credit fees, inventory fluctuations and price risk management activities.

Refinery Operations. Our Port Arthur refinery has historically produced roughly equal parts gasoline and distillate. For this reason, we believe the Gulf Coast 2/1/1 crack spread appropriately reflects our product slate. However, approximately 12% of Port Arthur s product slate is lower value petroleum coke and residual oils which will negatively impact the refinery s performance against the benchmark crack spread. Port Arthur s normal crude oil slate is primarily heavy sour crude oil. Accordingly, the WTI/Maya crude oil price differential

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can be used as an adjustment to the benchmark crack spread. Ancillary crude costs, primarily transportation, at Port Arthur averaged $0.86 per barrel of crude unit throughput for the three months ended March 31, 2005. Based on current operations and market conditions, we expect the total throughput rate to approximate 240,000 bpd to 250,000 bpd in the second quarter of 2005. We expect our full year total throughput rate at our Port Arthur refinery to approximate 215,000 bpd to 225,000 bpd.

Our Lima refinery has a product slate of approximately 97% light products, of which 60% is gasoline and 30% distillate, and we believe the Chicago 3/2/1 is an appropriate benchmark crack spread. This refinery consumes over 95% light sweet crude oil with the balance being light sour crude oils. We opportunistically buy a mix of domestic and foreign sweet crude oils. The foreign crude oils consumed at Lima are priced relative to Brent and the WTI/Brent differential can be used to adjust the benchmark. Ancillary crude costs for Lima averaged $1.93 per barrel of crude unit throughput in the three months ended March 31, 2005. Based on current operations and market conditions, we expect the total throughput rate at our Lima refinery to approximate 140,000 bpd to 150,000 bpd in the second quarter of 2005. We expect our full year total throughput rate to approximate 140,000 bpd to 150,000 bpd.

In November 2004, we reached an agreement with EnCana Midstream & Marketing, a partnership of EnCana Corporation, to jointly conduct a preliminary design and engineering study of the modifications necessary to upgrade our Lima refinery to process Canadian heavy crude oil blends. The design and engineering study is expected to be completed in the third quarter of 2005. Provided the study indicates an acceptable investment plan, we intend to form a 50-50 joint venture with EnCana. Our contribution to the joint venture would include the Lima refinery and related assets. EnCana would contribute the equivalent fair value of the refinery in cash to the joint venture for the upgrade project. If additional funding is necessary, each partner would contribute 50 percent. Final capital and financial arrangements will be negotiated as part of the project s definitive agreements. The agreement also provides for the sale of Canadian heavy crude oil blends to the joint venture by EnCana. The upgrade is subject to the execution of definitive agreements. There can be no assurances that definitive agreements will be reached upon the completion of the design and engineering study.

Our Memphis refinery has a product slate of approximately 97% light products, of which 50% is gasoline and 45% distillate. We expect that the operating results will track a Gulf Coast 2/1/1 benchmark crack spread. Ancillary crude costs for Memphis averaged $0.49 per barrel of crude unit throughput in the three months ended March 31, 2005. This refinery consumes approximately 100% light sweet crude oil, but often supplements its crude oil feedstocks with intermediate feedstocks. Based on current operations and market conditions, we expect the total throughput rate to approximate 130,000 bpd to 140,000 bpd in the second quarter of 2005. This throughput rate includes the impact of the unplanned downtime at the continuous catalytic reformer unit, which is scheduled to come back on line at the end of April. We expect our full year total throughput rate at our Memphis refinery to approximate 145,000 bpd to 155,000 bpd.

Our Delaware City refinery has a product slate of approximately 60% gasoline, 35% distillate and 5% petroleum coke. We believe the NYH RFG 3/2/1 is an appropriate benchmark crack spread. This refinery typically consumes medium and heavy sour crude oil. Accordingly, the WTI/Arab Medium crude oil differential can be used as an adjustment to the benchmark crack spread, as it generally reflects our crude oil mix. Ancillary crude costs, primarily transportation, averaged $1.16 per barrel of crude unit throughput for the three months ended March 31, 2005. Based on current operations and market conditions, we expect the total throughput rate to approximate 175,000 bpd to 185,000 bpd in the second quarter of 2005. We expect our full year total throughput at our Delaware City refinery to approximate 175,000 bpd to 185,000 bpd.

