HOLLY ENERGY PARTNERS

# RBC 2006 MLP Conference

## November 16-17 2006


**Matthew P. Clifton**
**Chairman and CEO**

# Safe Harbor Disclosure

Statements made during the course of this presentation that are not historical facts are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are inherently uncertain and necessarily involve risks that may affect our business prospects and performance, and actual results may differ materially from those discussed during the presentation. Such risks and uncertainties include but are not limited to risks and uncertainties with respect to the future performance of the pipelines and terminals, the actions of actual or potential competitive suppliers and transporters of refined petroleum products in our markets and the markets of Holly Corporation and Alon USA, the demand for and supply of crude oil and refined products, the spread between market prices for refined products and market prices for crude oil, the possibility of constraints on the transportation of refined products, the possibility of inefficiencies or shutdowns in refinery operations or pipelines, effects of governmental regulations and policies, the availability and cost of financing, the effectiveness of capital investments and marketing and acquisition strategies, the possibility of terrorist attacks and the consequences of any such attacks, and general economic conditions. Additional information on risks and uncertainties that could affect the business prospects and performance of Holly Energy Partners is provided in our reports filed with the Securities and Exchange Commission from time to time. All forward-looking statements included in this presentation are expressly qualified in their entirety by the foregoing cautionary statements. Holly Energy Partners undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Topics / Agenda

- **HEP overview**
- **Growth since inception**
- **Future growth opportunities**
- **Key HEP highlights**

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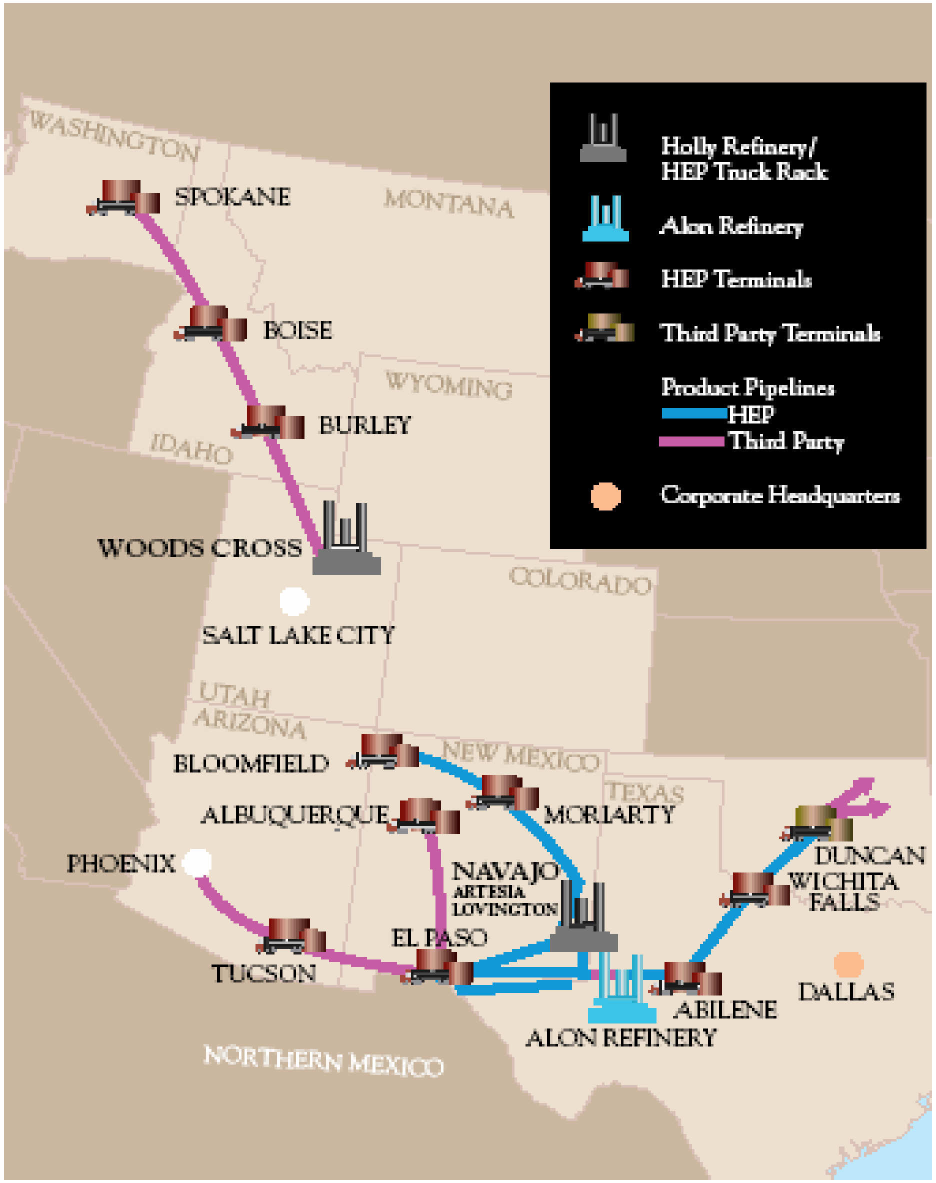
# Holly Corporation (NYSE: HOC) – GP

