

HOLLY ENERGY PARTNERS LP

Form 424B5

November 02, 2009

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The information in this preliminary prospectus supplement and accompanying base prospectus is not complete and may be changed. This preliminary prospectus supplement and accompanying base prospectus is not an offer to sell these securities nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(5)  
Registration Statement 333-155537**

Subject to Completion, Dated November 2, 2009,  
Preliminary Prospectus Supplement to Prospectus dated December 4, 2008

**1,900,000 Common Units  
Representing Limited Partner Interests**

**HOLLY ENERGY PARTNERS, L.P.**

Holly Energy Partners, L.P. is offering 1,900,000 common units to be sold in this offering.

The common units are listed on the New York Stock Exchange under the symbol HEP . The last reported sale price of the common units on October 30, 2009 was \$38.30 per common unit.

*See Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008, as amended, and on page S-14 of this prospectus supplement to read about factors you should consider before buying common units.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying base prospectus. Any representation to the contrary is a criminal offense.**

	<b>Per Common Unit</b>	<b>Total</b>
Initial public offering price	\$	\$
Underwriting discount	\$	\$

Proceeds, before expenses, to Holly Energy Partners, L.P. \$ \$

To the extent that the underwriters sell more than 1,900,000 common units, the underwriters have the option to purchase up to an additional 285,000 common units from Holly Energy Partners, L.P. at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the common units against payment in New York, New York on November , 2009.

**Goldman, Sachs & Co.**

**UBS Investment Bank**

**SMH Capital**

Prospectus Supplement dated November , 2009

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**Prospectus Supplement**

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**Prospectus Dated December 4, 2008**

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**This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of and other information relating to this offering. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined. If information varies between the prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.**

**No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus supplement and the accompanying prospectus. You must not rely on any unauthorized information or representations. This prospectus supplement is an offer to sell only the common**

**units offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement and the accompanying prospectus is current only as of its date.**

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**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus supplement or the documents incorporated by reference herein. It does not contain all of the information that you should consider before investing in the common units. You should carefully read the entire prospectus supplement, the accompanying base prospectus and the other documents incorporated by reference to understand fully the terms of the common units, as well as the tax and other considerations that are important in making your investment decision. Unless otherwise indicated, the information in this prospectus supplement assumes no exercise of the underwriters' over-allotment option.*

*You should read "Risk Factors" beginning on page S-14 of this prospectus supplement as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2008, as amended, incorporated by reference herein for more information about important factors that you should consider before purchasing the common units. References in this prospectus supplement to "Holly Energy Partners," "we," "our," "us," or similar terms refer either to Holly Energy Partners, L.P. or to Holly Energy Partners, L.P. and its subsidiaries collectively, as the context requires.*

**Holly Energy Partners, L.P.**

Holly Energy Partners, L.P. is a Delaware limited partnership engaged principally in the business of operating a system of refined product and crude oil pipelines, storage tanks, distribution terminals and loading rack assets in west Texas, New Mexico, Utah, Oklahoma, Arizona, Idaho, and Washington. We generate revenues by charging tariffs for transporting refined product and crude oil through our pipelines and by charging fees for terminalling refined products and other hydrocarbons, and storing and providing other services at our terminals. We do not take ownership of products that we transport or terminal, and therefore, we are not directly exposed to changes in commodity prices. We serve refineries of Holly Corporation in New Mexico and Utah under four long-term pipeline, throughput, tankage and/or terminal agreements with Holly Corporation. The first of these agreements relates to the pipelines and terminals contributed to us by Holly Corporation at the time of our initial public offering and expires in 2019. The second of these agreements relates to the intermediate pipelines acquired from Holly Corporation in July 2005 that serve Holly Corporation's Lovington and Artesia, New Mexico refinery facilities and, as amended, expires in 2024. The third agreement relates to the crude pipelines and tankage assets acquired from Holly Corporation in February 2008 and expires in 2023. The fourth agreement relates to the truck and rail loading/unloading facilities located at Holly Corporation's Tulsa, Oklahoma refinery and expires in 2024. Holly Corporation controls our general partner and owns a 41% interest in us (before we issue the common units offered hereby or the common units to be issued to Sinclair Tulsa Refining Company - See "Recent Developments" below), including the 2% general partner interest. We also serve Alon USA, Inc.'s, or Alon's, Big Spring Refinery in Texas under a pipelines and terminals agreement expiring 2020. Our assets currently include:

