

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1995-07-28** | Period of Report: **1995-03-31**
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FILER

CLARK REFINING & MARKETING INC

CIK: **20762** | IRS No.: **431491230** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **001-11392** | Film No.: **95557004**
SIC: **2911** Petroleum refining

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8182 MARYLAND AVE
ST LOUIS MO 63105

Business Address
8182 MARYLAND AVE
C/O MILTON BURMASTER
ST LOUIS MO 63105-3721
3148549696

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995

OR

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

For the transition period from _____ to _____

Commission file number 1-11392

CLARK REFINING & MARKETING, INC.
(Exact name of registrant as specified in its charter)

Delaware 43-1491230
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

8182 Maryland Avenue 63105-3721
St. Louis, Missouri (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code (314) 854-9696

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ()

Number of shares of registrant's common stock, \$.01 par value, outstanding as of May 10, 1995: 100, all of which are owned by Clark USA, Inc.

=====

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Clark Refining & Marketing, Inc.:

We have reviewed the accompanying consolidated balance sheet of Clark Refining & Marketing, Inc. (a Delaware corporation) and subsidiary as of March 31, 1995, and the related consolidated statements of earnings and cash flows for the three-month periods ended March 31, 1995 and 1994. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to the financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Clark Refining & Marketing, Inc. as of December 31, 1994, and the related statements of earnings, stockholder's equity, and cash flows for the year then ended (not presented herein); and in our report dated February 3, 1995, we expressed an unqualified opinion on those statements.

In our opinion, the information set forth in the accompanying balance sheet as of December 31, 1994 is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

Coopers & Lybrand L.L.P.

St. Louis, Missouri,
April 25, 1995

<TABLE>
<CAPTION>

CLARK REFINING & MARKETING, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except per share data)

ASSETS	Reference Note	March 31, 1995	December 31, 1994
-----	-----	-----	-----
(Unaudited)			
CURRENT ASSETS:			
<S>	<C>	<C>	<C>
Cash and cash equivalents		\$ 101,911	\$ 95,282
Short-term investments	2	35,220	28,658
Accounts receivable		169,747	77,794
Inventories	3	288,883	151,466
Prepaid expenses and other		23,338	15,659
		-----	-----
Total current assets		619,099	368,859
PROPERTY, PLANT AND EQUIPMENT	6	517,586	429,805

OTHER ASSETS	4	46,702	50,717
		-----	-----
		\$1,183,387	\$ 849,381
		=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Accounts payable		\$ 340,518	\$ 155,442
Accrued expenses and other	5	50,451	41,639
Accrued taxes other than income		45,932	41,407
		-----	-----
Total current liabilities		436,901	238,488
LONG-TERM DEBT		400,730	400,734
DEFERRED TAXES		15,943	29,178
OTHER LONG-TERM LIABILITIES		38,392	18,129
CONTINGENCIES	8	--	--
STOCKHOLDER'S EQUITY:			
Common stock (\$.01 par value per share; 1,000 shares authorized and 100 shares issued and outstanding)		--	--
Paid-in capital	7	180,000	30,000
Retained earnings		111,421	132,852
		-----	-----
Total stockholder's equity		291,421	162,852
		-----	-----
		\$1,183,387	\$ 849,381
		=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

<CAPTION>

CLARK REFINING & MARKETING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(Dollars in thousands)

	Reference	For the three months ended March 31,	
	Note	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
NET SALES AND OPERATING REVENUES		\$ 827,298	\$ 567,253
EXPENSES:			
Cost of sales		(759,640)	(477,007)
Operating expenses		(76,245)	(57,674)
General and administrative expenses		(8,017)	(7,452)
Depreciation		(7,020)	(6,561)
Amortization	4	(2,890)	(3,318)
Reversal of inventory write-down to market		--	15,000
		-----	-----
		(853,812)	(537,012)

OPERATING INCOME (LOSS)	(26,514)	30,241
Interest and financing costs, net	4, 5 (8,852)	(8,334)
EARNINGS (LOSS) BEFORE INCOME TAXES	(35,366)	21,907
Income tax benefit (provision)	13,417	(8,171)
NET EARNINGS (LOSS)	\$ (21,949)	\$ 13,736

