

HOLLY ENERGY PARTNERS

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Presentation Topics:

- ◆ *HEP background / History of Holly Corporation*
- ◆ *HEP Assets*
- ◆ *HEP's first acquisition—Alon USA assets*
- ◆ *HEP's second acquisition—Holly intermediate pipelines*
- ◆ *HEP financials*
- ◆ *HEP growth / safety / stability*

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HEP's formation -- Holly Corporation as sponsor

◆ Holly Corporation (NYSE: HOC) 30 + years in the refining business

- Acquired refinery in Artesia, NM—expanded capacity 3 times since purchase
- Acquired refinery in Great Falls, MT (in stages from 1984 to 1992)
- Acquired refinery in Woods Cross, UT in 2003

◆ Financial statistics for Holly:

<i>(all in millions, except market cap)</i>	<u>9/30/05</u>
Cash	\$273.6
Debt	\$8.6
Market Cap <i>(in billions)</i>	\$1.9B
EBITDA <i>(9 mo. y-t-d)</i>	\$238.9



HEP's formation -- Holly Corporation as sponsor

- ◆ *Holly acquired and/or built extensive storage, terminalling and pipeline distribution network to support refining operations*
- ◆ *Inherent valuation problem with logistic assets (pipelines & terminals) owned by refiners:*
 - *Logistic assets which are imbedded in refining operations tend to be valued at 'refining' multiples instead of 'logistics' multiples*



◆ Holly Energy Partners (NYSE: HEP) IPO

- Brought to market July 2004*
- 7 million common units sold at \$22.25 (opening price 11/14/05: \$40.75)*
- \$100 million credit facility obtained, led by Union Bank of California (currently nothing drawn on facility)*



HOLLY:

109,000 bpd of refining capacity

Extensive crude oil gathering network in West Texas and Southeast New Mexico

HOLLY ENERGY PARTNERS:

Over 1,500 miles of product pipelines

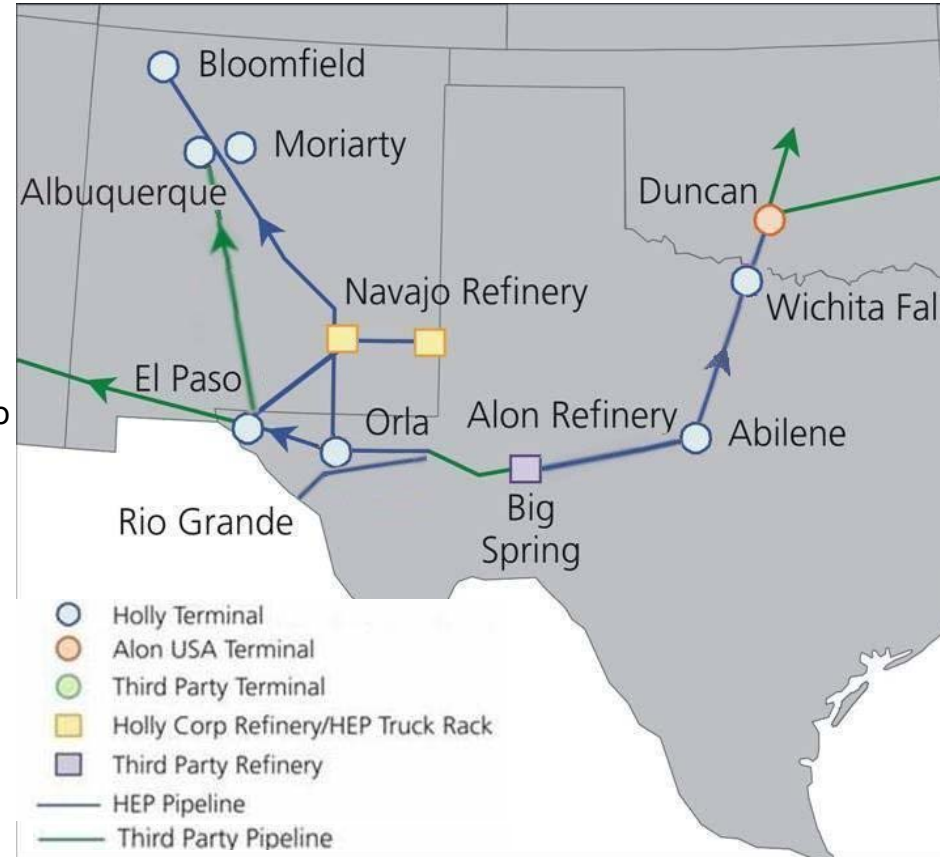
11 Terminals in 5 states (*3 of the terminals are 50% owned*)

