



# Holly Corporation

Spring  
2009 Update



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## *Disclosure Statement*

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# *Holly Operations & Growth Advantages*

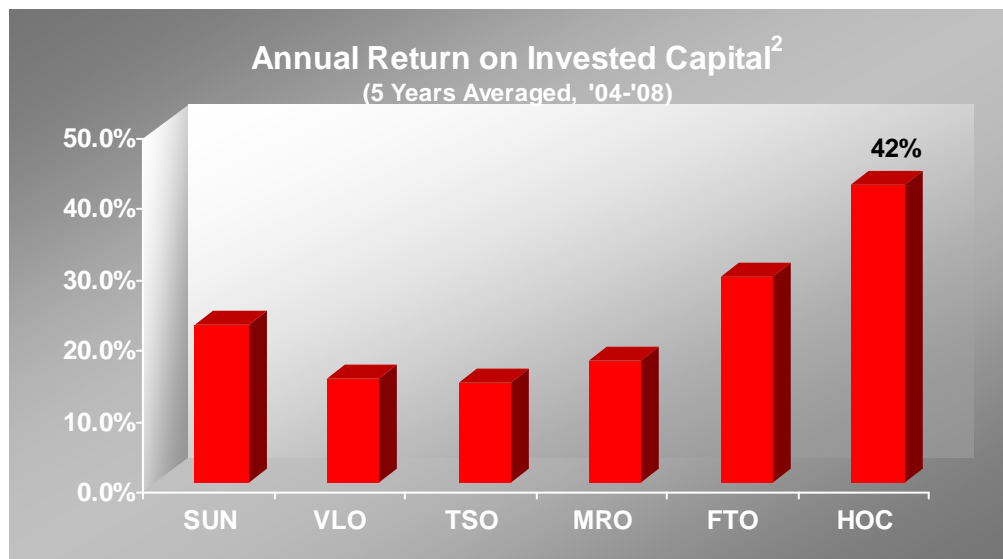
- ✓ *Pure play independent refiner*
- ✓ *40 years of refining experience*
- ✓ *Assets positioned to serve historically high growth & high margin markets*
- ✓ *Track record of superior returns on capital among peers*
- ✓ *Strong balance sheet & cash flow generation for capital investment & share repurchases*
- ✓ *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”)*
- ✓ *Relationship with Holly Energy Partners, L.P.*
- ✓ *Proven management team to execute on consistent operations & efficient capital deployment*



# *Strong Financial Position vs. Peer Group*

*(Excludes HEP reconsolidation in 2008)*

<b>Return on Invested Capital</b>	
<b>2004</b>	<b>26%</b>
<b>2005</b>	<b>45%</b>
<b>2006</b>	<b>63%</b>
<b>2007</b>	<b>63%</b>
<b>2008<sup>1</sup></b>	<b>22%</b>



- ✓ *High return on invested capital*
- ✓ *Strong cash flow generation*



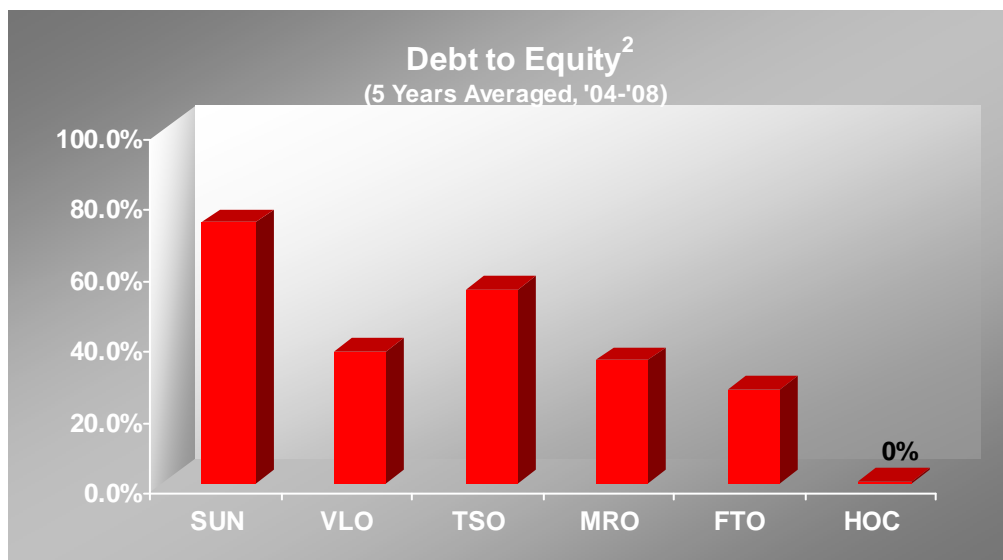
<sup>1</sup> Excludes HEP debt—including HEP debt, ROIC equals 14%