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>
<CAPTION>
CLARK REFINING & MARKETING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	For the three months ended March 31,	
	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (21,949)	\$ 13,736
Adjustments:		
Depreciation	7,020	6,561
Amortization	3,741	3,612
Share of earnings of affiliates, net of dividends	(569)	(64)
Deferred taxes	(13,417)	5,049
Reversal of inventory write-down to market	--	(15,000)
Other	263	318
Cash provided by (reinvested in) working capital -		
Accounts receivable, prepaid expenses and other	(99,573)	(15,157)
Inventories	(137,417)	20,584
Accounts payable, accrued expenses, taxes other than income, and other	198,300	(17,760)
Net cash provided by (used in) operating		

activities	(63,601)	1,879
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(5,862)	(21,668)
Sales of short-term investments	--	10,588
Expenditures for property, plant and equipment	(8,071)	(10,023)
Expenditures for refinery turnaround	(569)	72
Refinery acquisition expenditures	(68,112)	--
Proceeds from disposals of property, plant and equipment	15,023	585
	-----	-----
Net cash used in investing activities	(67,591)	(20,446)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt payments	(4)	(153)
Capital contribution	150,000	--
Deferred financing costs	(12,175)	--
	-----	-----
Net cash provided by (used in) financing activities	137,821	(153)
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	6,629	(18,720)
CASH AND CASH EQUIVALENTS, beginning of period	95,282	60,771
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 101,911	\$ 42,051
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

FORM 10-Q - PART I
ITEM 1 Financial Statements (continued)

Clark Refining & Marketing, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 1995
(tabular dollar amounts in thousands of US dollars)

1. Basis of Preparation

The unaudited consolidated balance sheet of Clark Refining & Marketing, Inc. and Subsidiary (the "Company" or "Clark"), a Delaware corporation, as of March 31, 1995, and the related consolidated statements of earnings and cash flows for the three month periods ended March 31, 1995 and 1994, have been reviewed by independent accountants. Clark Port Arthur Pipeline Company, a Delaware corporation, the new wholly-owned subsidiary of Clark, is included in the consolidated results of the Company. In the opinion of the management of the Company, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included therein. The results of this interim period are not necessarily indicative of results for the entire year.

The financial statements have been prepared in accordance with the instructions to Form 10-Q. Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These unaudited financial statements should be read in conjunction with the audited financial

statements and notes thereto for the year ended December 31, 1994.

2. Short-term Investments

The Company's short-term investments are all considered "Available-for-Sale" and are carried at fair value with the resulting unrealized gain or loss shown as a component of retained earnings.

Short-term investments consisted of the following:

<TABLE>
<CAPTION>

Major Security Type	March 31, 1995			December 31, 1994		
	Amortized Cost	Unrealized Gain/(Loss)	Aggregate Fair Value	Amortized Cost	Unrealized Gain/(Loss)	Aggregate Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Debt Securities	\$ 36,420	\$ (1,200)	\$ 35,220	\$ 30,558	\$ (1,900)	\$ 28,658

The contractual maturities of the short-term investments at March 31, 1995 were:

</TABLE>
<TABLE>
<CAPTION>

	Amortized Cost	Aggregate Fair Value
<S>	<C>	<C>
Due in one year or less	\$ 11,981	\$ 11,867
Due after one year through five years	24,439	23,353
	\$ 36,420	\$ 35,220

</TABLE>

Although some of the contractual maturities of these short-term investments are over one year, management's intent is to use the funds for current operations and not hold the investments to maturity.

For the three month period ended March 31, 1995, there were no sales of Available-for-Sale securities. For the same period in 1994, the proceeds from the sale of Available-for-Sale securities was \$10.6 million, with an immaterial realized gain. Realized gains and losses are computed using the specific identification method.

The change in the unrealized holding gains or losses on Available-for-Sale securities for the three month period ended March 31, 1995, was a gain of \$0.7 million (\$0.5 million after taxes). This net unrealized gain is included as a component of retained earnings.