70% interest in Rio Grande Pipeline Company, a joint venture with BP



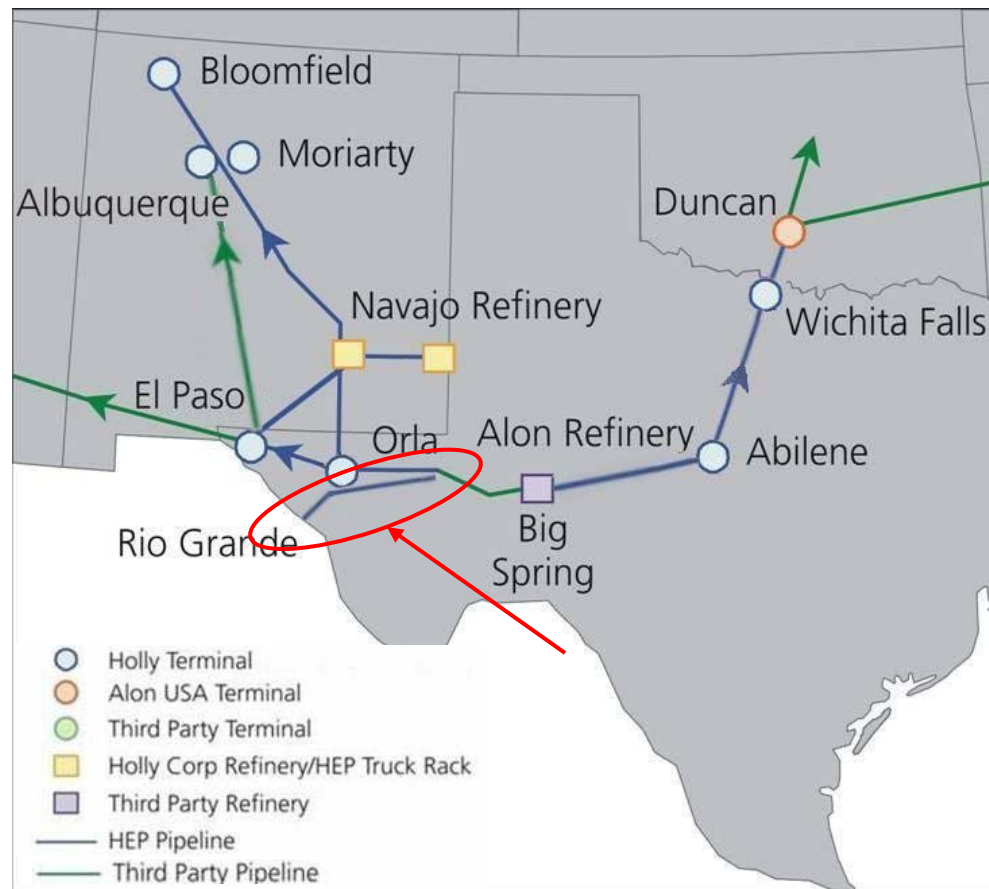
Existing Products Pipelines

- ◆ System delivers product to important New Mexico, Texas and Arizona markets
- ◆ Approx. 99% of Navajo's & 70% of Alon's refined products transported by HEP's pipelines
- ◆ Artesia to El Paso P/L System
 - 2 HEP owned P/Ls transporting product from Artesia, NM to El Paso, TX
- ◆ North Products P/L
 - P/L transporting product from Artesia, NM to Moriarty/Bloomfield, NM
- ◆ Alon P/L System
 - P/L transporting product east from Big Spring to north central Texas
 - P/L transporting product west from Big Spring to El Paso, TX