<sup>2</sup> Excludes HEP debt—including HEP debt, 5-year average ROIC equals 37%

# *Strong Financial Position vs. Peer Group*

*(Excludes HEP reconsolidation in 2008)*

<b>Debt / Equity</b>	
<b>2004</b>	<b>3%</b>
<b>2005</b>	<b>0%</b>
<b>2006</b>	<b>0%</b>
<b>2007</b>	<b>0%</b>
<b>2008<sup>1</sup></b>	<b>0%</b>



- ✓ *No long term debt*
- ✓ *Strong balance sheet*



<sup>1</sup> Excludes HEP debt—including HEP debt, 2008 would be 63%

<sup>2</sup> Excludes HEP debt—including HEP debt, 5-year average would be 15%

# Existing Asset Location / Business Footprint



## Holly Corporation:

- ✓ Holly's refineries operate in historically high margin & high growth Southwest & Rockies markets
- ✓ 131,000 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 & trunk pipelines
- ✓ 11 Terminals & 2 truck loading rack facilities in 6 states (3 terminals co-owned) with approximately 2 million bbls of refined product storage capacity
- ✓ Approximately 1 million bbls of crude oil storage
- ✓ 70% interest in Rio Grande Pipeline Company, a joint venture with BP, moving LPG's from West Texas into Mexico
- ✓ 25% interest in Salt Lake pipeline, a joint venture with Plains, delivering crude oil into the Salt Lake valley



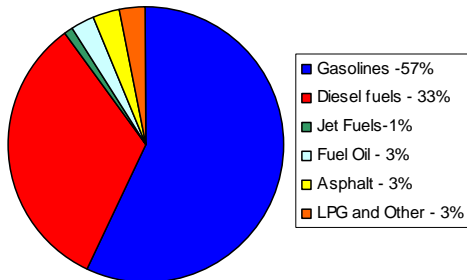
# Navajo Refinery

## Description



- Operated by wholly owned HOC subsidiary Navajo Refining Company
- 561 acre site in Artesia, NM
- Crude oil capacity of 100,000 bpsd (expanded in Q1 2009)
- Ability to process sour crude oils into high value light products
- Fully integrated facility with crude distillation, vacuum distillation, FCC, solvent de-asphalter, HF alkylation, catalytic reforming, hydrodesulfurization, isomerization, sulfur recovery and product blending units
- Approximately 2 million barrels of feedstock and product tankage on-site (Artesia, NM)
- Artesia facility operated in conjunction with facility in Lovington, NM
- Lovington facility processes crude oil into intermediate products, which are transported to Artesia by means of two intermediate pipelines owned by HEP
- Products distributed to markets in Arizona, New Mexico and West Texas through HEP's owned and leased pipelines
- Situated near Permian Basin. Crude is purchased from major oil companies operating in West Texas and Southeast New Mexico. Crude is gathered via HOC pipelines, third party pipelines and tank trucks

## Product Sales Mix



## Summary of Operations

Description	Year Ended				
	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Crude Charge (BPD)	71,060	71,850	72,930	79,460	79,020
Refinery Production (BPD)	79,330	80,190	80,540	87,930	88,680
Sales of Refined Products (BPD)	86,410	89,400	93,600	100,460	97,320
Refinery Utilization	94.7%	95.8%	92.9%	94.6%	93.0%
<b>Refinery Gross Margin</b>	<b>\$10.16</b>	<b>\$13.61</b>	<b>\$15.37</b>	<b>\$15.58</b>	<b>\$9.55</b>
<b>Net Operating Margin</b>	<b>\$6.96</b>	<b>\$9.67</b>	<b>\$10.63</b>	<b>\$11.28</b>	<b>\$4.97</b>
Sour Crude Oil	83%	85%	80%	82%	79%
Sweet Crude Oil	5%	2%	8%	9%	10%
Other Feedstocks	12%	13%	12%	9%	11%