Operating Expenses. Natural gas is the most variable component of our operating expenses. On an annual basis, our refineries purchase approximately 30 million to 35 million mmbtu of natural gas, with most of these purchases relating to our Port Arthur refinery. It is also important to note that we contract for the purchase of natural gas on a calendar month basis and set the price at the beginning of the month. From time to time we may also employ various risk management strategies to mitigate our price risk for natural gas. Other significant components of operating expenses are our employee costs, ongoing repair and maintenance and catalyst and chemicals.

General and Administrative Expenses. We expect second quarter general and administrative expenses, including stock-based compensation expense and excluding incentive compensation expense, will approximate between $25 million to $30 million. We have accrued approximately $14 million for incentive compensation for the three months ended March 31, 2005. Stock-based compensation expense included in the general and administrative expense estimate above, will approximate $14 million to $15 million for 2005.

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Depreciation and Amortization. We expect depreciation and amortization to range between $45 million and $50 million for the second quarter of 2005. This quarterly rate will increase in future periods based upon the completion and placing into service of our capital expenditure activity. Capital activity is generally depreciated over a 25-year life. Turnaround activity is generally amortized over four years.

Interest Expense. Based on our outstanding long-term debt as of March 31, 2005, we expect our full year 2005 gross interest expense will be approximately $150 million and amortization of deferred financing costs will be approximately $10 million. All of our outstanding debt is at fixed rates with the exception of $10 million in floating rate notes tied to LIBOR. Reported interest expense is reduced by capitalized interest, which we estimate will be approximately $40 million to $45 million in 2005 due to significant capital expenditure activity.

Income Taxes. We expect our effective income tax rate for 2005 will range from approximately 35% to 39%.

Currently, the Texas legislature is considering a fundamental prospective reform of their current corporate tax legislation. This potential change in the tax legislation as it is currently proposed will most likely cause an increase in our current effective state tax rate in the future.

Capital Expenditures and Turnarounds. Capital expenditures and turnarounds for the three months ended March 31, 2005 totaled $194 million. We plan to capitalize approximately $720 million to $740 million for turnarounds and capital expenditures, excluding capitalized interest, in 2005. We plan to fund capital expenditures with internally generated funds and cash on hand. If internally generated funds and cash on hand are insufficient, we will reduce our capital expenditure plans accordingly.

Dividends. On April 22, 2005 the Board of Directors declared a dividend of $0.02 per share payable on June 15, 2005 to all stockholders of record on June 1, 2005.

Liquidity and Capital Resources

Cash Balance

As of March 31, 2005, we had cash and short-term investments of $510.1 million, of which $366.8 million was held by PRG, $141.8 million was held by Premcor Inc., and $1.5 million was held by other Premcor Inc. subsidiaries. As of December 31, 2004, we had cash and short-term investments of $753.3 million, of which $609.2 million was held by PRG, $143.1 million was held by Premcor Inc., and $1.0 million was held by other Premcor Inc. subsidiaries. We also had cash restricted under certain long-term debt indentures and certain credit facilities totaling $57.4 million and $69.1 million as of March 31, 2005 and December 31, 2004, respectively.

Cash Flows from Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2005 was $15.2 million compared to $94.0 million in the corresponding period in 2004. The decrease in cash provided by operating activities was primarily due to an increase in working capital.

Working capital as of March 31, 2005 was $1,080.7 million, a 1.87-to-1 current ratio, versus $1,224.3 million as of December 31, 2004, a 1.93-to-1 current ratio. The components of working capital experienced some significant changes as of March 31, 2005 as compared to December 31, 2004. The main change was the increase in inventory from $772.6 million to $975.4 million primarily due to the significant amount of planned and unplanned maintenance activity for the quarter. There was a temporary build in unfinished products at our Port Arthur refinery during the period when the catalytic cracker and alkylation units were down for scheduled maintenance work. There also was a temporary build in crude oil inventory when we reduced crude oil throughput rates at our Memphis, Lima and Delaware City refineries for unplanned maintenance work. The remaining net charges in working capital were not significant for the quarter.

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We currently expect that funds generated from operating activities together with existing cash, cash equivalents and short-term investments and availability under our credit facilities will be adequate to fund our ongoing operating requirements, excluding acquisitions.

Cash Flows from Investing Activities

Cash flows used in investing activities for three months ended March 31, 2005 was $60.1 million as compared to $66.0 million in 2004. The three months ended March 31, 2005 primarily reflected capital expenditures, including turnarounds, almost fully offset by the net sales of our short-term investments.