3. Inventories

The carrying value of inventories consisted of the following:

<TABLE>
<CAPTION>

	March 31, 1995	December 31, 1994
<S>	<C>	<C>
Crude oil	\$ 128,902	\$ 42,760
Refined and blendstocks.	131,739	87,957
Convenience products	16,578	14,904
Warehouse stock and other.	11,664	5,845

</TABLE>

The market value of these inventories at March 31, 1995 was approximately \$24.2 million above the carrying value (December 31, 1994 - \$1.9 million above the carrying value). At March 31, 1995, Clark had net unrealized losses of \$2.4 million (December 31, 1994 - \$2.0 million) from its hedging activities to limit risk related to price fluctuations in crude oil and refined products.

In connection with the Port Arthur refinery acquisition (see Note 6, Acquisition of Port Arthur Refinery), Clark purchased crude oil and product inventory and also entered into a new three year revolving credit facility used primarily for the issuance of letters of credit for securing purchases of crude oil. The amount of the new facility is the lesser of \$400 million or the amount available under a defined borrowing base, representing specified percentages of cash, investments, accounts receivable, inventory and other working capital items. This credit facility is collateralized by substantially all of Clark's current assets and certain intangibles.

4. Other Assets

Amortization of deferred financing costs for the three month period ended March 31, 1995, was \$0.9 million (1994 - \$0.3 million), and is included in "Interest and financing costs, net".

Amortization of turnaround costs for the three month period ended March 31, 1995, was \$2.9 million (1994 - \$3.3 million).

5. Interest and Financing Costs, Net

Interest and financing costs, net, consisted of the following:

<TABLE>
<CAPTION>

	For the three months ended March 31, 1995	1994
	-----	-----
<S>	<C>	<C>
Interest expense	\$ 10,271	\$ 10,237
Financing costs	851	348
Interest income	(1,619)	(1,930)
	-----	-----
Capitalized interest	9,503 (651)	8,655 (321)
	-----	-----
	\$ 8,852	\$ 8,334
	=====	=====

</TABLE>

Accrued interest payable at March 31, 1995, of \$8.7 million (December 31, 1994 - \$6.9 million) is included in "Accrued Expenses and Other".

6. Acquisition of Port Arthur Refinery

On February 27, 1995, Clark purchased Chevron U.S.A. Inc.'s ("Chevron") Port Arthur, Texas refinery, acquiring the refinery assets and certain related terminals, pipelines, and other assets for a purchase price of approximately \$70 million. The purchase price of the assets, including all acquisition costs and assumed liabilities will be allocated over all of the refinery and related

assets using the purchase method of accounting. In addition, Clark purchased the related petroleum inventory in storage and pipelines, and various spare parts and supplies for approximately \$138 million. A final allocation of the purchase price will be determined later in 1995 when appraisals and other studies are completed.

Clark has agreements to sell to Chevron, at market prices, 40,000 barrels per day of gasoline and 6,500 barrels per day of low-sulfur diesel and jet fuel for one year from the date of the Acquisition. In addition, Clark has entered into supply agreements with Chevron and Chevron Chemical Company providing for the purchase and sale by Clark of various quantities of products and commodities at market prices.

The purchase agreement also provides for contingent payments to Chevron of up to \$125 million over a five year period from the closing date of the acquisition in the event refining industry margin indicators exceed certain escalating levels. These contingent payments will be calculated annually and the appropriate liability, if any, will be recorded at that time. While Chevron retained primary responsibility for required remediation of most pre-closing environmental contamination, Clark assumed responsibility for environmental contamination beneath and within 25 to 100 feet of the facility's active processing units.

7. Certain Financings

On February 27, 1995, Clark USA, Inc. ("Clark USA"), Clark's parent company, obtained a portion of the funds necessary to finance the Port Arthur acquisition from a subsidiary of its parent company, The Horsham Corporation, a Quebec corporation ("Horsham"), by selling to the subsidiary shares of new classes of common stock ("New Common Stock") of Clark USA for \$135 million. Subsequently, the Horsham subsidiary resold \$120 million of such New Common Stock, representing an interest of from 35.6% to 40.0% in Clark USA, to an institutional money manager. Clark USA subsequently contributed \$150 million to Clark for the purchase of the refinery.

