

HOLLY ENERGY PARTNERS – OPERATING, L.P.

IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN HEREIN

LOCAL AND JOINT TARIFF

Containing

RULES AND REGULATIONS

Governing

THE GATHERING AND TRANSPORTATION

of

CRUDE PETROLEUM

and

INDIRECT LIQUID PRODUCTS OF OIL OR GAS WELLS

by

PIPELINE

GENERAL APPLICATION

Carrier will accept and transport Crude Petroleum and the Indirect Liquid Products of Oil or Gas Wells offered for transportation through Carrier's facilities, only as provided in this Rules and Regulations Tariff, except to the extent that specific rules and regulations published in other tariffs conflict with the general rules and regulations in this tariff, such specific rules and regulations shall supersede the general rules and regulations.

This tariff shall apply only to those tariffs which specifically incorporate this tariff by reference; such reference includes supplements to this tariff and successive issues thereof.

The provisions published herein will, if effective, not result in an effect on the quality of the human environment.

ISSUED: May 26, 2011

EFFECTIVE: July 1, 2011

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[W] – Wording Changes

PARTICIPATING CARRIERS

NAME OF CARRIER	CONCURRENCE	
	FORM FC	NO.
None.....		

ITEM NO.	SUBJECT	RULES AND REGULATIONS
1	Abbreviations and Definitions	<p>"API" means American Petroleum Institute.</p> <p>"Barrel" means forty-two United States gallons.</p> <p>"Carrier" means Holly Energy Partners - Operating, L.P. and every other common carrier of Crude Petroleum and Indirect Liquid Products of Oil or Gas Wells by pipeline that has entered into a joint rate tariff with Holly Energy Partners - Operating, L.P. and by reference therein has applied these rules and regulations to the transportation governed by such tariff.</p> <p>"Consignee" means the party to whom a Shipper has ordered the delivery of Crude Petroleum or Indirect Liquid Products of Oil or Gas Wells.</p> <p>"Crude Petroleum" means the grade or grades of the direct liquid product of oil or gas wells which Carrier has undertaken to gather or transport.</p> <p>"NMPRC" means New Mexico Public Regulation Commission.</p> <p>"Indirect Liquid Products of Oil or Gas Wells", sometimes referred to as indirect products, means the liquid products resulting from the operation of gasoline recovery plants, gas recycling plants, or condensate or distillate recovery equipment in gas or oil fields, or a mixture of such products.</p> <p>"Shipper" means the party who contracts with Carrier for transportation of Crude Petroleum or Indirect Liquid Products of Oil or Gas Wells.</p>
2	Title	<p>The act of delivering Crude Petroleum or the Indirect Liquid Products of Oil or Gas Wells to Carrier for transportation shall constitute a warranty by Shipper that Shipper or Consignee has unencumbered title thereto and that the same was produced in accordance with law.</p>

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3	Establishment of Grades	<p>Carrier will from time to time determine which grades of Crude Petroleum it will regularly gather from certain areas and which grades of Crude Petroleum it will regularly transport as a common stream between particular origin points and destination points on its trunk pipelines.</p> <p>Carrier will inform all interested persons of such determination upon request by them and this will constitute the sole holding out of the Carrier in regard to the grades of Crude Petroleum transported.</p> <p>Carrier may from time to time undertake to gather or transport other or additional grades of Crude Petroleum and Carrier may from time to time, after giving reasonable notice to persons who may be affected, cease to gather or transport particular grades of Crude Petroleum.</p>
4	Scheduling of Shipments	<p>All Shippers desiring to ship Crude Petroleum through the lines of Carrier shall promptly provide Carrier with all information needed by Carrier to schedule and dispatch each shipment of Crude Petroleum which Shipper offers to make; to satisfy Carrier that offers to ship are in good faith; and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. Carrier may refuse to receive Crude Petroleum for transportation, until Shipper has provided Carrier with such information.</p> <p>Carrier shall not be obligated to accept Crude Petroleum for transportation during any calendar month, unless the Shippers shall, on or before the 25th day of the preceding calendar month, notify the Carrier in writing of the kind and quantity of such Crude Petroleum which it desires to ship. If the 25th day of the preceding calendar month is a non-business day, then such notification shall be due on the last business day immediately prior to the 25th day of the preceding month.</p> <p>When these rules and regulations apply to a joint tariff between two or more Carriers, a Shipper may give such information to the originating Carrier or to the delivering Carrier or to both, or the Shipper may give a part of such information to the originating Carrier and the remainder to the delivering Carrier.</p> <p>In the event Shippers offer to ship more Crude Petroleum via a particular pipeline or segment of line during any period of time than can be pumped through such line or segment of line during such period, then Carrier shall accept and transport, during such period, only that portion of each good-faith offer to ship which Carrier shall determine to be equitable to all Shippers.</p>
5	Dispatching	<p>For each calendar month, Carrier will establish a sequence for pumping various grades of Crude Petroleum through its trunk lines and will schedule the approximate time when Crude Petroleum offered for shipment will be received by Carrier at origin points and delivered by Carrier at destination points.</p> <p>Carrier will inform each Shipper of the time within each calendar month when Crude Petroleum will be received from such Shipper at origin points and Carrier will inform each Consignee of the time within each calendar month when Crude Petroleum will be delivered to such Consignee at destination points.</p>