# Woods Cross Refinery

## Description

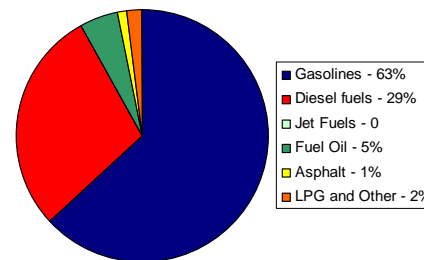
- Acquired from ConocoPhillips in 2003
- 200 acre site in Woods Cross, UT (near Salt Lake City)
- Current crude oil capacity of 31,000 bpsd
- Processes regional sweet and black wax crude as well as Canadian sour crude oils into high value light products
- Fully integrated refinery with crude distillation, solvent de-asphalter, FCC, HF alkylation, catalytic reforming, hydrodesulfurization, isomerization, sulfur recovery, and product blending units
- Supply of crude oil primarily from suppliers in Canada, Wyoming, Utah and Colorado via common carrier pipelines, which originate in Canada, Wyoming and Colorado
- Primary markets include Utah, Idaho, Nevada, Wyoming, and eastern Washington. Approximately 60% of the gasoline and diesel fuel produced by the refinery is sold through a network of Phillip 66 branded marketers under a long-term supply agreement



### Summary of Operations

Description	Year Ended				
	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Crude Charge (BPD)	23,620	24,100	23,640	24,030	21,660
Refinery Production (BPD)	23,730	25,850	25,190	25,340	22,170
Sales of Refined Products (BPD)	24,160	27,710	26,210	26,130	23,430
Refinery Utilization	94.5%	92.7%	90.9%	92.4%	79.5%
<b>Refinery Gross Margin</b>	<b>\$6.00</b>	<b>\$9.62</b>	<b>\$17.10</b>	<b>\$20.69</b>	<b>\$16.60</b>
<b>Net Operating Margin</b>	<b>\$2.08</b>	<b>\$5.01</b>	<b>\$11.97</b>	<b>\$15.83</b>	<b>\$9.18</b>
Sour Crude Oil	7%	8%	2%	2%	1%
Sweet Crude Oil	88%	82%	79%	75%	72%
Black Wax Crude Oil	0%	0%	10%	15%	21%
Other feedstocks and blends	5%	10%	9%	8%	6%

### Product Sales Mix

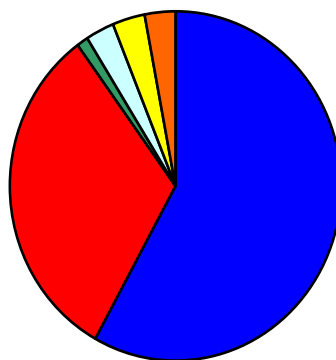


# Refining Operating Performance - Holly Corporation

## Consolidated Operation

Description	Year Ended				
	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Crude Charge (BPD)	94,680	95,950	96,570	103,490	100,680
Refinery Production (BPD)	103,060	106,040	105,730	113,270	110,850
Sales of Produced Refined Products (BPD)	102,400	106,500	1,050,900	115,090	111,950
Sales of Refined Products (BPD)	110,570	117,110	119,870	126,800	120,750
Refinery Utilization	94.7%	95.0%	92.4%	94.1%	89.7%
<b>Average per Produced Barrel</b>					
Net Sales	\$51.40	\$69.12	\$80.21	\$89.77	\$108.83
Cost of Products	\$42.20	\$56.50	\$64.43	\$73.03	\$97.87
Refinery Gross Margin	\$9.20	\$12.62	\$15.78	\$16.74	\$10.96
Refinery Operating Expenses	\$3.37	\$4.11	\$4.83	\$4.43	\$5.14
Net Operating Margin	\$5.83	\$8.51	\$10.95	\$12.31	\$5.82