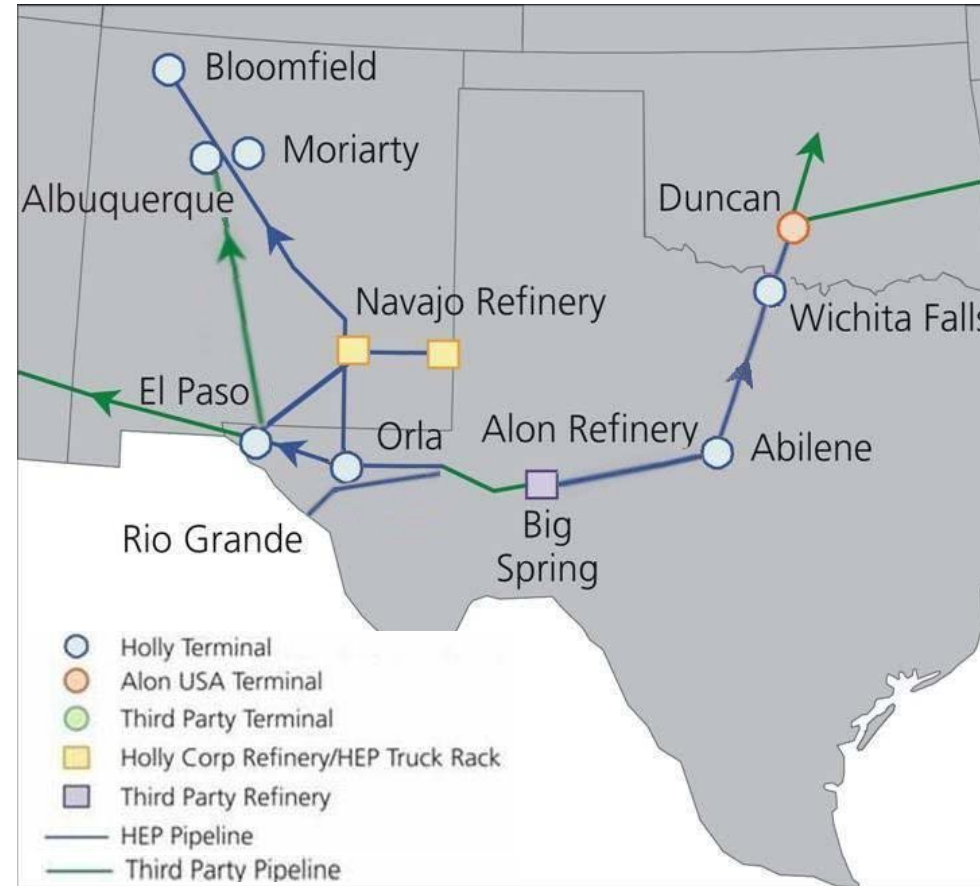
Rio Grande Pipeline

- ◆ Joint venture that owns 249 miles of pipeline
- ◆ Delivers LPGs to northern Mexico markets
- ◆ Increased to a controlling interest of 70% in 2003
- ◆ Completed reconditioning in 2003 to facilitate expansion
- ◆ Long-term contract with BP as shipper
 - BP owns the remaining 30% of the partnership
 - BP guarantees a minimum average of 12,500 bpd for the duration of the agreement (through 2007)



Southwest Terminals

- ◆ 7 terminals with aggregate storage capacity of over 1,400,000 bbls
- ◆ Terminals integral to HEP's pipeline system
- ◆ Terminals also linked to multiple common carriers
- ◆ Recent construction at Moriarty and Bloomfield terminals allows increased volume and additional products to be shipped to New Mexico markets



Northwest Terminals

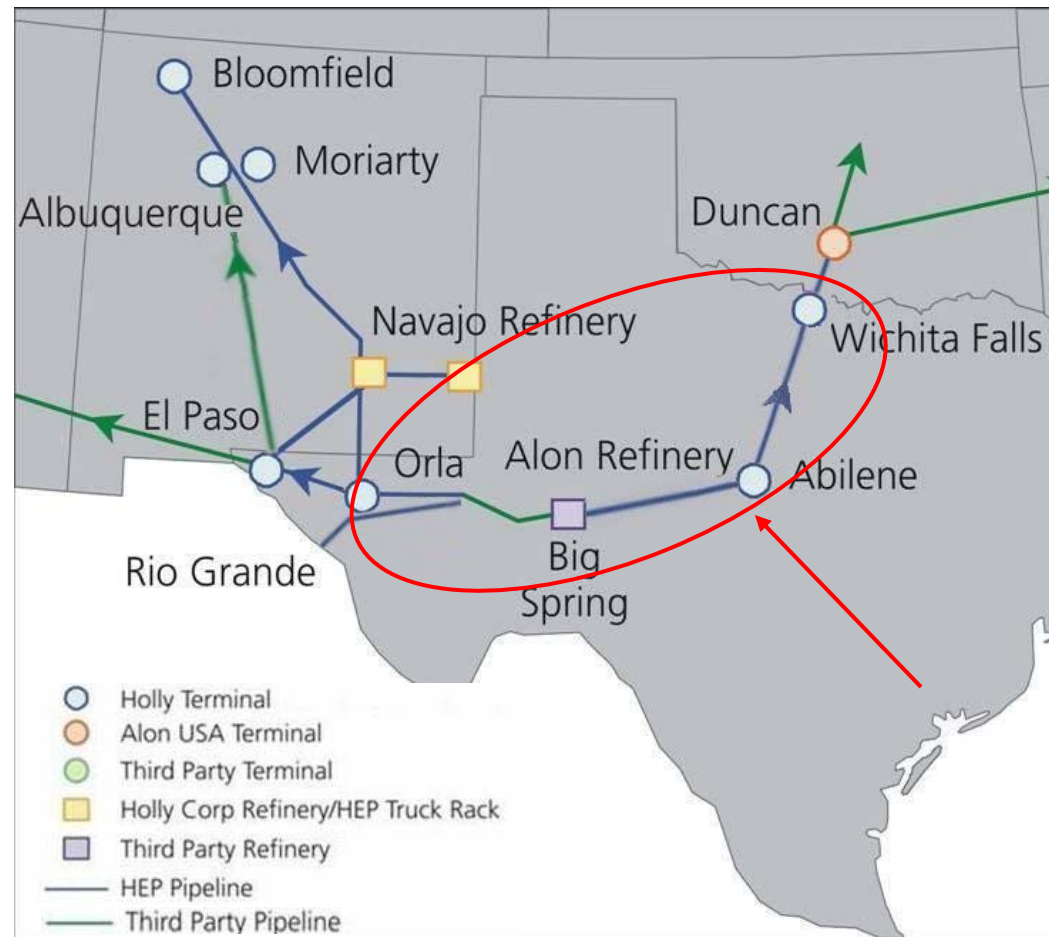
- ◆ 4 terminals with aggregate storage capacity of over 600,000 bbls
- ◆ Serve Holly's Woods Cross Refinery and other third party shippers
- ◆ Linked by third party pipelines
- ◆ 3 terminals acquired in 2003 as part of Holly's growth initiative
- ◆ Mountain Home is the only terminal that supplies Mountain Home Air Force base



