

HOLLY ENERGY PARTNERS — OPERATING, L.P.

LOCAL INCENTIVE AND NON INCENTIVE PIPELINE TARIFF

CONTAINING RATES, RULES AND REGULATIONS

Governing the Transportation of

REFINED PRODUCTS

ISSUED: May 26, 2011

EFFECTIVE: July 1, 2011

Issued to reflect change in corporate address.

ALL RATES IN THIS ISSUE HAVE BEEN UNCHANGED

Permit to Operate a Pipeline in Texas, Form T-4 Permit No. 07226

The rates named in this Tariff are expressed in dollars per barrel of forty-two (42) United States Gallons and are subject to change as provided by law.

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

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TABLE OF RATES			
RATES IN DOLLARS PER BARREL OF 42 UNITED STATES GALLONS			
ORIGIN CARRIER'S RECEIVING POINT	DESTINATION	RATE	RATE TYPE
Midland, Texas	Orla, Texas	[U] \$1.4747	Non-Incentive
		[U] \$1.2288	Incentive 1
		[U] \$0.6144	Incentive 2

INCENTIVE RATE TERMS:

Any Shipper whose committed Shipments pursuant to a throughput and deficiency agreement exceed 2,500,000 barrels during a calendar year will be entitled to be charged the Incentive Rate 1 listed above for the entire committed amount.

Any Shipper whose Shipments exceed 5,978,700 barrels during a calendar year (the "Incentive 2 Threshold") will be entitled to be charged the Incentive 2 Rate listed above for all Shipments in excess of the Incentive 2 Threshold.

EXPLANATION OF SYMBOLS:

- [U] – Unchanged Rates
- [W] – Change in Wording

RULES AND REGULATIONS

This Company will receive Refined Products for interstate transportation only to established delivery stations on its own lines, and lines of connecting pipeline companies, on the following conditions:

Item No.	Subject	Application
5	Definitions	<p>As used in these rules and regulations, the following terms have the following meanings:</p> <p>“Barrels” means 42 United States gallons at sixty degrees (60°) Fahrenheit.</p> <p>“Carrier” means Holly Energy Partners — Operating, L.P.</p> <p>“Company” means Holly Energy Partners — Operating, L.P.</p> <p>“Consignee” means the party to whom a Shipper has ordered the delivery of Refined Products.</p> <p>“Nomination” means an offer by a Shipper to Carrier of a stated quantity of Refined Products for transportation from origin to specified destination.</p> <p>“Prime Rate” means a rate per annum equal to the sum of (i) 3% plus (ii) the prime rate per annum announced by Union Bank of California, N.A., or if Union Bank of California, N.A. no longer announces a prime rate for any reason, the prime rate per annum announced by the largest U.S. bank measured by deposits from time to time as its base rate on corporate loans, automatically fluctuating upward or downward with each announcement of such prime rate.</p> <p>“Refined Products” means gasolines, diesel fuel, jet fuel, and kerosene that meet the specifications set forth in Item 10 herein.</p> <p>“Shipment” means a volume of Refined Products offered to and accepted by Carrier for transportation.</p> <p>“Shipper” means the party who contracts with the Carrier for transportation of Refined Products under the terms of this tariff.</p> <p>“Transmix” means the mixture that occurs in normal pipeline operations between non-compatible Refined Products.</p>
10	Specifications and Acceptance of Product	<p>Refined Products will be accepted for transportation at such time as Refined Products of same quality and specifications are currently being transported from receiving point to destination. Prior to acceptance of Refined Products for transportation the Company may require from the Shipper a certificate setting forth, in detail, the specifications of each shipment of Refined Products. Carrier may also make such tests as it deems necessary.</p> <p>All additives and inhibitors to be included in Shipper's Refined Products must first be approved by the Carrier before such Refined Products will be accepted for transportation. If Refined Products tendered by Shipper do not contain corrosion inhibitor compound which meets industry standards, then Carrier may, at Shipper's expense, inject corrosion inhibitor compound in the Refined Products to be transported, and Shipper and Consignee will accept delivery of shipments at destination containing portions of the corrosion inhibitor compound.</p> <p>Refined Products will be accepted for transportation when Shipper has made necessary arrangements (a) to provide facilities to tender such Refined Products and deliver same at Carrier's receiving manifold at the origin at pumping rates and pressures as required by Carrier, and (b) to provide facilities at the destination to receive the Refined Products tendered for transportation at flow rates and pressures as required by Carrier.</p>