## Product Sales Mix

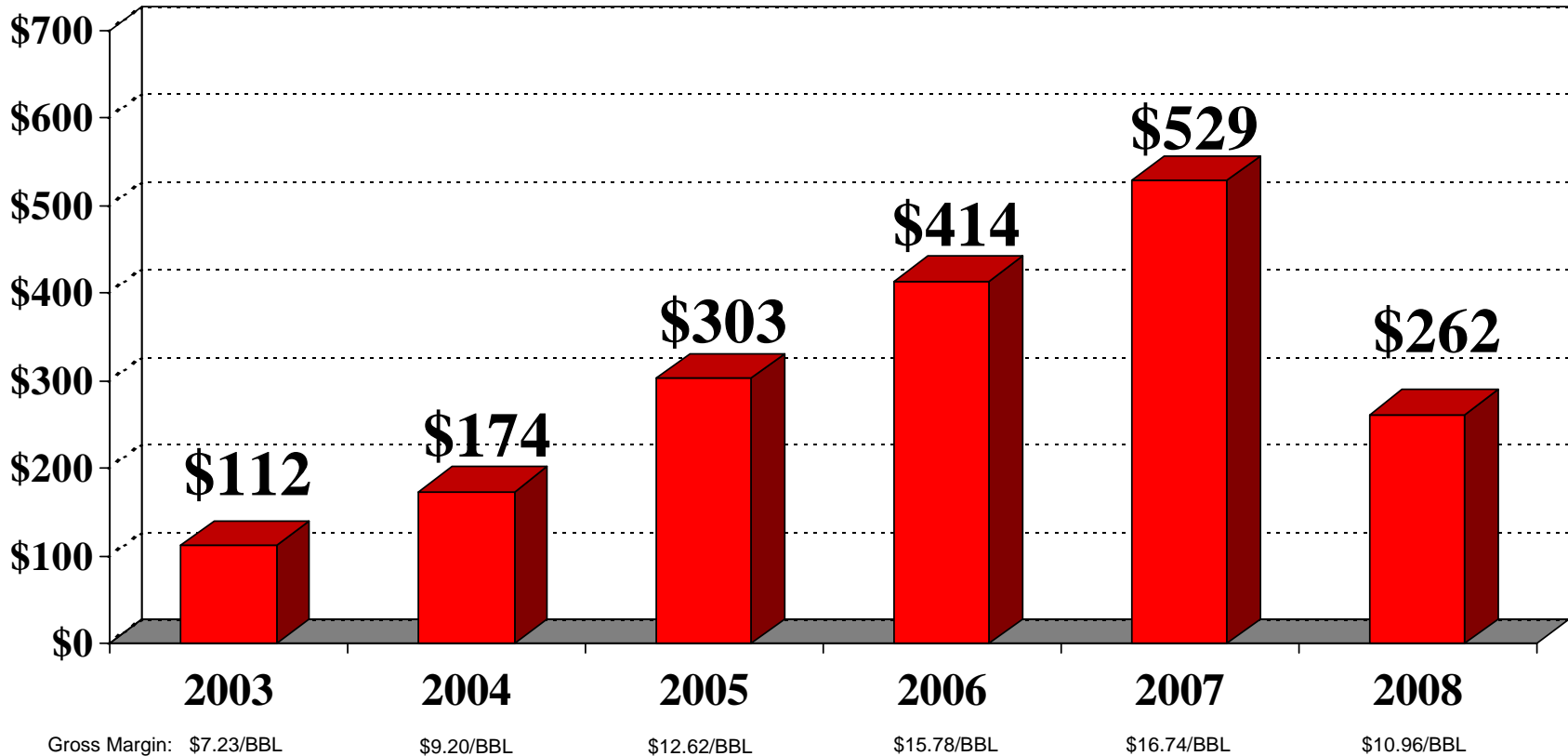


- Gasolines - 58%
- Diesel fuels - 32%
- Jet Fuels - 1%
- Fuel Oil - 3%
- Asphalt - 3%
- LPG and Other - 3%