**Pipelines:**

approximately 820 miles of refined product pipelines, including 340 miles of leased pipelines, that transport gasoline, diesel and jet fuel principally from Holly Corporation's Navajo Refinery in New Mexico to its customers in the metropolitan and rural areas of Texas, New Mexico, Arizona, Colorado, Utah and northern Mexico;

approximately 510 miles of refined product pipelines that transport refined products from Alon's Big Spring Refinery in Texas to its customers in Texas and Oklahoma;

three 65-mile pipelines that transport intermediate feedstocks and crude oil from Holly Corporation's Lovington, New Mexico refinery facilities to Holly Corporation's Artesia, New Mexico refinery facilities;

approximately 860 miles of crude oil trunk, gathering and lease connection pipelines which service Holly Corporation's Lovington and Artesia refining facilities;

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approximately 10 miles of crude oil and refined product pipelines that support Holly Corporation's Woods Cross Refinery near Salt Lake City, Utah;

a 70% interest in Rio Grande Pipeline Company ( Rio Grande ), a joint venture that owns a 249-mile refined product pipeline that transports liquid petroleum gases, or LPGs, from west Texas to the Texas/Mexico border near El Paso for further transport into northern Mexico (see Recent Developments regarding the sale of our 70% interest in Rio Grande, which is expected to close in December 2009); and

a 25% interest in the joint venture that owns and operates the Salt Lake City Pipeline, a new 95 mile intrastate crude oil pipeline system which transports crude oil into the Salt Lake City, Utah area from the Utah terminus of the Frontier Pipeline as well as crude oil flowing from Wyoming and Utah via Plains All American Pipeline, L.P.'s Rocky Mountain Pipeline.

### Refined Product Terminals and Refinery Tankage:

four refined product terminals, located in El Paso, Texas; Moriarty and Bloomfield, New Mexico; and Tucson, Arizona, with an aggregate capacity of approximately 1.0 million barrels, that are integrated with our refined product pipeline system that serves Holly Corporation's Navajo Refinery;

three refined product terminals (two of which are 50% owned), located in Burley and Boise, Idaho and Spokane, Washington, with an aggregate capacity of approximately 500,000 barrels, that serve third-party common carrier pipelines;

one refined product terminal near Mountain Home, Idaho with a capacity of 120,000 barrels, that serves a nearby United States Air Force Base;

two refined product terminals, located in Wichita Falls and Abilene, Texas, and one tank farm in Orla, Texas with aggregate capacity of 480,000 barrels, that are integrated with our refined product pipelines that serve Alon's Big Spring Refinery;

two refined product truck loading racks, one located within Holly Corporation's Navajo Refinery that is permitted to load over 40,000 barrels per day ( bpd ) of light refined products, and one located within Holly Corporation's Woods Cross Refinery, that is permitted to load over 25,000 bpd of light refined products;

a Roswell, New Mexico jet fuel terminal leased through September 2011;

on-site crude oil tankage at Holly Corporation's Navajo and Woods Cross Refineries having an aggregate storage capacity of approximately 600,000 barrels; and

truck and rail loading/unloading facilities located at Holly Corporation's Tulsa, Oklahoma refinery.