- Holly Terminal
- Holly Corp Refinery/HEP Truck Rack

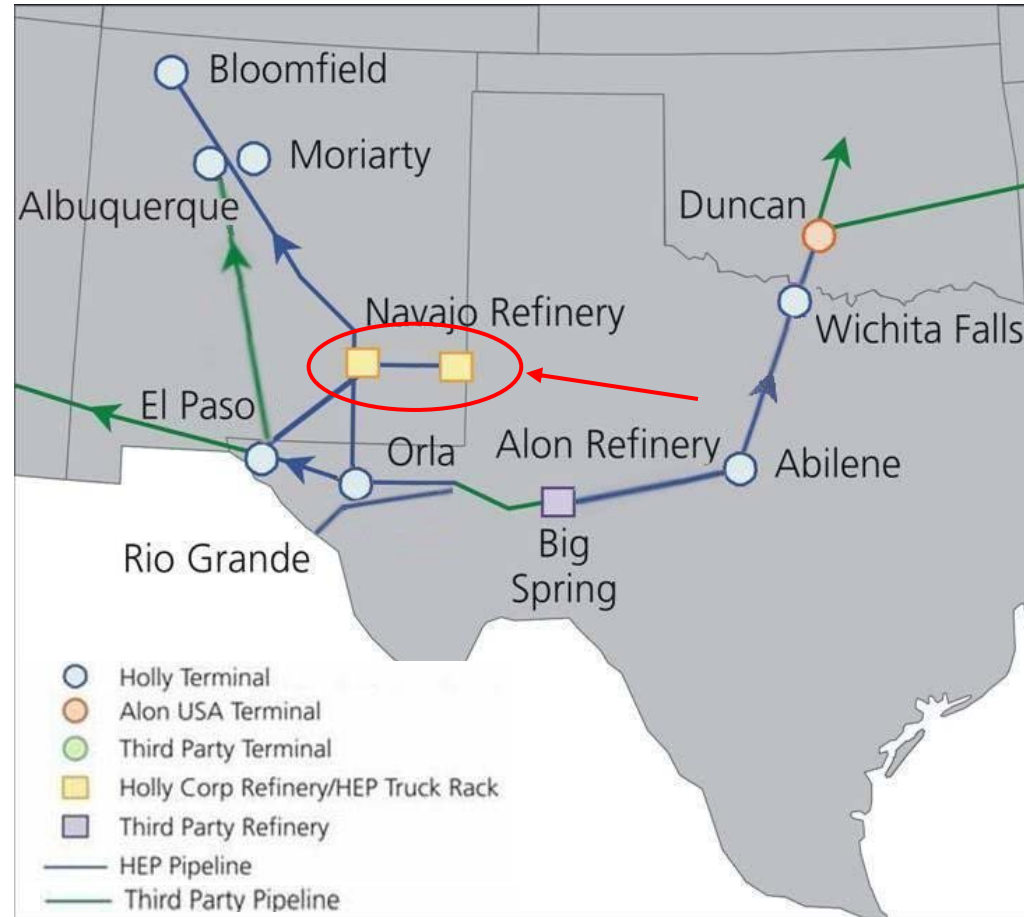
Alon USA Pipelines & Terminal Acquisition—February 2005