- Independent refiner in Southwest / Rocky Mountain states
- Own 2 refineries: New Mexico & Salt Lake City
  - Combined capacity of 108,000 barrels per day
- Wholesale marketer supplying West Texas, Arizona, New Mexico, Colorado, Utah, Nevada, Idaho & Washington
- Also built extensive logistics operations (pipelines & terminals) to support refineries--delivering refined products to end markets
- Extensive crude oil gathering network in West Texas and New Mexico

# HEP's Formation – Holly as Sponsor

- **Holly Energy Partners (NYSE: HEP) IPO**
  - Brought to market July 2004
  - 7 million common units sold at $22.25
  - $100 million credit facility obtained, led by Union Bank of California (currently nothing drawn on facility)

# Holly Energy Partners Assets – 2006




**<u>HEP Assets overview:</u>**

- Over 1,600 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

# HEP Stability – Contracts/Commitments

✓ ***Over 80% of HEP revenue is subject to long-term contracts***

| Counterparty | Type of Contract |
|---|---|
| Holly Corp – IPO Assets | Minimum Revenue Commitment |
| Alon USA – Lease Agreement | Capacity Lease (20,000bpd) |
| BP | Minimum Volume Commitment |
| Alon USA – Products Pipelines | Minimum Volume Commitment |
| Holly Corp – Intermediate Pipelines | Minimum Revenue Commitment |

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# Growth Since Inception – Overview

- **July 2004:** Initial public offering
- **Feb 2005:** Alon USA pipeline & terminals acquisition
- **July 2005:** Holly intermediate pipelines acquisition
- **June 2006:** Holly refinery expansion & tariff renegotiation

# HEP Alon Acquisition – February 2005

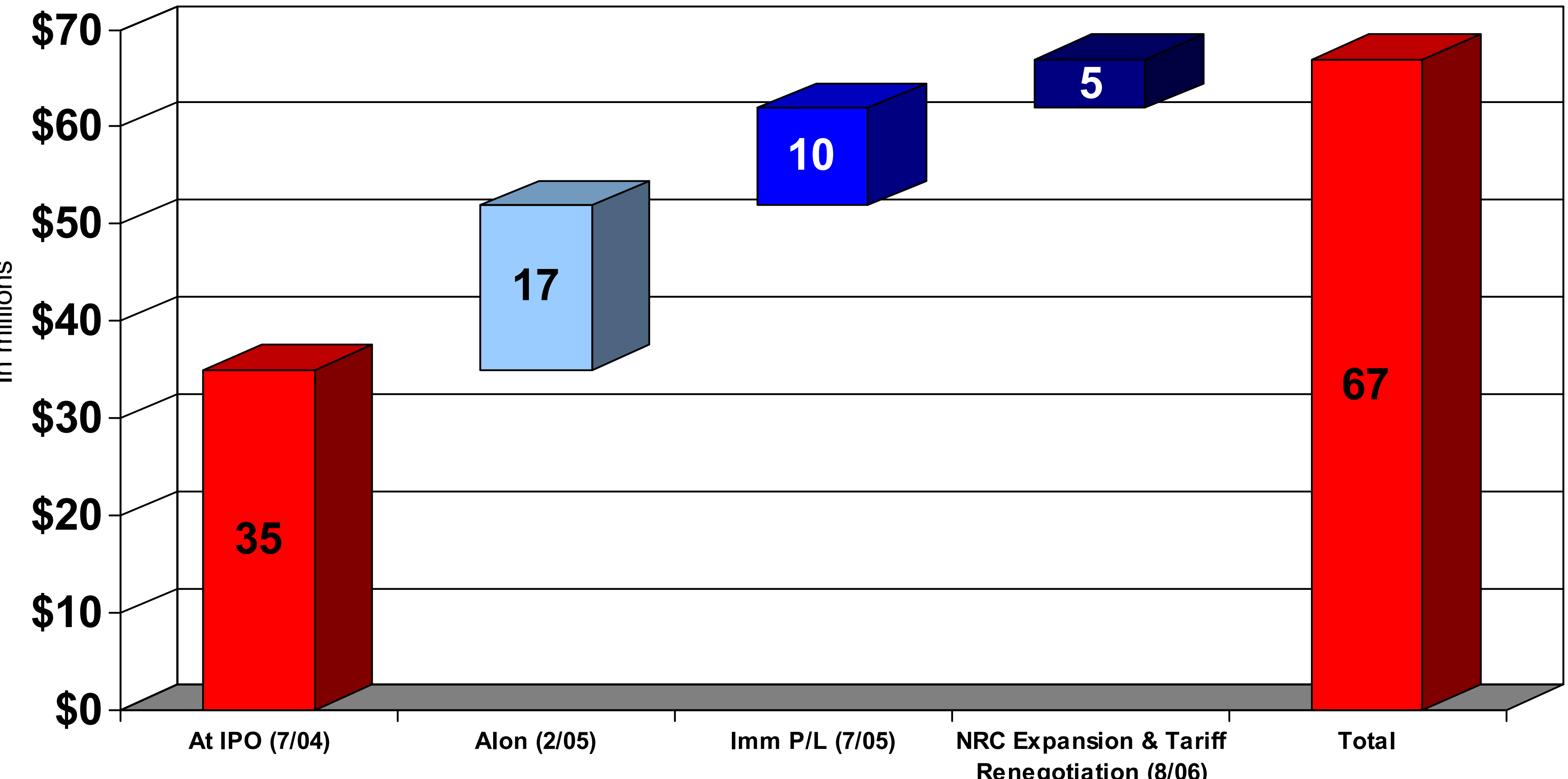
- Acquired 500 miles of pipeline, 2 refined product terminals and 1 refined product tank farm associated with Alon's Big Spring, Texas refinery
- Similar to Holly/HEP 15 year pipeline and terminal agreement – security of revenue and refiner access
- Alon outsources logistics activities and receives a higher multiple sales price
- HEP grows its geographic footprint with contiguous and synergistic asset acquisition
- HEP grows level of stable cash flow