## **Recent Developments**

On October 19, 2009, our wholly-owned subsidiary, HEP Tulsa LLC, entered into an asset sale and purchase agreement with Sinclair Tulsa Refining Company, or Sinclair, pursuant to which HEP Tulsa LLC will purchase tankage, loading racks and pipeline assets at Sinclair's refining facility in Tulsa, Oklahoma for a total purchase price of \$75 million, consisting of 1,373,609 of our common units to be issued by us to Sinclair (which under the asset sale and purchase agreement are valued at \$53.5 million based on the average price of common units during the 20 trading



day period prior to the date of the asset sale and purchase agreement) and \$21.5 million in cash from HEP Tulsa LLC. We intend to use a portion of the net proceeds of this offering to fund HEP Tulsa LLC's payment of the \$21.5 million cash portion of the total purchase price. For more detailed information regarding the use of proceeds from this offering, see Use of Proceeds .

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We refer to the acquisition by HEP Tulsa LLC of tankage, loading racks and pipeline assets from Sinclair as the acquisition of the Sinclair logistics assets.

Simultaneously with the acquisition of the Sinclair logistics assets and under the same asset sale and purchase agreement, Holly Refining & Marketing-Tulsa LLC, an affiliate of our general partner, will purchase Sinclair's refining facility in Tulsa, Oklahoma for an aggregate consideration of \$128.5 million, consisting of \$74 million of Holly Corporation common stock to be issued by Holly Corporation to Sinclair and \$54.5 million in cash from Holly Corporation. In addition, Holly Refining & Marketing-Tulsa LLC will purchase the inventory at the site.

In connection with the closing of the acquisition of the Sinclair logistics assets, we anticipate that Holly Refining & Marketing-Tulsa LLC will enter into a 15 year pipelines, tankage and loading rack throughput agreement with HEP Tulsa LLC, to pay us, subject to various adjustments:

a pipeline tariff of \$.10 for each barrel of refined products moved on the pipelines acquired in connection with the Sinclair logistics assets with a guaranteed minimum throughput of 60,000 bpd of crude oil or refined products moved;

a tankage base tariff of \$.30 for each barrel of refined products stored using tankage acquired in connection with the Sinclair logistics assets with a guaranteed minimum throughput of 80,000 bpd of refined products, \$.10 per barrel for volumes in excess of 80,000 bpd to 120,000 bpd, and \$.22 per barrel for volumes in excess of 120,000 bpd; and

a loading racks tariff of \$.30 for each barrel of refined products, LPG, and heavy products loaded over the loading racks acquired in connection with the Sinclair logistics assets with a guaranteed minimum throughput of 26,000 bpd.

The assets acquired from Sinclair include tanks with a combined capacity of 1,362,500 bbls of refined products, a light products truck loading rack, a propane truck loading rack, and an asphalt truck loading rack, as well as refined products delivery pipelines which are connected to common carrier pipelines serving the Sinclair Tulsa refinery.

On October 19, 2009, BP Plc, our Rio Grande joint venture partner, consented to an agreement between us, HEP Navajo Southern, L.P. (one of our wholly-owned subsidiaries) and Enterprise Products Operating LLC (Enterprise) under which we have agreed to sell HEP Navajo Southern, L.P.'s 70% ownership interest in Rio Grande to Enterprise for \$35.0 million. We expect the closing of this transaction to occur in December 2009.

On August 18, 2009, 7,000,000 of our subordinated units held by a subsidiary of Holly Corporation converted into an equal number of our common units. Holly Corporation has the right to cause us to register for resale under the Securities Act of 1933 those common units held by Holly Corporation.

On August 1, 2009, we acquired from Holly Refining & Marketing-Tulsa LLC, for a purchase price of \$17.5 million, certain truck and rail loading/unloading facilities located at Holly Corporation's Tulsa, Oklahoma refinery.