In connection with the financing and closing of the Port Arthur acquisition, Clark sought consents from the holders of its 9 1/2 % Senior Notes and its 10 1/2 % Senior Notes to waive or amend the terms of certain covenants under the indentures governing these securities. On February 17, 1995, Clark received the requisite consents from their respective note holders.

These consents (i) permitted Clark to increase the amount of its authorized working capital and letter of credit facility to the greater of \$400 million or the amount available under a defined borrowing base, (ii) permitted the incurrence of \$75 million of additional tax-exempt indebtedness for qualifying projects, (iii) exempted the contingent payment obligation to Chevron of up to \$125 million over a five year period from the definition of Indebtedness, (iv) amended provisions relating to the use of asset disposition proceeds.

Clark has made payments to each holder whose duly executed consent was received and not revoked. A cash consent payment of \$7.50 per \$1,000 aggregate principal amount of Notes was paid for each \$1,000 in principal amount of the 9 1/2 % Notes and 10 1/2 % Notes.

In connection with the Port Arthur acquisition and the above financing transactions, Clark entered into a new three year revolving credit facility, collateralized by substantially all of Clark's current assets and certain intangibles (see Note 3 Inventories). With the acquisition, the amount of the amended facility is the lesser of \$400 million or the amount available under a borrowing base, as defined, representing specified percentages of cash, investments, accounts receivable, inventory and other working capital items.

8. Contingencies

Forty-one civil suits by residents of Hartford, Illinois have been filed against Clark in Madison County Illinois, alleging damage from groundwater contamination. The relief sought in each of these cases is an unspecified dollar amount. The litigation proceedings are in the initial stages. Discovery, which could be lengthy and complex, is only beginning. Clark moved to dismiss thirty-four cases filed in December 1991 on the ground that Clark is not liable for alleged activity of Old Clark. On September 4, 1992, the trial court granted Clark's motions to dismiss. The plaintiffs were given leave to re-file their complaints but based only on alleged activity of Clark occurring since November 8, 1988, the date on which the bankruptcy court with jurisdiction over Old Clark's bankruptcy proceedings issued its "free and clear" order. In November 1992, the plaintiffs filed thirty-three amended complaints, and nine other plaintiffs filed additional complaints. While it is not possible to determine whether or to what extent Clark will have any liability to other individuals arising from the groundwater contamination, Clark believes that the outcome of these complaints will not have a material adverse effect on its financial position.

Clark is subject to various legal proceedings related to an age discrimination class action lawsuit, governmental regulations and other actions arising out of the normal course of business, including legal proceedings related to environmental matters. While it is not possible at this time to establish the ultimate amount of liability with respect to such contingent liabilities, Clark is of the opinion that the aggregate amount of any such liabilities, for which provision has not been made, will not have a material adverse effect on their financial position or results of operations, however, an adverse outcome of these matters could have a material effect on quarterly or annual operating results when resolved in a future period.

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

General

Clark Refining & Marketing, Inc. (the "Company" or "Clark") is a wholly-owned subsidiary of Clark USA, Inc. ("Clark USA"). Clark also owns all of the outstanding capital stock of Clark Port Arthur Pipeline Company which is reported as a component of the Company's refining division.

Results of Operations

Financial Highlights

The following tables reflect the Company's financial and operating highlights for the three month periods ended March 31, 1995 and 1994. All dollars listed are in millions except per barrel or gallon information.