In 2004, we began to classify our investments in debt securities as short-term investments. These amounts were previously included in cash and cash equivalents, such amounts have been reclassified in the accompanying consolidated financial statements to conform to the current period classification. The reclassification was made because the certificates had stated maturities beyond three months. The reclassification resulted in changes in the consolidated statement of cash flows within the cash and cash equivalent balances and investing activities and impacted cash flows used in investing activities by $186.7 million and $72.3 million for the three months ended March 31, 2005 and 2004, respectively.

We classify our capital expenditures into two main categories, mandatory and discretionary. Mandatory capital expenditures, such as turnarounds and maintenance, are required to maintain safe and reliable operations or to comply with regulations pertaining to soil, water and air contamination or pollution, regulations pertaining to new product standards, and regulations pertaining to occupational safety and health issues. Summarized below are the forecasted capital expenditures for the full year 2005 and our actual capital expenditures for the three months ended March 31, 2005 and 2004.

	Forecast for Full Year 2005	For the Three Months Ended March 31, 2005	For the Three Months Ended March 31, 2004
Mandatory, excluding low-sulfur standards	$ 395.0	$ 101.0	$ 27.3
Gasoline low-sulfur standards	30.0	8.6	52.9
Diesel low-sulfur standards	191.0	31.8	32.9
Discretionary	109.0	52.4	2.1
Total	$ 725.0	$ 193.8	$ 115.2

Low-sulfur Product Standards. The Environmental Protection Agency, or EPA, has promulgated regulations under the Clean Air Act that establish stringent sulfur content specifications for gasoline and on-road diesel fuel designed to reduce air emissions from the use of these products. We expect to incur in the aggregate approximately $780 million, of which $452.4 million has been incurred as of March 31, 2005, in order to comply with environmental regulations related to the new stringent sulfur content specifications. Future revisions to the current cost estimates may be necessary as we continue to finalize our engineering and procurement plans. Further, the increase in worldwide prices and demand for steel and equipment may also require us to further revise our estimates as they put pressure on our project costs. Information related to the expected expenditures in relation to these new regulations is shown below.

	Total Estimated Expenditures	Total Expenditures Incurred To-Date	Remaining Expenditures at March 31, 2005
Gasoline low sulfur standards	$ 345.0	$ 322.6	$ 22.4
Diesel low sulfur standards	435.0	129.8	305.2
Total	$ 780.0	$ 452.4	$ 327.6

As of March 31, 2005, we had outstanding contractual commitments of $149.4 million related to the design and construction activity at the refineries for the gasoline and diesel low sulfur standards compliance.

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Discretionary Projects. Our main discretionary project is the Port Arthur expansion project, which is intended to increase Port Arthur s crude unit throughput capacity from its current rate of 250,000 bpd to approximately 325,000 bpd, and expand the coker unit capacity from its current rated capacity of 80,000 bpd to 105,000 bpd. The expansion will increase our ability to process lower cost, heavy sour crude oil. This project is estimated to cost between $220 million and $230 million with $100 million forecasted to be spent in 2005. We expect to complete the project in mid-2006.

We plan to fund mandatory and discretionary capital expenditures with available cash and cash flow from operations and will adjust our annual expenditures accordingly.

Cash Flows from Financing Activities

Cash flows used in financing activities were $11.2 million for the three months ended March 31, 2005 as compared to $5.0 million in 2004. The use of cash in 2005 was primarily related to PACC s scheduled principal payment of $14.4 million in relation to its 12 1/2% senior notes. Cash flows from our financing activities during the three months ended March 31, 2005 also reflected our first quarter dividend of $0.02 per share paid on March 15, 2005.

We continue to evaluate the most efficient use of capital and, from time to time, depending upon market conditions, may seek to purchase certain of our outstanding debt securities in the open market or by other means, in each case to the extent permitted by existing covenant restrictions.

Credit Facilities

On April 13, 2004, PRG completed a $1 billion senior secured revolving credit facility, maturing in April 2009, to replace its existing $785 million credit facility. The facility is used primarily to secure crude oil purchase obligations for our refinery operations and to provide for other working capital needs. The revolving credit facility allows for the issuance of letters of credit and direct borrowings, individually or collectively, up to the lesser of $1 billion or the amount available under a defined borrowing base. The borrowing base includes, among other items, eligible cash and cash equivalents, eligible investments, eligible receivables, and eligible petroleum inventories. The revolving credit facility also allows for an overall increase in the principal amount of the facility of up to $250 million under certain circumstances. The revolving credit facility is secured by a lien on substantially all of PRG s cash and cash equivalents, receivables, crude oil and refined product inventories and intellectual property and is guaranteed by Premcor Inc. The collateral also includes the capital stock of Sabine and certain other subsidiaries and certain PACC inventory. PRG s borrowings under this facility would bear interest at a rate based on the highest of three U.S. based rate formulas, or the Eurodollar rate plus a defined margin.