## **Competitive Strengths**

We believe our business possesses the following competitive strengths:

***We operate a substantial part of our business under long-term contracts, which provides significant stability to our future cash flows.*** We conduct a significant portion of our operations pursuant to long-term contracts, which we believe will enhance the stability and predictability of our revenues and cash flows. Revenues from contracts

extending beyond one year constituted approximately 88% of our revenues for the fiscal year ended December 31, 2008. We have entered into four long-term contracts with Holly Corporation expiring in 2019, 2023, and two expiring in 2024, not including the contract with Holly Corporation relating to the Sinclair logistics assets. We also have

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long-term contracts with Alon. The long-term contracts representing a majority of our revenue stream from Alon expire between 2018 and 2020. In addition, where we operate under contracts with terms of less than one year, we believe our long-standing customer relationships will lead to ongoing business and the renewal of such short-term contracts.

***Our assets are efficient and well maintained.*** We continually invest in the maintenance and integrity of our assets, including state-of-the-art internal mechanical integrity inspection and repair programs to comply with federal regulations. Since 1998, we have inspected and, to the extent required, repaired 100% of the total miles of the pipelines that we owned upon our initial public offering in 2004, 100% of the intermediate pipelines acquired from Holly Corporation in 2005 and 100% of the pipelines acquired from Alon in 2005 using internal inspection devices known as smart pigs, which have instruments capable of detecting cracks, line erosion and other structural deficiencies. The operating pressures of these lines have been hydrotested as required by the Department of Transportation. All of our existing pipeline and terminal assets are operated via satellite communications systems from our control center in Artesia, New Mexico. The control center operates with state-of-the-art computer systems designed to continuously monitor real time operational data, including product quantities, flow rates and pressures.

***We have a strategic relationship with Holly Corporation, which provides us with access to stable volumes, growth opportunities and management expertise.*** A substantial majority of our existing petroleum pipelines are directly linked to Holly Corporation's refineries and provide Holly Corporation with the safest and most cost-effective means to transport and distribute petroleum products to its major markets. Following our acquisition from Holly Corporation of certain pipeline and tankage assets effective March 1, 2008, Holly Corporation now transports through our petroleum pipelines or loading racks 100% of the refined products from its Navajo Refinery and its Woods Cross Refinery, 100% and 15% of the crude oil coming into its Navajo Refinery and Woods Cross Refinery, respectively, and 100% of the intermediate products between Navajo Refinery's Artesia and Lovington facilities. Holly Corporation has agreed to continue using our assets to transport, terminal and store petroleum products pursuant to three separate pipelines and terminals agreements expiring in 2019, 2023 and 2024. In addition, in connection with our acquisition from Holly Corporation of certain truck and rail loading/unloading facilities located at Holly Corporation's existing Tulsa, Oklahoma refinery, Holly Corporation has agreed to use these facilities with a minimum guaranteed throughput of 12,500 bpd for 15 years. Furthermore, Holly Corporation has a significant economic interest to see that our pipeline and terminal assets are managed in the best interests of unitholders because it and its affiliates own the 2% general partner interest and a 39% limited partner interest in us (before we issue the common units offered hereby and the issuance of common units to Sinclair in connection with the acquisition of the Sinclair logistics assets) and certain incentive distribution rights. Our recent investment in the Salt Lake City Pipeline, and our investment in the previously announced UNEV Pipeline (which will run from Salt Lake City, Utah to Las Vegas, Nevada), assuming in the case of the UNEV Pipeline that such pipeline is completed and we exercise our option to purchase Holly Corporation's 75% interest in such pipeline, along with our proposed purchase of the Sinclair logistics assets, will serve to further strengthen our relationship with Holly Corporation.