Financial Results: (a)

<TABLE>
<CAPTION>

	For the three months ended March 31,	
	1995	1994
<S>	<C>	<C>
Net sales and operating revenues	\$ 827.3	\$ 567.3
Cost of sales	759.6	477.0
Operating expenses	76.3	57.7

General and administrative expenses	8.0	7.5
Depreciation and amortization	9.9	9.9
Interest and financing costs, net	8.9	8.3

Earnings (loss) before income taxes (b)	(35.4)	6.9
Income tax provision (benefit) (b)	(13.5)	2.5

Earnings (loss) before unusual items (b)	(21.9)	4.4
Unusual items, after taxes (b)	--	9.3

Net earnings (loss)	\$ (21.9)	\$ 13.7
=====		
Operating Income: (a)		
Refining contribution to operating income	\$ (20.6)	\$ 19.9
Retail contribution to operating income	8.2	8.4
Corporate general and administrative expenses	4.2	3.2
Depreciation and amortization	9.9	9.9
Unusual items, net (b)	--	15.0

Operating income (loss)	\$ (26.5)	\$ 30.2
=====		

</TABLE>

(a) This table provides supplementary data and is not intended to represent an income statement presented in accordance with generally accepted accounting principles.

(b) The Company considers an item in 1994 to be "unusual". Detail on this item is presented below.

Net earnings for the first quarter of 1995 decreased significantly from the year-ago period. This decrease was due principally to an extremely poor industry refining margin environment and unusual income in the prior year's first quarter when crude oil and product prices increased and allowed for the partial reversal of an inventory write-down taken in 1993. Net sales and operating revenues in the first quarter of 1995 increased 46% from the year-earlier period principally as a result of the inclusion of production from the Port Arthur, Texas refinery acquired from Chevron U.S.A., Inc. on February 27, 1995.

Refining

Refining Division Operating Statistics:

<TABLE>

<CAPTION>

	For the three months ended March 31,	
	1995	1994
<S>	<C>	<C>
Crude oil throughput (thousand barrels per day)	188.1	135.5
Production (thousand barrels per day)	190.8	140.9
Gross margin per barrel	\$ 1.67	\$ 4.09
Gross margin (millions)	\$ 28.7	\$ 51.8
Operating expenses (millions)	46.5	29.1
Divisional general & administrative expenses (millions)	2.8	2.8

Contribution to operating income (millions)	\$ (20.6)	\$ 19.9
=====		

</TABLE>

The refining division contributed a loss of \$20.6 million to operating income during the first quarter of 1995 versus earnings of \$19.9 million in the comparable period a year ago. Industry margin conditions in the first quarter were at their lowest point since 1987 and this was the primary reason for the Company's operating loss in the first quarter of 1995. The principal factors that contributed to the poor industry margins were the unseasonably warm winter, which reduced demand for heating oil especially compared to the strong demand in the prior year, and the transition to reformulated gasoline. Several geographical areas unexpectedly opted not to switch to reformulated gasoline which caused confusion and oversupply in the marketplace, and that caused gasoline prices to fall relative to the cost of crude oil.

The Company's crude oil throughput and refinery production increased over the prior year due almost entirely to the previously mentioned acquisition of the Port Arthur refinery. Despite the net increase in production, the poor industry margins caused the Company to reduce refinery production by an average of approximately 10,000 barrels per day. Additionally, a fire in the Isomax unit at the Blue Island refinery in mid-March reduced production by an average of approximately 10,000 barrels per day. The Blue Island refinery returned to full operation in mid-April with production for the second quarter of 1995 expected to be reduced by an average of approximately 3,000 barrels per day due to the Isomax incident.

Refining division operating expenses for the first quarter of 1995 increased over the first quarter of 1994 due principally to the inclusion of the Port Arthur refinery and related terminal expenses in the current period (\$13.2 million) and expenses associated with the Blue Island Isomax unit fire (\$1.6 million).

The 200,000 barrel per day Port Arthur refinery acquired at the end of February did not contribute positively to operating results in the first quarter because of the extremely poor industry margins. However, the production volume and product yields have generally met expectations, while the early indication is that operating cost levels may be lower than anticipated. Chicago and Gulf Coast industry refining margin indicators which averaged approximately \$1.70 per barrel and \$1.45 per barrel, respectively, in the first quarter of 1995 began improving near the end of March and have averaged approximately \$4.20 per barrel and \$3.65 per barrel, respectively, for the second quarter through May 10, 1995.