- ◆ Four refined products pipelines
- ◆ Over 500 miles of refined product pipelines
- ◆ 2 refined products terminals located in Abilene & Wichita Falls, TX
- ◆ A refined products tank farm located at Orla, TX
- ◆ Assets distribute approximately 70% of Alon's light refined products
- ◆ EBITDA from acquisition approx. \$17mm annually
- ◆ Purchase price:\$120mm in cash & 937,500 subordinated HEP units



HEP's Acquisition of Holly's Intermediate P/L's — July 2005

- ◆ Two 65-mile product/feedstock pipelines
- ◆ Capacity of 84,000 bpd
- ◆ Transport crude oil, raw feedstocks & partially finished refined products from Holly's Lovington, NM refining facility to Holly's Artesia, NM facility
- ◆ EBITDA from acquisition approx. \$10mm annually (\$9mm in 1st year)
- ◆ Purchase price: \$81.5 million



HEP has Uniquely Stable Cash Flows

- ◆ 94% of HEP's revenues come from long-term contracts
- ◆ 15-year agreements with Holly & Alon USA (*on Alon assets acquired in 2005*)
- ◆ Alon USA leases 20,000 bpd of capacity in the "8-12-8" pipeline from Orla to El Paso, Texas from HEP under three separate long-term leases (*under 1998 lease agreement originally with Holly*)
- ◆ BP contract on Rio Grande pipeline requiring BP to ship a minimum average of 12,500 bpd



HEP has Long-Term Contracts in Place

◆ **Approximately \$82 million of HEP revenue is subject to long-term contracts:**

Counterparty	Type of Contract	Revenue (\$ millions)
Holly Corp—IPO Assets	Minimum Revenue Commitment	36.7
Holly Corp—Intermediate P/L Assets	Minimum Revenue Commitment	11.8
Alon USA—Assets purchased in 2005	Minimum Volume Commitment	20.2
Alon USA—Lease Agreement	Capacity Commitment (20,000bpd)	6.9
BP	Minimum Volume Commitment	6.4
TOTAL		82.0



HEP Consolidated Statement Of Income

	Three Months Ended	Nine Months Ended
	Sept. 30, 2005	Sept. 30, 2005
	(in ,000's except per unit amounts)	(in ,000's except per unit amounts)
Revenues:		
Affiliates	\$ 12,507	\$ 31,878
Third parties	<u>9,010</u>	<u>25,673</u>
	21,517	57,551
 Operating costs and expenses:		
Operations	6,333	18,169
Depreciation and amortization	3,924	10,136
General and administrative	<u>1,075</u>	<u>3,042</u>
	11,332	31,347
 Operating income	10,185	26,204
 Other income (expense):		
Interest income	201	434
Interest expense	<u>(3,038)</u>	<u>(6,521)</u>
	(6,087)	(6,087)
 Minority interest in Rio Grande Pipeline Company	<u>(56)</u>	<u>(458)</u>
 Net income	7,292	19,659
 Less:		
Net income attributable to Predecessor	-	-
General partner interest in net income	<u>208</u>	<u>455</u>
 Limited partners' interest in net income	\$ 7,084	\$ 19,204
 Net income per limited partner unit	\$ 0.44	\$ 1.27
 EBITDA	\$14,053	\$35,882
 Distributable cash flow	\$11,424	\$30,114
 Weighted average limited partners' units outstanding	16,018	15,103



HEP Distributable Cash Flow

	Three Months Ended	Nine Months Ended
	Sept. 30, 2005	Sept. 30, 2005
	(in ,000's)	(in ,000's)
Net income	\$7,292	\$19,659
Add interest expense	2,803	5,978
Add amortization of deferred debt issuance costs	235	543
Subtract interest income	(201)	(434)
Add depreciation and amortization	<u>3,924</u>	<u>10,136</u>
EBITDA ⁽¹⁾	14,053	35,882
Subtract interest expense	(2,803)	(5,978)
Add interest income	235	434
Subtract maintenance capital expenditures ⁽²⁾	<u>(27)</u>	<u>(224)</u>
Distributable cash flow ⁽³⁾	\$11,424	\$30,114

(1) Defined at end of presentation

(2) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of our assets and to extend their useful lives.