***We are contractually and strategically positioned to benefit from growth initiatives by Holly Corporation.*** In the past four years, we benefited from Holly Corporation's expansions of its Navajo and Woods Cross Refineries as well as Holly Corporation's purchase of Sunoco Inc.'s Tulsa refinery. In the event that Holly Corporation further expands its Navajo or Woods Cross Refineries, we believe that the additional production may also be transported, stored and distributed through our existing pipelines and terminals. We recently benefited from two such projects. On July 22, 2008, Holly Corporation announced an agreement by one of its subsidiaries to transport crude oil on Centurion Pipeline L.P.'s pipeline from Cushing, Oklahoma to Centurion's Slaughter station in west Texas. In connection with such agreement, Holly Corporation approved capital expenditures of up to \$90.0 million to build the necessary infrastructure, including a 70-mile pipeline from Centurion's Slaughter station in west Texas to Lovington, New Mexico that was recently completed and is



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expected to be fully operational in November 2009, a recently completed 37-mile pipeline project that connects our Artesia crude gathering system to Holly Corporation's Lovington facility, and a 65-mile pipeline from Lovington to Artesia, New Mexico which has been completed and was recently acquired by us. Under provisions of our omnibus agreement with Holly Corporation we will have an option to purchase Holly Corporation's investment in these additional transportation assets at a purchase price to be negotiated with Holly Corporation. On August 1, 2009, after Holly Corporation's purchase of Sunoco Inc.'s Tulsa refinery, we purchased certain truck and rail loading/unloading facilities located at that refinery for a purchase price of \$17.5 million. Holly Refining & Marketing-Tulsa LLC entered into a 15-year equipment and throughput agreement with us to pay us a per barrel fee for each barrel loaded or unloaded at the truck and rail loading facilities.

***Substantially all of our assets serve markets with above average population growth.*** Our pipelines and terminals serve our customers' marketing operations in the Southwest and Rocky Mountain regions of the United States as well as northern Mexico and the Mid-Continent region. In many of our customers' core markets, demand for petroleum products exceeds local production, due in part to population growth rates that are higher than the national average. We expect that the population growth in the states of Texas, New Mexico, Colorado, Utah, Washington, Nevada, Arizona, Idaho, and the Mid-Continent region will result in increased demand for petroleum products shipped on our pipelines and through our terminals.

***We have an experienced management team.*** We benefit from the experience and long-standing industry relationships of our senior management team. Our senior management has an average of over 25 years of experience in the energy industry.

## **Partnership Structure and Management**

As is common with publicly traded limited partnerships and in order to maximize operational flexibility, we conduct our operations through subsidiaries. We have three direct subsidiaries: Holly Energy Finance Corp., Holly Energy Partners Operating, L.P., a limited partnership that conducts all of our operations through itself and its subsidiaries, and HEP Logistics GP, L.L.C., its general partner. Holly Energy Partners Operating, L.P. owns directly or indirectly 100% of the membership or partnership interests in its subsidiaries, other than Rio Grande Pipeline Company, in which it indirectly owns a 70% interest, and SLC Pipeline LLC in which it indirectly owns a 25% interest.

Holly Logistic Services, L.L.C., as the general partner of HEP Logistics Holdings, L.P., our general partner, manages our operations and activities. Neither our general partner nor the board of directors of Holly Logistic Services, L.L.C. are elected by our unitholders. Unlike shareholders in a publicly traded corporation, our unitholders are not entitled to elect the directors of Holly Logistic Services, L.L.C.

The chart on page S-6 depicts the current structure and ownership of Holly Energy Partners, L.P., our operating partnership and its subsidiaries prior to this offering of common units and the issuance of common units to Sinclair in connection with the acquisition of the Sinclair logistics assets.

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**The Offering**

The summary below describes the principal terms of the common units offered hereby. Certain of the terms and conditions described below are subject to important limitations and exceptions. You should read the full text and more specific details contained elsewhere in this prospectus supplement and in the base prospectus under the heading **Description of Our Common Units And Preferred Units** .

