

# HOLLY ENERGY PARTNERS — OPERATING, L.P.

[C] IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN HEREIN

## LOCAL [C] 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.

~~[C] Made change to Item 21 to reflect where to request proration policy. No other changes.~~

[N] Filed in compliance with Order No. 714 - Electronic Tariff Filings, issued on September 19, 2008. This Tariff brings forward the rates in FERC No. 48 for the establishment of the Baseline Tariff. Removed "Table of Contents" since not required and reference to "Participating Carriers" and "Joint Tariff" since there are none. **No rates are being changed.**

**ISSUED: June 29, 2010**

**EFFECTIVE: August 1, 2010**

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

Issued By  
Matthew P Clifton, CEO and Chairman

Compiled By  
Jimmy Harrison, Director, Financial Accounting & Reporting

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Abbreviation	Explanation of Symbols	
[N] [C] [U]	New Cancel Unchanged Rate	
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>"FERC" means Federal Energy Regulatory 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>
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>

Item No.	Subject	RULES AND REGULATIONS
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>
6	Diversion or Reconsignment	<p>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.</p>
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 [U] 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>

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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.				
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 data-bbox="597 1591 1203 1728" style="margin-left: auto; margin-right: auto;"> <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"> <li>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</li> <li>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</li> <li>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</li> <li>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.</li> </ol>										
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" data-bbox="605 1465 1224 1612"> <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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