(3) Distributable cash flow is not a calculation based upon U.S. GAAP



*Earnings & Cash Flow Guidance—'Go Forward' / Full Year Basis**

- ◆ *EBITDA: \$60+ million*

- ◆ *Interest Expense*
 - *6.25% on \$125 million*
 - *Three months LIBOR plus 115.75 basis points on \$60 million*
 - *Commitment fee of 50 basis points on \$100 million credit facility, and*
 - *Approx. \$1 million of annual amortization of debt issuance and underwriting costs*

- ◆ *Depreciation & Amortization: Approx. \$16 million*

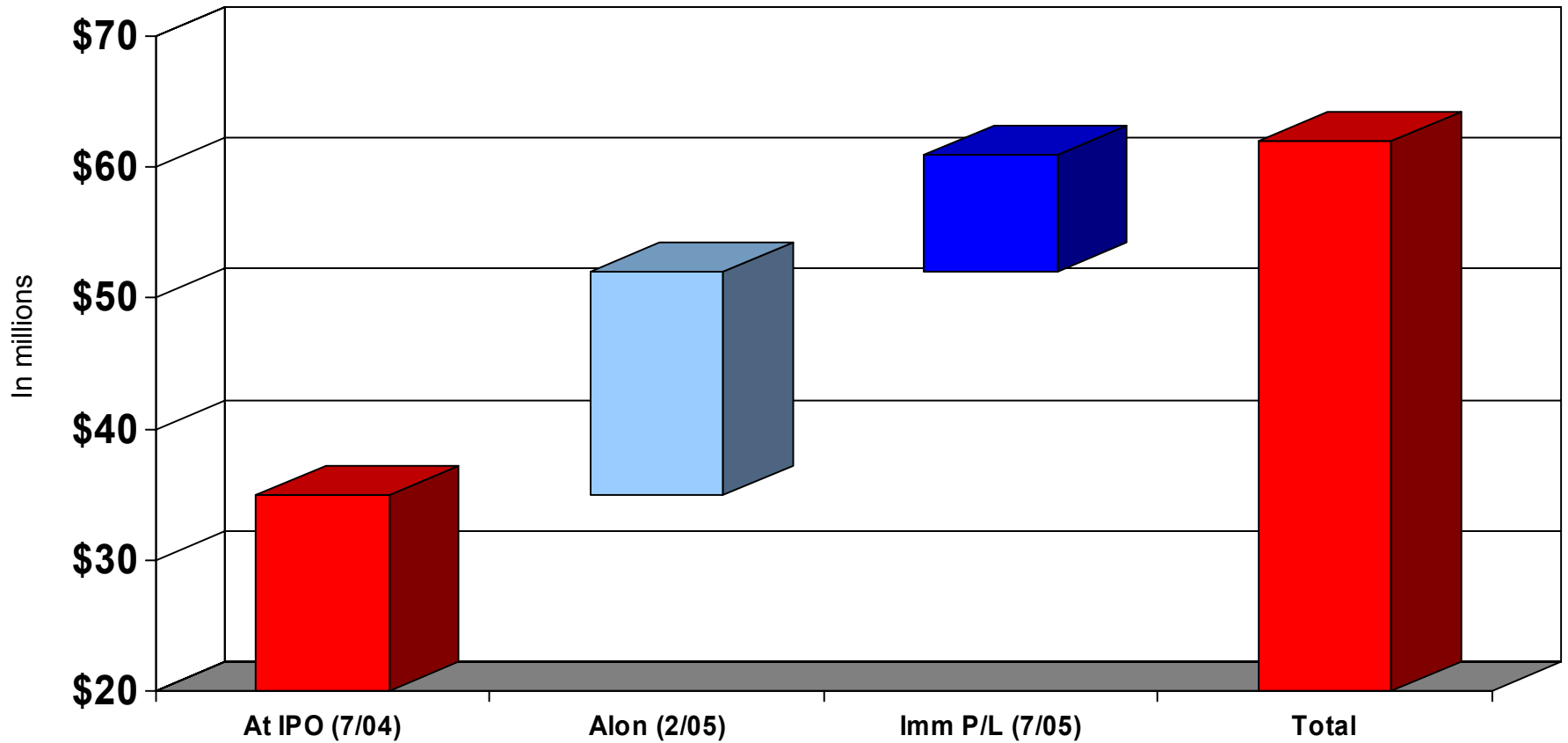
- ◆ *Maintenance Capital Expenditures: Approx. \$2 million*