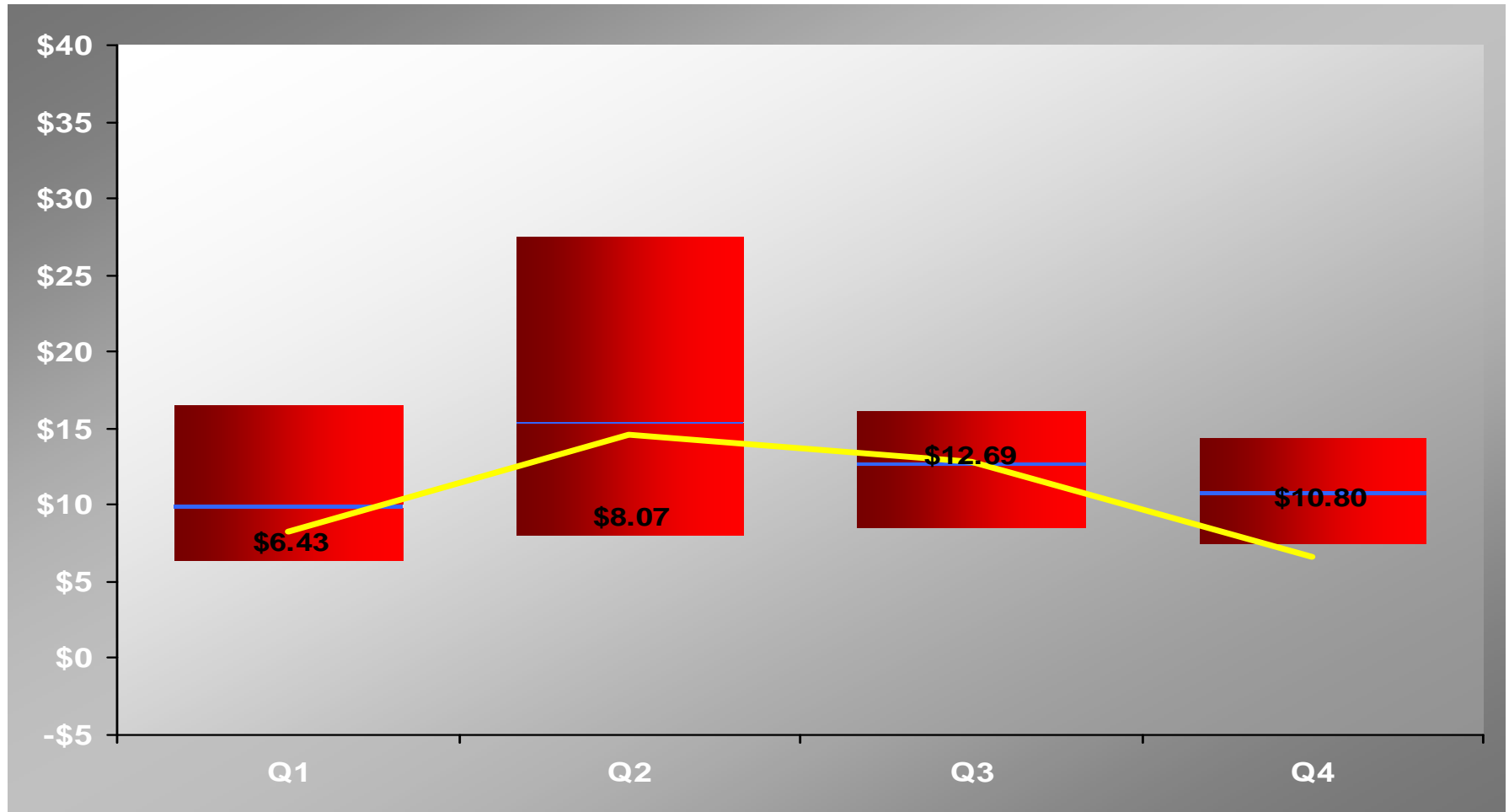
# *Holly Historical EBITDA (in millions)*