Retail

Retail Division Operating Statistics:

<TABLE>

<CAPTION>

	For the three months ended March 31,	
	1995	1994
<S>	<C>	<C>
Company-operated stores (end of quarter)	832	834
Dealer-operated stores (end of quarter)	6	10
Gasoline volume (millions of gallons)	250.9	244.4
Gasoline volume (thousand gallons pmps)	99.8	96.5
Gasoline gross margin per gallon (in cents)	9.9	10.7
Gasoline gross margin (millions)	\$ 24.8	\$ 26.3
Convenience product sales (millions)	\$ 51.8	\$ 52.3
Convenience product sales (pmps)	\$ 20,605	\$ 20,659
Convenience product gross margin	27.0%	23.2%

Convenience product gross margin (millions)	\$	14.4	\$	12.1
Convenience product gross margin (pmps)	\$	5,730	\$	4,803
Operating expenses (millions)	\$	30.0	\$	28.5
Divisional general & administrative expenses (millions)	\$	1.0	\$	1.5
Contribution to operating income (millions)	\$	8.2	\$	8.4

pmps = per month per store

</TABLE>

The retail division contributed \$8.2 million (1994 - \$8.4 million) to the Company's operating income during the first quarter of 1995. Improvements in productivity related to increased gasoline volumes and a 19% increase in convenience product gross margins were offset by weaker gasoline gross margins per gallon. Convenience product margins were strengthened by the improvement in the mix of higher margin "On The Go" products (41% of sales in the first quarter of 1995 versus 37% in the year-ago period) as well as a higher level of vendor rebates. The 7% decline in gasoline gross margins per gallon was due to several factors which included competitive pressures in Clark's major markets, consumer resistance to paying for the higher cost of newly introduced reformulated gasoline, and general increases in gasoline cost. These general increases included a significant increase in the cost of premium gasoline during Clark's Premium Promotion (held during March of the current year), which offered premium gasolines for the same price as regular unleaded gasoline in most markets.

The Company acquired 35 retail stores in April 1995 in Peoria, Illinois, one of its core markets and is continuing to seek expansion opportunities in other core markets. Consistent with the Company's strategy to exit non-core markets, the Company is still actively seeking to divest the Kansas, western Missouri and Minnesota markets (41 stores).

Other Financial Highlights

Corporate general and administrative expenses in the first quarter of 1995 exceeded the same period a year ago due principally to reductions in bad debt and other reserves in the prior year.

Net interest and financing costs increased principally due to higher financing cost amortization associated with Clark's larger working capital facility which was increased to support the Port Arthur refinery supply needs.

Liquidity and Capital Resources

Net cash from operating activities in the first quarter, excluding working capital changes, was a \$24.9 million deficit in 1995 compared to a \$14.2 million contribution in the year-earlier period. The deterioration of cash flow was due principally to the Company's net loss in the 1995 first quarter. Working capital at March 31, 1995 was \$182.2 million, a 1.42 to 1 current ratio, versus \$130.4 million at December 31, 1994, a 1.55 to 1 current ratio. The equity contribution from Clark USA for the purchase of the Port Arthur refinery, and the related working capital requirements were the primary causes for the changes in working capital and the current ratio.

In general, the Company's short-term working capital requirements fluctuate with the price and payment terms of crude oil. The Company expects internally generated cash flows will be sufficient to meet its needs. Clark has in place a \$400 million committed revolving line of credit expiring November 30, 1997 for the issuance of letters of credit primarily to support purchases of crude oil, other feedstocks and refined products. The line of credit has a sub-limit of \$100 million for cash borrowings. At March 31, 1995, \$221.4 million of the line of credit was utilized for letters of credit. There

were no direct borrowings under Clark's line of credit at March 31, 1995.

Cash flows used in investing activities in the first quarter, excluding short-term investment activities to which management's intent is similar to cash and cash equivalents, increased to \$61.7 million in 1995 from \$9.4 million in the year-earlier period. The increase was due to the Port Arthur refinery acquisition which closed on February 27, 1995. Capital expenditures for property, plant and equipment totaled \$8.1 million (1994 - \$10.0 million) during the first quarter of 1995. Refinery capital expenditures totaled \$1.3 million of this amount in the first quarter (1994 - \$7.1 million) mostly directed towards miscellaneous regulatory projects. First quarter retail capital expenditures of \$6.8 million in 1995 (1994 - \$2.5 million) were principally for regulatory compliance related to Stage II vapor recovery that was required to be completed by March of the current year. Approximately \$15.0 million was generated in the first quarter of 1995 from the sale and leaseback of certain Hartford refinery assets acquired in last year's maintenance turnaround.