**Assumes assets acquired during 2005 contribute to earnings and cash flow on a 12-month (full year) basis*

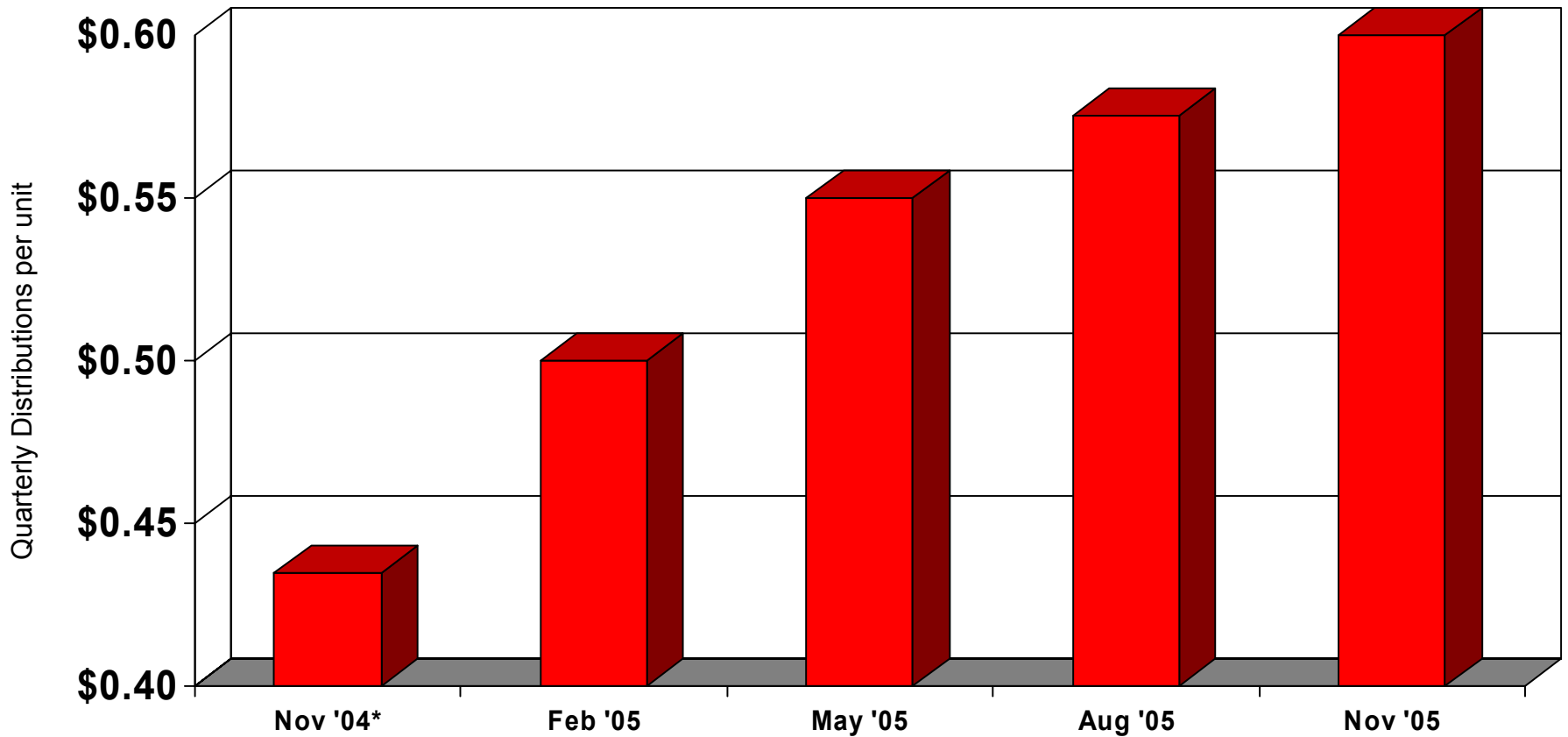


HEP EBITDA Growth since IPO

➤ Incremental EBITDA growth from acquisitions



HEP Distribution Growth since IPO



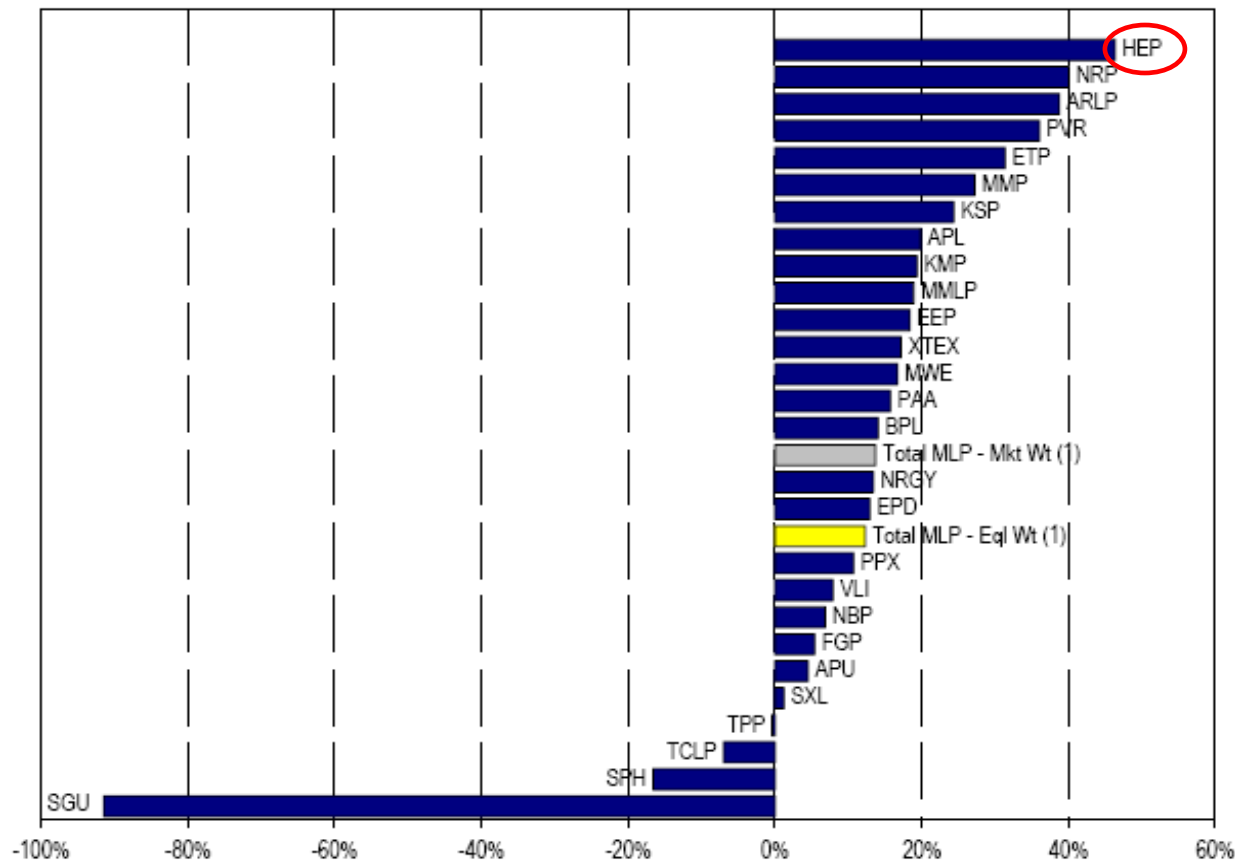
➤ Goal is 10% coverage ratio for quarterly distribution

* Less than a full calendar quarter—distribution paid at pro-rated \$0.50/qtr



Strong Market Performance

Individual MLP Price Performance – LTM Ending October 14



Notes:

(1): MLP Index: ARLP APL APU BPL CPNO EEP EPD ETP FGP HEP HLND KMP KSP MMP MMLP MWE NBP NRGY NRP PAA PPX PVR SGU SPH SXL TCLP TGP TLP TPP USS VLI XTEX.

(2): Returns calculated are total returns (distributions/dividends are reinvested) and unit have to be traded for the entire period

LTM - Last 12 Months

Source: FactSet



Key HEP Investment Highlights

- **Well maintained assets serving high growth markets**
- **Stable base of revenue with long-term fee based commitments**
- **No commodity risk / stable operations**
 - **Won't take any commodity risk**
 - **Stable operating cost structure**
- **Disciplined growth strategy**
- **Conservative financial structure**
 - **Growth with mix of debt & equity**



Question period from audience

Holly Energy Partners, L.P.

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EBITDA:

Earnings before interest, taxes, depreciation and amortization which is calculated as net income plus (i) interest expense net of interest income and (ii) depreciation and amortization. EBITDA is not a calculation based upon U.S. generally accepted accounting principles (“U.S. GAAP”). However, the amounts included in the EBITDA calculation are derived from amounts included in our consolidated financial statements. EBITDA should not be considered as an alternative to net income or operating income, as an indication of our operating performance or as an alternative to operating cash flow as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures of other companies. EBITDA is presented here because it is a widely used financial indicator used by investors and analysts to measure performance. EBITDA is also used by our management for internal analysis and as a basis for compliance with financial covenants.