## *& Associated Gross Margin per bbl*



\*HEP formed in July 2004

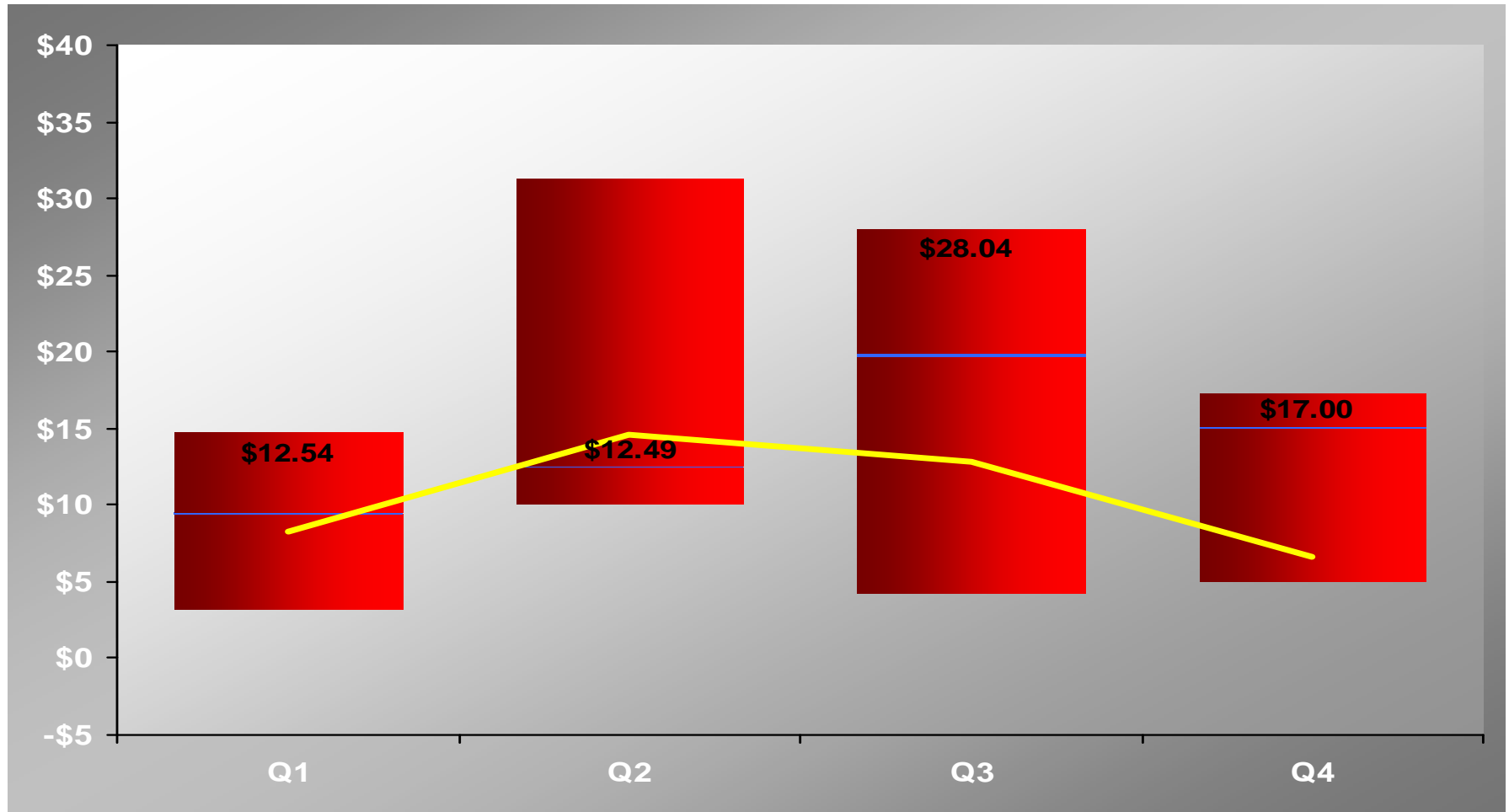
## *NRC Refining Margins (2004—2008 range)*



- Red bars represent '04-'08 5-yr. high & low gross margin range by quarter.
- Median of that range is depicted in blue.
- NRC '08 GM – noted in \$\$/bbl
- GC 5-Yr. Quarterly Avg 3-2-1 margin– yellow line



## Woods Cross Refining Margins (2004—2008 range):



- Red bars represent '04-'08 5-yr. high & low gross margin range by quarter.
- Median of that range is depicted in blue.
- WX '08 GM – noted in \$\$/bbl
- GC 5-Yr. Quarterly Avg 3-2-1 margin– yellow line



# *Capital Spending Plan: 2007-2009*

*– Elements of both Offense & Defense:*

- ✓ ***Expanding refining capacity 18% by 2009***
  - from 111,000 bpsd to 131,000 bpsd*
  - COMPLETED Q1 2009*
  