# HEP Intermediate Pipe Acquisition – July 2005

- HEP acquired two 65-mile pipelines from Holly Corporation that transport crude oil and intermediate products from its Lovington, NM refining facility to its Artesia, NM refining facility (together comprising Holly's Navajo Refinery)
- Holly did not include these assets in IPO, but granted HEP a three-year option on them
- Also entered into 15 year pipeline and terminal agreement – security of revenue and refiner access
- Added further to HEP's stable cash flow level

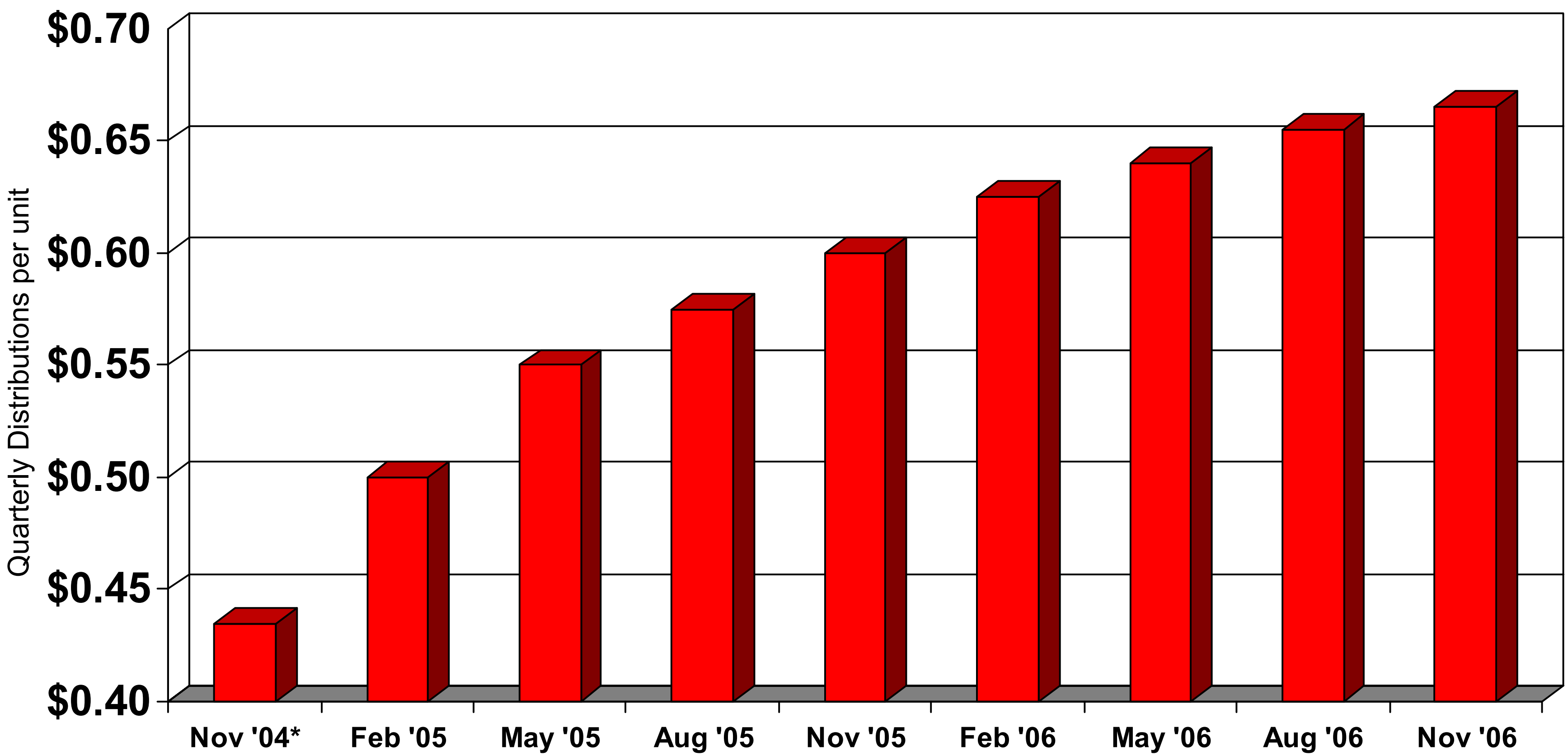
# Growth Since Inception – EBITDA

✓ EBITDA growth from inception—steady increases



# Growth Since Inception – LP Distribution

✓ Distribution has been increased every quarter since IPO




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

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# Future Growth Opportunities

- Projects under consideration
- Internal growth potential

# Future Growth Opportunities –
## *Projects Under Consideration**

**Salt Lake City crude pipeline**

- Brings needed relief to heavy crude capacity constraints for SLC refiners
- Estimated cost is $55 million
- Expected completion date would be no later than Spring 2008

**SLC to Las Vegas products pipeline**

- New source of refined products for Las Vegas given California sourcing issues
- Estimated cost is $155 million
- Expected completion date Summer/Fall 2008

*Authorization for projects not yet considered by Holly Energy Board.

# Future Growth Opportunities –

*Internal Growth Potential*

| | |
|---|---|
| **Holly Refinery Expansions*** | • Navajo expansion to 100,000 bpd<br>• Woods Cross (SLC) expansion to 35,000 bpd (possibly 40,000 bpd)<br>• Expected completion dates would be 2Q/3Q 2008<br>• Both would bring increased volumes to HEP existing assets |