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6	Diversion or Reconsignment	Diversion or reconsignment may be made without charge if requested by the Shipper prior to arrival at original destination, subject to the rates, rules, and regulations applicable from point of origin to point of final destination, provided the then current pipeline operations of the Carrier will permit such diversion or reconsignment. Such request may be in writing or it may be oral if confirmed in writing.
7	Acceptance of Delivery	<p>After a shipment has had time to arrive at destination, and on 24 hours' notice to Consignee, Carrier may begin delivery of such shipment to Consignee at its current rate of pumping. If all of such shipment cannot be received by Consignee, a demurrage charge of 1/2 cent per barrel per 24 hours shall accrue, from the time said notice expires, on that part of such shipment which is not received by Consignee.</p> <p>If a Consignee is not able to receive Crude Petroleum from Carrier at the time when Carrier has scheduled a delivery and if Carrier has no means of withholding delivery of such Crude Petroleum, then Carrier shall have the right to sell such Crude Petroleum to the first available purchaser at the best price obtainable; to use the proceeds thereof to pay pipeline transportation charges which shall be due as if delivery had been made; and to hold the balance of such proceeds for whomsoever may be entitled thereto.</p>
8	Origination Facilities	Carrier will receive Crude Petroleum from Shippers at stations on its gathering lines; at leases or plants to which its gathering lines connect; and at origin points on its trunk lines. Crude Petroleum will be received only from pipelines, tanks, or other facilities which are provided by Shipper or a connecting carrier or a marketer of Crude Petroleum. Carrier will determine and advise Shippers of the size and capacity of pipelines and tanks to be provided at the point of a receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Petroleum for transportation unless such facilities have been provided.
9	Destination Facilities	Carrier will deliver Crude Petroleum to Consignees at destinations on its gathering lines and trunk lines. Crude Petroleum will be delivered only into pipelines, tanks, or other facilities which are provided by Shipper or Consignee or a connecting Carrier. Carrier will determine and advise Shippers and Consignees of the size and capacity of pipelines, tanks, or other facilities to be provided at point of delivery to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Petroleum for transportation unless such facilities have been provided.
10	Storage in Transit	The Carrier has working tanks that are needed by Carrier to transport Crude Petroleum but has no other tanks and, therefore, does not have facilities for rendering, nor does it offer, a storage service. Provisions for storage during transit in facilities furnished by Shipper at points on Carrier's system will be permitted to the extent authorized under individual tariffs.