The covenants and conditions under the $1 billion credit facility are generally less restrictive than the covenants contained in the agreement governing our terminated $785 million facility. The $1 billion credit facility contains covenants and conditions that, among other things, limit dividends, indebtedness, liens, investments, restricted payments as defined, and the sale of assets. The covenants also provide that in the event PRG does not maintain certain availability within the facility, additional restrictions and a cumulative cash flow test will apply. PRG was in compliance with these covenants as of March 31, 2005.

As of March 31, 2005, the borrowing base for the $1 billion credit facility was $1,986.2 million, with $410.1 million of the facility utilized for letters of credit. As of December 31, 2004, the borrowing base for the $1 billion credit facility was $1,853.1 million with $484.1 million of the facility utilized for letters of credit. There were no direct borrowings under the $1 billion credit facility as of March 31, 2005 or December 31, 2004.

PRG also has a $40 million cash-collateralized credit facility which was renewed effective June 1, 2004 for one year. This facility was initially arranged in support of lower interest rates on the Series 2001 Ohio Bonds. In addition, this facility can be utilized for other non-hydrocarbon purposes. As of March 31, 2005, $39.7 million (December 31, 2004 $39.7 million) of the line of credit was utilized for letters of credit.

PRG entered into a $100 million cash-collateralized credit facility in February 2005. The $100 million facility has a one year term and was arranged primarily for the issuance of letters of credit. As of March 31, 2005, $55.4 million of the line of credit was utilized for letters of credit.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity 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, gasoline, other refined products and natural gas. The 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 fuels and the extent of government regulation. As a result, the prices can fluctuate significantly. Our net sales and operating revenues fluctuate significantly with movements in industry refined product prices, our cost of sales fluctuate significantly with movements in crude oil prices and our operating expenses fluctuate with movements in the price of natural gas. Our operating results are influenced by how the prices of refined products adjust to changes in crude oil prices.

We use several strategies to minimize the impact on profitability of volatility in feedstock costs and refined product prices. These strategies generally involve the purchase and sale of exchange traded, energy related futures and options with a duration of six months or less. To a lesser extent we use energy swap agreements similar to those traded on the exchanges, such as industry refining margins and crude oil options, to better match the specific price movements in our markets. These strategies are designed to minimize, on a short-term basis, our exposure to the risk of fluctuations in crude oil prices and refined product margins. The number of barrels of crude oil and refined products covered by such contracts varies from time to time. Such purchases and sales are closely managed and subject to internally established risk policies. The results of these price risk management activities affect refining cost of sales and inventory costs. We do not engage in speculative trading activities.

We are required to fix the price on our crude oil purchases approximately one to several weeks prior to the time when the crude oil can be processed and sold. We also fix the price of a portion of our product sales in advance of producing and delivering that refined product. As a result, we are exposed to crude oil price movements and refined product price movements during this period. Our average fixed price purchase commitments are approximately 10 million barrels. Our average fixed price sale commitments are approximately 2 million barrels. On a net basis, we have on average fixed price purchase commitments of approximately 8 million barrels. As of March 31, 2005, if the market price of the average net fixed price commitments had been lower by $1 per barrel, we would have recorded additional cost of sales of approximately $8 million, based on our treatment of these contracts as derivatives. An increase in the market price would reduce cost of sales by a like amount. We may actively manage some or all of the price risk related to our fixed price purchase and sale commitments. These risk management decisions are based on many factors including the relative level and volatility of absolute hydrocarbon prices and the extent to which the futures market is in backwardation or contango. When the contract price of the following month futures contract is less than the contract price of the current, or prompt, month contract, a backwardated market structure exists, and when the contract price of the following month futures contract is greater than the contract price of the prompt month contract, a contango market structure exists. The cost of our risk management activities generally increases in a backwardated market.