| **Crude Trunk Pipelines** | • Main crude pipelines that serve Holly's Navajo Refinery<br>• All crude that Holly processes now and may process in the future could be transported utilizing these assets |

*Authorization for projects not yet considered by Holly Board.

# Financing Plans

- Current capital structure (as of 9/30/06)
  - $185 mm debt (principal amount)
  - 4.1x EBITDA to Interest Expense
  - 3.5x Debt to EBITDA
- HEP also has $100 mm credit facility available
- HEP committed to prudent capital structure – financing capital projects and acquisitions with mix of equity and debt
- HEP has option to utilize credit facility for short-term financing – and can term out with permanent financing as it deems appropriate
- Currently evaluating best approach for projects under consideration

# Earnings and Cash Flow Guidance – “Go Forward” / Full Year Basis

Per Year data at current level of operations:

- EBITDA: $67 million
- Interest Expense
  - 6.25% on $125 million senior notes
  - Three months LIBOR plus 115.75 basis points on $60 million interest rate swap
  - 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

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# Key HEP Highlights

- ✓ ***Well maintained assets serving high growth markets***
- ✓ ***Stable base of revenue with long-term fee-based commitments***
- ✓ ***No commodity risk / stable operations***
- ✓ ***Disciplined growth strategy***
- ✓ ***Conservative financial structure***

# Holly Energy Partners, L.P. (HEP)

## Holly Energy Partners, L.P. (NYSE: HEP)


*100 Crescent Court, Suite 1600*
*Dallas, Texas 75201*
*(214) 871-3555*

*Matthew P. Clifton, Chairman & CEO*
*Steve McDonnell, VP-Chief Financial Officer*
*M. Neale Hickerson, VP-Investor Relations*

# Definitions

BPD: Barrels per day

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.