Item NO.	Subject	RULES AND REGULATIONS				
11	Quality and Quantity of Receipts and Deliveries	<p>Carrier will accept for transportation Crude Petroleum which can be commingled or intermixed with a grade of Crude Petroleum which Carrier regularly transports between the origination and destination points of the shipment without substantially reducing the value or altering the quality of any grade of Crude Petroleum that Carrier regularly transports over the route of the shipment.</p> <p>Carrier will accept Crude Petroleum for transportation only on condition that Carrier shall not be liable to Shipper or Consignee for changes in gravity or quality that may occur from commingling or intermixing such Crude Petroleum with other Crude Petroleum in transit; and that Carrier shall not be obligated to deliver to Consignee the identical Crude Petroleum received from Shipper. However, Carrier will deliver to Consignee a grade of Crude Petroleum as nearly like the grade of Crude Petroleum received from Shipper as Carrier is regularly transporting as a common stream to destination points of the shipment.</p> <p>Carrier will not make a delivery of less than 10,000 barrels of Crude Petroleum at any destination point on its trunk lines, except when necessitated by dispatching contingencies and except where a smaller deliver is authorized by an individual tariff; however, Carrier will deliver smaller quantities of Crude Petroleum to destination points on its gathering lines.</p> <p>Carrier will also accept for transportation a grade of Crude Petroleum which does not meet the conditions of the first paragraph of this item, provided that:</p> <p>(a) Carrier has available facilities to segregate such grade of Crude Petroleum while it is in transit from all other grades of Crude Petroleum; and</p> <p>(b) Carrier shall not be liable to Shipper or Consignee for changes in the gravity or quality of such grade of Crude Petroleum while it is in transit; and</p> <p>(c) The Crude Petroleum offered for transportation is made available at the origin point of a shipment in a quantity which equals or exceeds the following minimum:</p> <table border="0" data-bbox="634 1373 1289 1528"> <tr> <td style="text-align: center;">Outside diameter largest pipeline through which shipment will move</td> <td style="text-align: center;">Minimum quantity of Crude Petroleum which will be segregated</td> </tr> <tr> <td style="text-align: center;">12 3/4 inches or less</td> <td style="text-align: center;">10,000 barrels</td> </tr> </table> <p>Carrier reserves the right to require an assay on Crude Petroleum tendered prior to accepting barrels for transportation.</p>	Outside diameter largest pipeline through which shipment will move	Minimum quantity of Crude Petroleum which will be segregated	12 3/4 inches or less	10,000 barrels
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12	Measuring	<p>The volume of Crude Petroleum received and delivered by Carrier will be measured in barrel units by meter or by gauge. Measured volumes at recorded or observed temperatures and pressures will be converted to volumes at 60 degrees Fahrenheit and atmospheric pressure.</p> <p>The volume of impurities in Crude Petroleum received and delivered by Carrier will be measured by an electrical or mechanical device or by physical test, in accordance with the latest API Standards covering the measuring, sampling and testing of crude oil, such volume of impurities to be deducted from the volume of such receipts and deliveries. Carrier will not accept for transportation Crude Petroleum in which the total volume of impurities exceeds one percent (1%) or in which the volume of water exceeds three-tenths of one percent (0.3 of 1%) of the volume offered for transportation.</p> <p>Shipper is responsible for all pipeline shortages to 0.5% of barrels moved and retains 100% of net overages. Carrier will be responsible for shortages in excess of 0.5%.</p> <p>All measurements shall be determined by Carrier, but Shipper and Consignee or their representatives may be present to witness them.</p>										
13	Indirect Products	<p>Unless specific rules and regulations published in tariffs making reference to this tariff provide otherwise, the Indirect Liquid Products of Oil or Gas Wells will be accepted and transported as if it were Crude Petroleum only under the following conditions:</p> <ol style="list-style-type: none"> 1. That Carrier has available facilities with which to mix such indirect products with Crude Petroleum at or prior to the arrival of such indirect products at a working tank which is vented to the atmosphere; and 2. That Carrier will have Crude Petroleum in its custody in such facilities, consigned to the same Consignee and destination as the indirect products, with which the indirect products can be so mixed; and 3. That the vapor pressure of the resulting mixture will not exceed 13 pounds per square inch, absolute, at a temperature of 100 degrees Fahrenheit; and 4. That the vapor pressure of the indirect products will not exceed 40 pounds per square inch, absolute, at a temperature of 100 degrees Fahrenheit. 										
14	Deductions	<p>Unless specific rules and regulations published in tariffs provide otherwise, Carrier shall deduct a percentage of the volume of all indirect products; and a percentage of the volume of all Crude Petroleum the gravity of which equals or exceeds 55 degrees API whenever such Crude Petroleum is to be mixed with other Crude Petroleum in transit; in accordance with the following table:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Degrees API Gravity</th> <th style="text-align: center;">Percentage Deduction</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Less than 55</td> <td style="text-align: center;">None</td> </tr> <tr> <td style="text-align: center;">55 to 74.9</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;">75 to 99.9</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: center;">100 and above</td> <td style="text-align: center;">3</td> </tr> </tbody> </table>	Degrees API Gravity	Percentage Deduction	Less than 55	None	55 to 74.9	1	75 to 99.9	2	100 and above	3
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15	Rates Applicable	<p>The rate which shall apply to the transportation of Crude Petroleum shall be the rate in effect on the date Crude Petroleum is received by Carrier for transportation. Likewise, the rules and regulations which shall govern the transportation of Crude Petroleum shall be the rules and regulations in effect on the date Crude Petroleum is received by Carrier for transportation.</p> <p><u>Refer to specific tariffs for applicable viscosity surcharge.</u></p>
16	Rates Applicable From and To Intermediate Points	<p>Crude Petroleum and Indirect Liquid Products of Oil or Gas Wells received from a point on Carrier's lines which is not named in tariffs making reference to this tariff, but which point is intermediate to a point from which rates are published in tariffs making reference to this tariff, will be assessed the rate in effect to the next more distant point published in the tariff making reference to this tariff.</p> <p>Crude Petroleum and Indirect Liquid Products of Oil or Gas Wells delivered to a point on Carrier's lines which is not named in tariffs making reference to this tariff, but which point is intermediate to a point to which rates are published in tariffs making reference to this tariff, will be assessed the rate in effect to the next more distant point published in the tariff making reference to this tariff.</p>