We prepared a sensitivity analysis to estimate our exposure to market risk associated with our futures contracts. This analysis may differ from actual results. The fair value of each contract was based on quoted futures prices. As of March 31, 2005, we had net short future contracts of approximately 10 million barrels and a $1 change in quoted futures prices would result in an approximate $10 million change to the fair market value of the futures contracts and correspondingly the same change in operating income. As of December 31, 2004, a $1 change in quoted futures prices would result in an approximately $6 million change to the fair market value of the futures contracts and correspondingly the same change in operating income.

Our results are also sensitive to the fluctuations in natural gas prices due to the use of natural gas to fuel our refinery operations. Based on our average annual consumption of approximately 30 to 35 million mmbtu of natural gas, a $1 change per million mmbtu in the price of natural gas would generally change our natural gas costs by $30 to $35 million. Our sensitivity to a change in the price of natural gas would also be impacted by our method of purchasing natural gas. We contract for the purchase of natural gas on a calendar month basis and set the price at the beginning of the month. Therefore, our natural gas costs will reflect the price of natural gas on the day the contract is set, and not the average price for the period. We are reviewing options to mitigate our exposure to natural gas price fluctuations.

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Interest Rate Risk

Our primary interest rate risk is associated with our long-term debt. We manage this interest rate risk by maintaining a high percentage of our long-term debt with fixed rates. We have an outstanding balance of long-term debt, including current maturities, of $1,813.0 million (PRG $1,803.2 million). The weighted average interest rate on our fixed rate long-term debt is 8.5% (PRG 8.5%). We are subject to interest rate risk on our Ohio bonds and any direct borrowings under our credit agreement. As of March 31, 2005 and December 31, 2004, a 1% change in interest rates on our floating rate loans, which totaled $10 million, would result in a $0.1 million change in pretax income on an annual basis. As of March 31, 2005 and December 31, 2004, there were no cash borrowings under our credit agreements.

ITEM 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operations of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-14, 13a-15(e) and 15d-15(e). Based upon that evaluation as of the end of the period covered by this report, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

There were no changes in our internal controls and procedures over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls and procedures over financial reporting for the first quarter of 2005.

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PART II. - OTHER INFORMATION

ITEM 1. Legal Proceedings

There were no developments during the three months ended March 31, 2005 of material pending legal proceedings to which we or any of our subsidiaries are a party or to which any of our or their property is subject, including environmental proceedings that involve potential monetary sanctions of $100,000 or more and to which a governmental authority is a party.

ITEM 6. - Exhibits

(a) Exhibits

Exhibit Number	**Description**
2.1	Agreement and Plan Merger, dated as of April 24, 2005, by and between Valero Energy Corporation and Premcor Inc. (Incorporated by reference to Exhibit 2.1 filed with Premcor Inc. s Current Report on Form 8-K dated April 24, 2005 (File No. 1-16827)).
10.1	Eighth Amendment to the Premcor Inc. Pension Plan dated February 14, 2005
10.2	Fourth Amendment to the Premcor Inc. Pension Plan for Certain Union Employees dated February 14, 2005.
10.3	Tenth Amendment to the Premcor Retirement Savings Plan dated February 14, 2005.
10.4	Separation agreement with James R. Voss dated March 15, 2005.
15.1	Awareness letter dated April 28, 2005, from Deloitte & Touche LLP concerning the unaudited interim financial information of Premcor Inc. for March 31, 2005 and 2004.
15.2	Awareness letter dated April 28, 2005 from Deloitte & Touche LLP concerning the unaudited interim financial information of The Premcor Refining Group Inc. for March 31, 2005 and 2004.
31.1	Section 302 Chief Executive Officer certificate for Premcor Inc.
31.2	Section 302 Chief Financial Officer certificate for Premcor Inc.
31.3	Section 302 Chief Executive Officer certificate for PRG.
31.4	Section 302 Chief Financial Officer certificate for PRG.
32.1	Section 906 Chief Executive Officer certificate for Premcor Inc.
32.2	Section 906 Chief Financial Officer certificate for Premcor Inc.
32.3	Section 906 Chief Executive Officer certificate for PRG.
32.4	Section 906 Chief Financial Officer certificate for PRG.

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SIGNATURE

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

PREMCOR INC.
THE PREMCOR REFINING GROUP INC.
(Co-Registrants)

By: /s/ Dennis R. Eichholz

Dennis R. Eichholz
Senior Vice President and Controller

(principal accounting officer)

May 4, 2005