Common units offered	1,900,000 common units (or 2,185,000 common units if the underwriters over-allotment option is exercised in full).
Units outstanding before this offering	17,582,400 common units and 937,500 Class B subordinated units.
Units outstanding after this offering	19,482,400 common units, or 19,767,400 common units if the underwriters over-allotment option is exercised in full, and 937,500 Class B subordinated units. We will issue an additional 1,373,609 common units to Sinclair as a portion of the aggregate consideration for the acquisition of the Sinclair logistics assets.
Use of proceeds	We will receive net proceeds of approximately \$ million from the sale of the 1,900,000 common units we are offering after deducting underwriting discounts but before paying offering expenses, or approximately \$ million if the underwriters over-allotment option is exercised in full. We intend to use a portion of the net proceeds of this offering, including any exercise of the underwriters over-allotment option, to fund HEP Tulsa LLC's payment of the \$21.5 million cash portion of the \$75.0 million total purchase price for the pending acquisition of the Sinclair logistics assets and to pay costs related to that acquisition. We intend to use the remaining net proceeds either to pay a portion of the purchase price for our potential acquisition from Holly Corporation of its investments in two pipeline projects pursuant to our option to purchase those investments at prices to be negotiated with Holly Corporation or, instead, to repay bank debt incurred under our credit agreement, for other potential future acquisitions or for general partnership purposes. If the acquisition of the Sinclair logistics assets does not close, we intend to use the net proceeds of this offering for one or more of the following: to pay for all or substantially all of the purchase price and related costs for the potential acquisitions from Holly Corporation described above, to repay bank debt incurred under our credit agreement, for other potential future acquisitions or for general partnership purposes. For more detailed information regarding the use of proceeds from this offering, see <b>Use of Proceeds</b> .
Cash distributions	Under our partnership agreement, we must distribute all of our cash on hand within 45 days after the end of each quarter, after payment of fees and expenses and the establishment of cash reserves by our general partner in its discretion. We refer to this cash as <b>available cash</b> and we define this term in our partnership agreement.



If cash distributions per common unit exceed \$0.50 in any quarter, our general partner will receive, in addition to amounts associated with its 2% general partner interest, increasing percentages, up to 50%, of the cash we distribute

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in excess of that amount. We refer to the general partner's right to receive such distributions as incentive distribution rights. The most recent cash distribution declared of \$0.795 per common unit will provide unitholders and our general partner each with 50% of the marginal percentage interest in distributions. For a description of our cash distribution policy and the incentive distribution rights, please read Cash Distribution Policy in the accompanying base prospectus.

Subordination period

In addition to our common units, we previously issued two separate classes of subordinated units representing limited partnership interests, and the rights of the holders of each class of subordinated units to participate in distributions are subordinated to the rights of the holders of the common units. When the subordination period for any class of subordinated units ends, all remaining subordinated units of such class will convert into common units on a one-for-one basis and will thereafter participate pro rata with the other common units in distributions of available cash. For more information regarding the effects of the end of the subordination period applicable to each class of subordinated units, see the discussion under Cash Distribution Policy Subordination Periods Effect of Expiration of the Subordination Period in the base prospectus accompanying this prospectus supplement.

In August 2009, all of the conditions necessary to end the subordination period for the 7,000,000 subordinated units owned by our general partner were met and the units were converted into our common units on a one-for-one basis. In addition, under our partnership agreement, because the subordination period for this class of subordinated units has expired, we may issue an unlimited number of limited partner interests of any type without the approval of our unitholders.

With respect to the 937,500 subordinated units held by Alon USA (all of which are designated as our Class B subordinated units), the subordination period will end on the last day of any quarter ending on or after March 31, 2010 if Alon USA has not defaulted on its minimum volume commitment payment obligations under our pipelines and terminals agreement with Alon USA for certain prior periods, subject to certain grace periods. In addition, the subordination period for units held by Alon USA will terminate if our general partner is removed without cause.

