
Holly Corporation

Capital Projects Update

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Existing Asset Location / Business Footprint



Holly Corporation:

- ✓ Holly's refineries operate in historically high margin & high growth Southwest & Rockies markets
- ✓ 111,000 bpsd of refining capacity
- ✓ Refineries directly connected to Domestic or Canadian crude trading hubs

Holly Energy Partners:

- ✓ Over 1,700 miles of product pipelines
- ✓ Over 800 miles of crude gathering & transportation assets
- ✓ 11 Terminals & 2 truck loading rack facilities in 5 states (3 terminals co-owned) with over 2 million bbls of storage capacity
- ✓ Over 1 million bbls of crude oil storage
- ✓ 70% interest in Rio Grande Pipeline Company, a joint venture with BP



Capital Spending Plan: 2007--2009

– Elements of both Offense & Defense:

- ✓ *Expanding refining capacity 18% by 2009
--from 111,000 bpsd to 131,000 bpsd*
- ✓ *Increase flexibility of processing cost-advantaged crudes*
--from 5,000 bpsd to 55,000 bpsd*
- ✓ *All projects to take advantage of growing markets in the Southwest and the Rockies*
- ✓ *Develop Rocky Mountain pipeline access to Las Vegas market with UNEV Pipeline*



*Timing contingent on pipelines to transport Canadian and other foreign crudes

Navajo Refinery:

--Expansion and Feedstock Flexibility

Phase I: Expand crude capacity to approximately 100,000 bpsd (Q1 '09)

Revamp Lovington crude & vacuum unit

Install new 15,000 bpsd gas oil hydrocracker (40% conversion)

Install new 28 mmscfd hydrogen plant

Expand sulfur recovery capacity (project complete Q4 '08)

Phase II: Capture light/heavy crude differentials on up to 40,000 bpsd of throughput (Q4 2009*)

Revamp Artesia crude unit to process Canadian crude

Install new 18,000 bpsd solvent de-asphalter (ROSE technology)

<u>COST / TIMING:</u> (all in millions)	<u>Full Project</u>	<u>Expansion</u>	<u>Heavy-Up</u>
Projected cost:	\$245 ¹	\$158	\$87
Estimated completion:		Q1 2009	Q3 2009 ²



¹Estimated cost doesn't include \$26 million sulfur recovery project—which is captured separately

²Heavy Canadian timing contingent on pipelines to transport Canadian and other foreign crudes.

Woods Cross Refinery:

--Expansion and Feedstock Flexibility

Expand refinery by 19% to 31,000 bpsd

Increase amount of Canadian / Black Wax Crudes to 50% of crude capacity

Install new 15,000 bpsd gas oil hydrocracker (40% conversion)

New Black Wax desalter

Expand sulfur recovery capacity

Black Wax crude unloading facility

Projected cost: \$105 million

Estimated completion: 3rd quarter 2008



UNEV Pipeline:

--Salt Lake City to Las Vegas

Build 400 mile 12" pipeline

Initial capacity approximately 62,000 bpd

Expandable to approximately 120,000 bpd (w/ additional pump stations)

2 Terminal locations: North Las Vegas and Cedar City, UT

Holly owns 75% of project with Sinclair owning 25% interest

180-day option to purchase¹ granted to Holly Energy Partners for Holly's ownership. Price to be construction cost plus 7% interest per annum

Projected cost: \$300 million (Holly share: \$225 million)

Estimated completion: mid--2009



¹At completion of project

Projected Capital Expenditures by Year

	Actual: (in millions)	Estimates: (in millions)		
<u>Capital Projects:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
NRC expansion and feedstock flexibility	59	140	46	245
<i>Phase I – Expansion</i>	52	91	15	158
<i>Phase II – Feedstock Flexibility</i>	7	49	31	87
WX expansion and feedstock flexibility	40	55	10	105
Sulfur recovery unit at NRC	9	14	3	26
Small payout projects	20	18	20	58
Sustaining capital & turnaround	<u>27</u>	<u>75</u>	<u>25</u>	<u>127</u>
Refinery Project Total	155	302	104	561
UNEV pipeline*	<u>8</u>	<u>148</u>	<u>69</u>	<u>225</u>
Total	163	450	173	786



*Capital spending assumes 75% ownership interest, w/ 25% Sinclair joint venture partner