17	Liability for Charges	<p>The Shipper and Consignee shall be jointly and severally liable for the payment of gathering, transportation, and demurrage charges upon Crude Petroleum delivered by Carrier to Consignee or to a point on Carrier's lines by mutual agreement of Carrier, Shipper and Consignee.</p> <p>Carrier will bill Shipper each month for gathering charges on Crude Petroleum gathered for Shipper during the previous month. Carrier will bill Shipper each month for transportation and demurrage charges on Crude Petroleum delivered to Consignee during the previous month. If such a bill is not paid within 10 days after date of invoice, Carrier shall have the right to assess a late charge at an annual interest rate equivalent to 125% of the prime rate of interest charged by Citibank N.A. of New York, New York, on 90 day loans to substantial and responsible commercial borrowers as of the due date. In the event the late charge, as described in the preceding sentence, is greater than the maximum rate allowed by law, then the maximum rate allowed by law will be used. Such late charge shall accrue from 10 days after date of invoice until payment is made, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than five days after notice of readiness to deliver, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall be not less than 48 hours after publication of notice in a daily newspaper of general circulation published in the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto.</p> <p>All Crude Petroleum that is received from a Shipper or is destined to a Consignee who has failed to pay Carrier for gathering, transportation, or demurrage charges shall be subject to the imposition of a lien by Carrier to obtain payment of such charges.</p> <p>Carrier may require a Shipper or Consignee to prepay gathering, transportation, and demurrage charges before making delivery of Crude Petroleum if it appears that the value of Crude Petroleum received from such Shipper and destined to such Consignee, which will remain in the custody of Carrier after making such delivery, will not exceed the total of all gathering, transportation, and demurrage charges that will be due from Shipper and Consignee upon making such delivery.</p>
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Item NO.	Subject	RULES AND REGULATIONS
18	Liability	<p>Carrier will not be liable for any loss of Crude Petroleum while in the possession of Carrier, or for any delay in receiving or delivering Crude Petroleum, if caused by an Act of God, the public enemy, quarantine, the authority of law, strikes, riots, the act or default of Shipper or Consignee, or requisition by an agency of Government.</p> <p>If such loss occurs to Crude Petroleum in a segregated shipment, then the Shipper and Consignee thereof shall bear the entire loss, damage, or delay which occurs.</p> <p>However, if such loss occurs to Crude Petroleum which is not in a segregated shipment, then each Shipper of the grade of Crude Petroleum so lost via the system in which the loss occurs shall share such loss in the proportion that the amount of such grade of Crude Petroleum then in the custody of Carrier for the account of such Shipper in such system bears to the total amount of such grade of Crude Petroleum then in the custody of Carrier in such system.</p> <p>Carrier will be obligated to deliver only that portion of a Crude Petroleum shipment remaining after deducting such loss. Transportation charges will be made only on quantities of Crude Petroleum delivered.</p> <p>If Crude Petroleum is lost in transit while in the custody of Carrier due to causes other than those described in the first paragraph of this item, Carrier may obtain and deliver to Consignee thereof other Crude Petroleum of the same quantity and grades as that which was lost, but Carrier shall not be obligated to do so; in the alternative, Carrier may compensate Shipper for such loss in money.</p>
19	Time Limitation of Claims	<p>As a condition precedent to recovery for loss or delay, claims must be filed in writing with the originating or delivering Carrier within nine months and one day after delivery of the property, or in case of failure to make delivery, then within nine months and one day after a reasonable time for delivery has elapsed; and suits shall be instituted against the Carrier only within two years and one day from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.</p>
20	Common Stream Petroleum-Connecting Carriers	<p>When both receipts and deliveries of substantially the same grade of Crude Petroleum are scheduled at the same location on Carrier's system, including, but not limited to, interconnections with connecting carriers, Carrier reserves the right to offset like volumes of such common stream Crude Petroleum in order to avoid the unnecessary use of energy that would be required to physically pump the offsetting volumes. The applicable tariff rate will be applied to such transactions. When this right is exercised, Carrier will make the further deliveries for the Shipper involved from its common stream Crude Petroleum.</p>
21	Proration of Pipeline Capacity	<p>When the total volume offered for shipment is greater than can be transported within the period covered by such offers, Refined Petroleum Products offered by each Shipper for transportation will be transported in such quantities and at such times to the limit of Carrier's capacity so as to avoid discrimination among Shippers. The details of Carrier's method of proration are contained in a document entitled Holly Energy Partners — Operating, L.P. Proration Policy, effective September 24, 2004, which will be made available, upon request, to any Shipper or prospective Shipper.</p>