Estimated ratio of taxable income to distributions

We estimate that if you own the common units you purchase in this offering through the record date for distributions with respect to the quarter ending December 31, 2011, you will be allocated, on a cumulative basis, an amount of federal taxable income for the taxable years 2009 through 2011 that will be 25% or less of the cash distributed with respect to such common units for that period. Please read Certain United States Federal Income Tax Considerations in this prospectus supplement for the basis of this estimate.

New York Stock Exchange Symbol

HEP



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**Summary Selected Historical Financial and Operating Data**

The table on the following page sets forth summary selected historical financial and operating data as of and for each of the years ended December 31, 2006, 2007 and 2008 and for the nine months ended September 30, 2008 and 2009. The summary financial data presented is derived from (i) the audited financial statements of Holly Energy Partners, L.P., which are included in our Annual Report on Form 10-K for the year ended December 31, 2008, except that the information presented herein has been adjusted to present the impact of our adoption of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 and Emerging Issues Task Force Issue No. 07-4,

Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships, both of which were effective for us as of January 1, 2009 and (ii) the unaudited financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009. The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of the operating results for the entire year or any future period. Our Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 are incorporated herein by reference.

The summary selected historical financial and operating data should be read together with, and is qualified in its entirety by reference to, our historical financial statements and the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are set forth in our Annual Report on Form 10-K for the year ended December 31, 2008 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.

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	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2007</b>	<b>Year Ended December 31, 2008</b>	<b>Nine Months Ended September 30, 2008      2009 (unaudited) (unaudited)</b>	
<b>(In thousands, except per unit and barrels per day data)</b>					
<b>Statement of Income Data:</b>					
Revenue	\$ 89,194	\$ 105,407	\$ 118,088	\$ 83,562	\$ 115,470
Operating costs and expenses:					
Operations	28,630	32,911	41,270	30,745	33,332
General and administrative	4,854	5,043	6,377	4,241	4,990
Depreciation and amortization	15,330	14,382	22,889	16,259	19,929
Total operating costs and expenses	48,814	52,336	70,536	51,245	58,251
Operating income	40,380	53,071	47,552	32,317	57,219
Equity in earnings of SLC Pipeline					1,309
SLC Pipeline acquisition costs					(2,500)
Interest expense <sup>(1)</sup>	(13,056)	(13,289)	(21,763)	(14,201)	(16,225)
Interest income	899	533	159	146	10
Gain on sale of assets		298	36	36	
Other Income			996	1,007	65
	(12,157)	(12,458)	(20,572)	(13,012)	(17,341)
Income before income taxes	28,223	40,613	26,980	19,305	39,878
State income tax		(275)	(335)	(237)	(317)
Net income	28,223	40,338	26,645	19,068	39,561
Less noncontrolling interest in net income	680	1,067	1,278	834	1,191
Net income attributable to Holly Energy Partners, L.P.	27,543	39,271	25,367	18,234	38,370
Less general partner interest in net income attributable to Holly Energy Partners, L.P.	1,710	2,932	3,543	2,736	5,163
Limited partners' interest in net income attributable to Holly Energy Partners, L.P.	\$ 25,833	\$ 36,339	\$ 21,824	\$ 15,498	\$ 33,207
Limited partners' per unit interest in net income attributable to Holly Energy Partners, L.P. basic and	\$ 1.59	\$ 2.24	\$ 1.32	\$ 0.95	\$ 1.89

diluted Weighted average limited partners units outstanding	16,108	16,108	16,291	16,279	17,546
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	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2007</b>	<b>Year Ended December 31, 2008</b>	<b>Nine Months Ended September 30, 2008      2009</b>	
				<b>(unaudited)</b>	<b>(unaudited)</b>

(In thousands, except per unit and barrels per day data)

**Other Financial Data:**

EBITDA	\$ 55,030	\$ 66,684	\$ 70,195	\$ 48,785	\$ 74,831
Distributable cash flow	\$ 47,219	\$ 51,012	\$ 60,365	\$ 43,452	\$ 51,677
Distributions to unitholders	\$ 43,670	\$			