Cash flows from financing activities in the first quarter of 1995 reflected the partial financing of the Port Arthur refinery acquisition with the equity contribution from Clark USA and fees related to the larger working capital facility associated with the expanded working capital needs of the Company.

Funds generated from operating activities together with the Company's existing cash, cash equivalents and short-term investments, are expected to be adequate to fund requirements for working capital and capital expenditure programs for the next year. In response to the industry refining conditions during the latter part of 1994 and first quarter of 1995 and the planned acquisition of the Port Arthur refinery, the Company initiated a number of programs aimed at conserving liquidity. These programs include inventory reductions (including inventory reductions at the Port Arthur refinery), reduced or delayed capital expenditures (other than mandatory and environmental capital expenditures) and certain additional strategies. These programs resulted in the Company's cash, cash equivalents and short-term investments balance at March 31, 1995 being relatively flat compared with year-end despite completing the Port Arthur refinery acquisition in the quarter. While the Company believes that these programs will be sufficient to provide the Company with adequate liquidity through the end of 1995, there can be no assurance that the depressed industry conditions will not return and continue longer than anticipated. Future working capital, discretionary capital expenditures, environmentally-mandated spending and acquisitions may require additional debt or equity financing.

PART II - OTHER INFORMATION

ITEM 1 - Legal Proceedings

On March 13, 1995, a fire occurred in the Isomax unit at the Blue Island refinery. Two employees were fatally injured in the fire; three other employees were injured and admitted to nearby hospitals and subsequently released. The Isomax unit and two other units were out of service at the time of the incident. The cause of the incident has not been determined, and is under investigation by Clark, the Illinois Attorney General and the Occupational Safety and Health Administration. Clark resumed operation of all units which had been out of service in connection with the incident in mid-April. Property damage and related costs are expected to be covered by Clark's property, business interruption and workers compensation insurance coverages in excess of aggregate deductibles of \$1.4 million. The Company does not believe that the resolution of any legal proceedings from this incident, including any governmental proceedings, will have a material adverse effect,

individually or in the aggregate, on the Company's financial position.

On April 13, 1995 Clark was served with two Grand Jury Records Subpoenas issued by the office of the US Attorney, Environmental Crimes Section. The Subpoenas seek documentary information primarily about a gasoline spill at the St. Louis Terminal which occurred in January, 1994. Clark is gathering the information requested in the Subpoenas and expects to cooperate fully with this request.

Clark received an administrative complaint from the EPA on January 5, 1993 alleging record-keeping and related violations of the Clean Air Act concerning the Hartford refinery and seeking civil penalties of \$100,000. On July 11, 1994, the EPA filed an amended complaint alleging additional violations and increasing the amount of the total penalty sought to \$200,000. The case was tried before an administrative law judge on August 23-24, 1994. On March 21, 1995, Clark received the Initial Decision of the Administrative Law Judge, finding liability against Clark and assessing a civil penalty of \$140,000. Clark paid this penalty in May 1995.

ITEM 5 - Other Information

Effective April 28, 1995 Patrick F. Heider resigned as Secretary of the Company and Katherine D. Knocke was appointed Secretary of the Company. Katherine D. Knocke, 37, has served as in-house counsel since September 1994. Ms. Knocke previously was employed with the law firm of Armstrong, Teasdale, Schlafly & Davis in St. Louis, Missouri from September 1989 through August 1994.

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

February 27, 1995, Clark Refining & Marketing, Inc. completes purchase and related financing of Chevron U.S.A. Inc.'s Port Arthur, Texas refinery

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.

CLARK REFINING & MARKETING, INC.
(Registrant)

/s/ Dennis R. Eichholz

Dennis R. Eichholz
Controller and Treasurer
(Authorized Officer and Chief
Accounting Officer)

May 12, 1995

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