- ✓ ***Increase flexibility of processing cost-advantaged crudes<sup>1</sup>***
  - from 5,000 bpsd to 55,000 bpsd*
  - COMPLETED WOODS CROSS PORTION Q3 '08 (10,000 BPD)*
  
- ✓ ***All projects to take advantage of historically growing markets in the Southwest and the Rockies***
  
- ✓ ***Develop Rocky Mountain pipeline access to Las Vegas market with UNEV Pipeline***
  - PLANNED COMPLETION & START UP 2010*



<sup>1</sup>Timing contingent on pipelines to transport Canadian and other foreign crudes and completion of refinery capital project work

# Navajo Refinery:

## --Expansion and Feedstock Flexibility

### Phase I: Expand crude capacity to approximately 100,000 bpsd

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

COMPLETED Q1 2009

### Phase II: Capture light/heavy crude differentials on up to 40,000 bpsd of throughput<sup>1</sup>

Revamp Artesia crude unit to process Canadian crude

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

Heavy oil tankage & rail loading facilities

ESTIMATED COMPLETION: Q3 2009

#### COST / TIMING:

(all in millions)

Projected cost:

Full Project

\$296<sup>2</sup>

Expansion

\$185

Heavy-Up

\$111



<sup>1</sup>Heavy Canadian timing contingent on pipelines to transport Canadian and other foreign crudes.

<sup>2</sup>Estimated cost does not include \$29 million sulfur recovery project



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# ***Woods Cross Refinery:***

## ***--Expansion and Feedstock Flexibility***

***Expand refinery 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*

*Cost: \$122 million*

*COMPLETED Q3 2008*





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# *UNEV Pipeline:*

## *--Salt Lake City to Las Vegas*

*Build 400 mile 12" pipeline*

*Initial capacity approximately 62,000 bpd*

*Expandable to approximately 118,000 bpd (w/ additional pump stations)*

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

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

*180-day option to purchase<sup>1</sup> 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 startup: 2010*



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<sup>1</sup>At completion of project

<sup>2</sup>Assumes permit issuance Spring 2009

# Projected Capital Expenditures by Year

	Actual: (\$ in millions)		Estimates: (\$ in millions)	
	2007	2008	2009	Total
<b>Capital Projects:</b>				
<b>NRC expansion and feedstock flexibility</b>	<b>59</b>	<b>132</b>	<b>90</b>	<b>281</b>
<i>Phase I – Expansion</i>	<i>52</i>	<i>88</i>	<i>45</i>	<i>185</i>
<i>Phase II – Feedstock Flexibility</i>	<i>7</i>	<i>42</i>	<i>40</i>	<i>89</i>
<i>Heavy oil tankage &amp; loading facility</i>	<i>0</i>	<i>2</i>	<i>5</i>	<i>7</i>
<b>WX expansion and feedstock flexibility</b>	<b>40</b>	<b>68</b>	<b>14</b>	<b>122</b>
<b>Sulfur recovery unit at NRC</b>	<b>9</b>	<b>15</b>	<b>7</b>	<b>31</b>
<b>Sustaining capital, turnaround &amp; payout projects</b>	<b><u>47</u></b>	<b><u>63</u></b>	<b><u>47</u></b>	<b><u>157</u></b>
<b>Refinery Project Total</b>	<b>155</b>	<b>278</b>	<b>158</b>	<b>591</b>
<b>UNEV pipeline<sup>1</sup></b>	<b>8</b>	<b>64</b>	<b>120</b>	<b>192</b>
<b>Roadrunner pipeline<sup>2</sup> &amp; interconnects</b>	<b><u>0</u></b>	<b><u>24</u></b>	<b><u>72</u></b>	<b><u>96</u></b>
<b>Total</b>	<b>163</b>	<b>366</b>	<b>350</b>	<b>879</b>



<sup>1</sup>Capital spending assumes 75% ownership interest, w/ 25% Sinclair joint venture partner

<sup>2</sup>Pipeline to be constructed from the terminus of the Centurion Pipeline delivering crude to Navajo Refinery complexes

## Cash Flow at Various EBITDA Levels -- 2009

	(in millions)				
EBITDA	\$200	\$300	\$400	\$500	\$600
Estimated Cash Income Tax	<41>	<77>	<112>	<148>	<184>
CAPEX <sup>1</sup>	<350>	<350>	<350>	<350>	<350>
Free Cash Flow	< \$191>	< \$127>	< \$62>	\$2	\$66