Expanded Footprint in Southwest / Rocky Mountain States



Current:

- 111,000 bpsd of refining capacity
- Operate in the historically high margin & high growth Southwest & Rockies markets
- Can process approx. 80,000 bpsd of sour crude feedstock
- Can process approx. 5,000 bpsd of price-advantaged crude feedstock

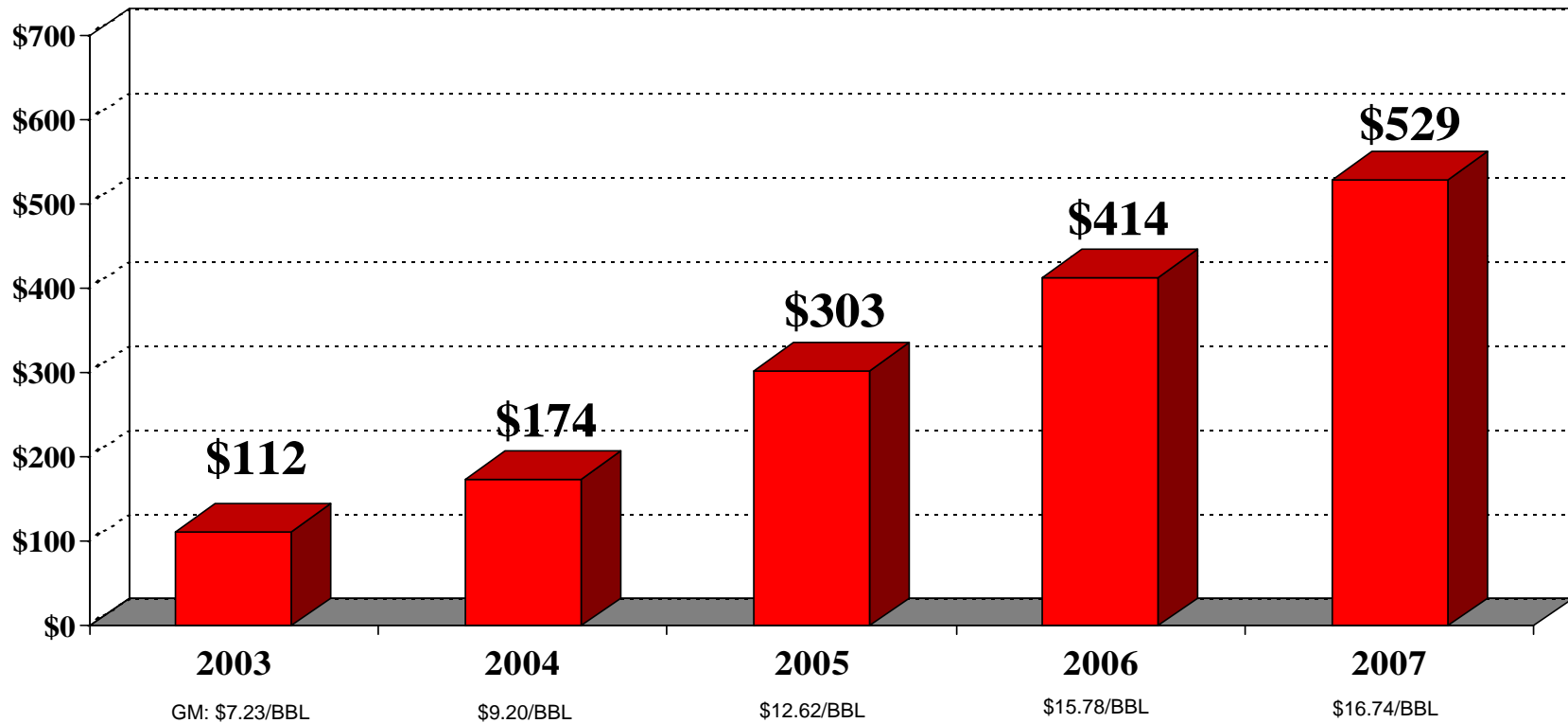
Future:¹

- 131,000 bpsd of refining capacity
- Can process approx. 115,000 bpsd of sour & cost-advantaged crude feedstock
- Las Vegas added to high growth markets