RULES AND REGULATIONS		
Item No.	Subject	Application
15	Shipments-Nominations and Minimum Tender	<p>Orders for the shipment of Refined Products will be accepted for transportation under this tariff in quantities of not less than three thousand (3,000) barrels from one Shipper consigned to same destination.</p> <p>Any Shipper desiring transportation of Refined Products under this tariff must submit to Carrier by the 20th day of each month a Nomination of the type and quantity of Refined Products to be transported during the following month.</p> <p>Shippers will be required to schedule their Refined Products for delivery into Carrier's receiving tanks or suction manifold at the origin to meet the cycle within which Carrier schedules the Refined Products to move. Refined Products shall be available for shipment 24 hours before the scheduled date for movement into the Carrier's pipeline system. Shipper shall deliver Refined Products to Carrier at a pressure no greater than 680 psig and at a flowing pressure of at least 670 psig.</p>
20	Mixing with Other Refined Petroleum Products	<p>Carrier will deliver substantially the same Refined Products (with the same specifications that are then being transported from the receiving point to destination) as received from Shipper to the extent permitted by Carrier's facilities. However, all shipments will be accepted for transportation only on condition that it shall be subject to such changes in gravity or quality while in transit as may result from the mixture with other Refined Products in the pipelines.</p> <p>Carrier will allocate Transmix to all Shippers in proportion to each Shipper's volume of all Refined Products. Carrier will make Transmix available for delivery to Shippers so that over time each Shipper receives its proportionate share. Each Shipper must accept delivery of Transmix from Carrier no later than 5 days after notification that Transmix is available for distribution to Shipper. Shipper will have sole responsibility for the disposition of its allocated Transmix.</p>
25	Refined Petroleum Products to be Free from Litigation or title Dispute	<p>Company shall have the right to decline to receive any Refined Products which may be involved in litigation or the title of which may be in dispute and it may require of the Shipper satisfactory evidence of his title or, in the absence of satisfactory evidence, satisfactory indemnity bond to protect Company.</p>
30	Commodity	<p>This Company is engaged in the transportation of Refined Products exclusively and therefore will not accept any other commodity for transportation.</p>
35	Payment of Transportation and Other Charges	<p>The Shipper or Consignee shall pay the transportation charges accruing on Refined Products delivered at the final destination. Title to the Refined Products will remain with Shipper or Consignee at all times subject to any lien created under applicable law.</p> <p>Transportation charges shall be due ten days after receipt of invoice from Carrier for delivery of Refined Products. If such charges remain unpaid after payment is due, such charges shall bear interest from the date they became due until they are paid at a rate equal to the Prime Rate or the maximum finance rate allowed by applicable law, whichever is less.</p>

RULES AND REGULATIONS		
Item No.	Subject	Application
35	Payment of Transportation and Other Charges [continued]	If Shipper or Consignee fails to pay the transportation charges within 10 days after payment is due, Carrier shall have the right to sell Shipper's or Consignee's Refined Products at public auction for cash. The auction will be held between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four hours after Shipper has been officially notified of the time and place of such sale and the quantity, general description, and location of the Refined Products to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all transportation, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the Refined Products, and the balance shall be held for whosoever may be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all expenses incurred by Carrier, Shipper and Consignee, if any, are liable to Carrier for any deficiency.
40	Liability of Carrier	Carrier shall not be liable for loss of Refined Products in its custody, damage thereto, or delay caused by fire, storm, flood, epidemics, Acts of God, riots, insurrection, rebellion, war, act of the public enemy, quarantine, nuclear or atomic explosion, strikes, picketing, or other labor stoppages, whether of Carrier's employees or other, the authority of law, requisition or necessity of Government of the United States in time of war, default of Shipper or Shipper's Consignee or any other cause not due to the sole negligence of Carrier, whether similar or dissimilar to the cause herein enumerated. In the event of such loss, each Shipper shall bear the loss in the same proportion as its share of the total quantity involved and shall be entitled to receive only so much of its share remaining after its due proportion of the loss is deducted. Transportation charges will be assessed only on the quantity delivered net of volume corrections as set forth in Item No. 45 herein.
45	Gauging, Testing, and Volume Corrections	Shipments tendered to Carrier for transportation shall be tested by a representative of Carrier, and gauged or measured by automatic equipment approved by Carrier or by other methods acceptable in the industry, at locations designated by Carrier. The Shipper shall have the privilege of being present or represented at the gauging and testing. Quantities will be computed from correctly compiled tank tables or by Carrier approved meters. Corrections will be made for temperature from observed degrees Fahrenheit to sixty degrees (60°) Fahrenheit. Shipper shall bear the actual product losses for shrinkage and evaporation incident to pipeline transportation up to a maximum of five hundredths (0.05) of a percent. Carrier shall offset such product losses with any product gains and shall determine the net product losses on a calendar quarterly basis.
50	Duty of Carrier	Carrier shall be required to transport Refined Products with reasonable diligence, considering the quantity to be transported, the distance of transportation, safety of operation, and other material factors.

RULES AND REGULATIONS		
Item No.	Subject	Application
55	Line Fill	<p>Either prior to or after the acceptance of Shipments for transportation through Carrier's pipeline system, Carrier may, upon reasonable notice, require each Shipper to provide a pro rata part of the volume of Refined Products necessary for pipeline fill. Refined Products provided by a Shipper for this purpose may be withdrawn from the system only with the prior approval of Carrier or after reasonable notice of such Shipper's intention.</p> <p>Carrier may require advance payment of transportation charges on the volumes to be cleared from Carrier's pipeline system and of any unpaid accounts receivable before final delivery of line fill will be made. Carrier shall have a reasonable period of time following receipt of Shipper's notice to complete administrative and operational requirements incidental to Shipper's withdrawal.</p>
60	Pipeage Contracts	<p>Separate pipeage contracts in accord with this tariff and these regulations, covering further details may be required of the proposed Shipper before any duty of transportation shall arise.</p>
65	Claims, Suits, Time for Filing	<p>As a condition precedent to recovery, claims must be filed in writing with Carrier within nine (9) months after delivery of the property, or in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits shall be instituted against Carrier only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to the claimant that 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 shall not be liable, and such claims will not be paid.</p>
70	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 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 July, 2004, which will be made available, upon request, to any Shipper or prospective Shipper.</p>