CAPEX (w/ later UNEV completion )	<275>	<275>	<275>	<275>	<275>
Free Cash Flow	< \$116>	< \$52>	\$13	\$77	\$141

✓ Cash balance on 12/31/08<sup>2</sup>: \$91 million



<sup>1</sup>Currently estimated total for anticipated sustaining capital projects and for projects that have been authorized by the Holly Board

<sup>2</sup>Holly cash only. Total consolidated cash (including HEP): \$96 million

# Expanded Footprint in Southwest / Rocky Mountain States



## Current:

- 131,000 bpsd of refining capacity
- Operate in the historically high margin & high growth Southwest & Rockies markets
- Can process approx. 100,000 bpsd of sour crude feedstock
- Can process approx. 15,000 bpsd of price-advantaged crude feedstock

## Future:<sup>1</sup>

- Can process approx. 115,000 bpsd of sour & cost-advantaged crude feedstock
- Increased diesel (ULSD) capacity
- Las Vegas added to high growth markets



<sup>1</sup> With projects approved and under way

# *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
2008	\$10.96	\$9.55	\$16.60

## **INCREMENTAL GROSS MARGIN FROM REFINERY EXPANSIONS:**

*Wood Cross completion Q3 '08 -- Operational Q4 '08 / Navajo completion Q1 '09 -- Operational Q2 '09 (in \$millions)*

Margin/ bbl assumption:	<u>\$8.00</u>	<u>\$10.00</u>	<u>\$12.00</u>	<u>\$14.00</u>	<u>\$16.00</u>
NRC: at 15,000 bpsd expansion	\$43.8	\$54.8	\$65.7	\$76.7	\$87.6
WX: at 5,000 bpsd expansion	\$14.6	\$18.3	\$21.9	\$25.6	\$29.2



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 (in \$ millions)**

Increase cost advantaged bbls by 10,000 bpsd

WTI-Heavy Diff. / bbl assumption: <i>(net of transportation &amp; yield changes)</i>	<u>\$5.00</u>	<u>\$10.00</u>	<u>\$15.00</u>	<u>\$20.00</u>
Annual gross margin improvement from feedstock flexibility	\$18.3	\$36.5	\$54.8	\$73.0

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

## **FEEDSTOCK FLEXIBILITY: NAVAJO REFINERY**

**Completion Q3 '09 -- Operational Q4 '09 (in \$ millions)**

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

WTS-Heavy Diff. / bbl assumption: <i>(net of transportation &amp; yield changes)</i>	<u>\$5.00</u>	<u>\$10.00</u>	<u>\$15.00</u>	<u>\$20.00</u>
Annual gross margin improvement from feedstock flexibility	\$73.0	\$146.0	\$219.0	\$292.0

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



*All dollar values are for a full year impact and assume operating rates are at full utilization with no operating downtime*

# *Holly Operations & Growth Advantages*

- ✓ *Pure play independent refiner*
- ✓ *40 years of refining experience*
- ✓ *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*
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100 Crescent Court, Suite 1600  
Dallas, Texas 75201  
(214) 871-3555

Bruce Shaw, Senior VP-Chief Financial Officer  
M. Neale Hickerson, VP-Investor Relations

[www.hollycorp.com](http://www.hollycorp.com)



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# *Appendix*

# 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.



# *Sulfur Credits Benefit*

## **Credit Generation:**

- ✓ *Compliance with Low Sulfur gasoline for small refiners, including Holly, not required until the end 2010.*
- ✓ *Holly installed a hydrotreater at the Navajo refinery in 2003, thereby lowering the sulfur content of its gasoline below the “small refiner standard”.*
- ✓ *Since 2004, Holly has generated sulfur credits. At the end of 2007, Holly had approximately 90,000 credits.*
- ✓ *Holly expects to generate approximately 85,000 credits annually through 2010*

## **Value realized by Holly:**

- ✓ *In 2006, Holly sold approximately \$16 million worth of credits*
- ✓ *In 2007, Holly sold approximately \$23 million worth of credits*
- ✓ *In 2008, Holly sold approximately \$3 million worth of credits*