¹ With projects approved and under way

Holly Historical EBITDA (in millions) & Associated Gross Margin per bbl



Estimated Effects of Capital Projects at Holly's Refineries

Illustrative computations of impact of expansion & gross margins

Gross Margin/bbl	Consolidated	Navajo	Woods Cross
2003	\$7.23	\$7.43	\$6.10
2004	\$9.20	\$10.16	\$6.00
2005	\$12.62	\$13.61	\$9.62
2006	\$15.78	\$15.37	\$17.10
2007	\$16.74	\$15.58	\$20.69

INCREMENTAL GROSS MARGIN FROM REFINERY EXPANSIONS:

Wood Cross completion Q3 '08 -- Operational Q4 '08 / Navajo completion Q1 '09 -- Operational Q2 '09

Margin/ bbl assumption:	<u>\$10.00</u>	<u>\$12.00</u>	<u>\$14.00</u>	<u>\$16.00</u>
NRC: at 15,000 bpsd expansion	\$54,750,000	\$65,700,000	\$76,650,000	\$87,600,000
WX: at 5,000 bpsd expansion	\$18,250,000	\$21,900,000	\$25,550,000	\$29,200,000



For every +/- \$1/bbl change in gross margin: NRC equals \$5.475 million -- WX equals \$1.825 million

Estimated Effects of Capital Projects at Holly's Refineries

Illustrative computations of impact of crude mix changes

FEEDSTOCK FLEXIBILITY: WOODS CROSS REFINERY

Completion Q3 '08 -- Operational Q4 '08

Increase cost advantaged bbls by 10,000 bpsd

WTI-Heavy Diff. / bbl assumption: <i>(net of transportation & yield changes)</i>	<u>\$10.00</u>	<u>\$15.00</u>	<u>\$20.00</u>
Annual gross margin improvement from feedstock flexibility	\$36,500,000	\$54,750,000	\$73,000,000

Every +/- \$1 change in net feedstock costs equals \$3.65 million

FEEDSTOCK FLEXIBILITY: NAVAJO REFINERY

Completion Q3 '09 -- Operational Q4 '09

Change crude charge mix from 100% WTS crude to include 40% cost-advantaged bbls

WTS-Heavy Diff. / bbl assumption: <i>(net of transportation & yield changes)</i>	<u>\$10.00</u>	<u>\$15.00</u>	<u>\$20.00</u>
Annual gross margin improvement from feedstock flexibility	\$146,000,000	\$219,000,000	\$292,000,000

Every +/- \$1 change in net feedstock costs equals \$14.6 million



Holly Operations & Growth Advantages

- ✓ *Assets positioned to serve historically high growth & high margin markets*
- ✓ *Track record of superior returns on capital among peers*
- ✓ *Strong balance sheet & cash flow generation for capital investment & share repurchases*
- ✓ *Capital projects with significant impact relative to current cash flow*
 - ✓ *Strong growth orientation in capital deployment (“Offensive play”)*
 - ✓ *Increased optionality in capital deployment (“Defensive play”)*
- ✓ *Proven management team to execute on consistent operations & capital deployment*





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Definitions

BPD: the number of barrels per calendar day of crude oil or petroleum products.

BPSD: the number of barrels per stream day of crude oil or petroleum products.

EBITDA: Earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA, is calculated as net income plus (i) interest expense net of interest income, (ii) income tax provision, and (iii) depreciation, depletion and amortization. EBITDA is not a calculation provided for under accounting principles generally accepted in the United States; however, the amounts included in the EBITDA calculation are derived from amounts included in our consolidated financial statements.

Gas Oil Hydrocracker: a refinery unit which uses catalyst at high pressure and temperature and in the presence of hydrogen to convert high boiling point hydrocarbons to light transportation fuels and low sulfur FCC feedstock.

MMSCFD: million standard cubic feet per day.

Refining gross margin or refinery gross margin: the difference between average net sales price and average costs of products per barrel of produced refined products. This does not include the associated depreciation, depletion and amortization costs.

Solvent deasphalter / residuum oil supercritical extraction (“ROSE”): a refinery unit that uses a light hydrocarbon like propane or butane to extract non asphaltene heavy oils from asphalt or atmospheric reduced crude. These deasphalted oils are then further converted to gasoline and diesel in the FCC process. The remaining asphaltenes are either sold, blended to fuel oil or blended with other asphalt as a hardener.

