

RAILROAD COMMISSION OF TEXAS PIPELINE TARIFF

HOLLY ENERGY PARTNERS – OPERATING, L.P.

TARIFF

Containing

GENERAL RULES AND REGULATIONS

As

**PRESCRIBED BY THE
RAILROAD COMMISSION OF TEXAS**

in

OIL AND GAS RULE 71, PIPELINE TARIFFS

Governing

**THE GATHERING AND TRANSPORTATION OF
CRUDE PETROLEUM BY PIPELINE
WITHIN THE STATE OF TEXAS**

GENERAL APPLICATION

The General Rules and Regulations published herein apply only under tariffs which make specific reference by number to this tariff, such reference including supplements hereto and successive issues hereof. Specific Rules and Regulations published in individual tariffs will take precedence over Rules and Regulations published herein.

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SECTION 1

RULES AND REGULATIONS OF THE RAILROAD COMMISSION OF TEXAS

OIL AND GAS RULE 71, PIPELINE TARIFFS

1. All Marketable Oil to Be Received for Transportation. By the term “marketable oil” is meant any crude petroleum adaptable for refining or fuel purposes, properly settled and containing not more than two percent of basic sediment, water or other impurities above a 0.6 inches below the pipeline connection with the tank. Pipeline shall receive for transportation all such marketable oil tendered, but no pipeline shall be required to receive for shipment from at one person an amount exceeding 3,000 barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the new owner of the pipeline may agree or the Commission shall require.
2. Basic Sediment Determined – Temperature. In determining the amount of sediment, water or other impurities, a pipeline is authorized to make a test of the oil offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the pipeline and the shipper. The same method of ascertaining the amount of the sediment, water or other impurities shall be used in the delivery as in the receipt of oil. A pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than 90 degrees Fahrenheit, except that during the summer, oil shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the oil upon delivery at destination that the pipeline has to test before receiving from the shipper.
3. Barrel Defined. For the purpose of these Sections, a “barrel” of crude petroleum is declared to be 42 gallons or 231 cubic inches per gallon at 60 degrees Fahrenheit.
4. Oil Involved in Litigation, Etc. – Indemnity against Loss. When any oil offered for transportation is involved in litigation, or the ownership is in dispute, or when the oil appears to be encumbered by lien or charge of any kind, the pipeline may require of shippers an indemnity bond to protect it against all loss.
5. Storage. Each pipeline shall provide, without additional charge, sufficient storage such as is incident and necessary to the transportation of oil, including storage at destination or so near thereto as to be available for prompt delivery to destination point, for five days from the date of order of delivery at destination.
6. Maintenance and Identity of Oil. A pipeline may deliver to consignee, either the identical oil received for transportation, subject to such consequences of mixing with other oil as are incident to the usual pipeline transportation, or it may make delivery from its common stock at destination; provided, if this last be done, the delivery shall be of substantially like kind and market value.
7. Minimum Quantity to Be Received. A pipeline shall not be required to receive less than one tank carload of oil when oil is offered for loading into tank cars at the destination of the

pipeline. When oil is offered for transportation for other than tank car delivery, a pipeline shall not be required to receive less than 500 barrels.

8. Gathering Charges. Tariffs to be filed by a pipeline shall specify separately the charges for gathering of the oil, for transportation and for delivery.
9. Gauging, Testing and Deductions.
 - (A) All crude oil tendered to a pipeline for transportation shall be gauged and tested by a representative the pipeline prior to its receipt by the pipeline. The shipper may be present or represented at the gauging and testing. Quantities shall be computed from correctly compiled tank table showing 100 percent of the full capacity of the tanks, and adjustments shall be made for temperature from the nearest whole number degree to the basis 60 degrees Fahrenheit and the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2,540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. A pipeline may deduct the basic sediment, water and other impurities as shown by the centrifugal or other test agreed upon; and 0.5 percent for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the Commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.
 - (B) The gauging and testing of oil by the pipeline representative is directed towards and intended to require tank measurement of produced crude prior to the transfer of custody to the initial transporter from a producing property. A transfer of custody of crude between transporters is subject to measurement as agreed upon by the transporters.
10. Delivery and Demurrage. Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon 24 hours notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to Subsection 6 of this Section, at a rate not exceeding 10,000 barrels per 24 hour day. Computation of time of storage (as provided for in Subsection 5 of this Section) shall begin at the expiration of such notice. At the expiration of the time allowed in Subsection 5 of the Section for storage at destination, a pipeline may assess a demurrage charge on oil offered for delivery and remaining undelivered, at a rate of the first 10 days of one-tenth of one cent per barrel; and thereafter, at a rate of three-fourths of one cent per barrel, for each 24 hour day or fractional part thereof.
11. Unpaid Charges, Lien For and Sale to Cover. A pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than five days after notice of readiness to deliver, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall be not less than 48 hours after publication of notice in a daily newspaper of general circulation published in the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto.

12. Notice of Claim. Notice of claims for loss, damage or delay in connection with the shipment of oil must be made in writing to the pipeline within 91 days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within 91 days after a reasonable time for delivery has elapsed.
13. Telephone-Telegraph Line; Shipper to Use. If a pipeline maintains a private telegraph or telephone line, a shipper may use it without extra charge, for messages incident to shipments. However, a pipeline shall not be held liable for failure to deliver any messages away from its office or for delay in transmission or for interruption of service.
14. Contracts of Transportation. When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of origin and destination, corrections made for temperature, deductions made for impurities, and the rate for such transportation.
15. Shipper's Tanks, Etc. – Inspection. When a shipment of oil has been offered for transportation, the pipeline shall have the right to go upon the premises where the oil is produced or stored, and have access to any and all tanks or storage receptacles for the purposes of making any examination, inspection, or test authorized by this section.
16. Offers in Excess of Facilities. If oil is offered to any pipeline for transportation in excess of the amount that immediately can be transported, the transportation furnished by the pipeline shall be apportioned among all shippers in proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a shipper of oil produced or purchased by itself and help for shipment through its line and its oil shall be entitled to participate in such apportionate.
17. Interchange of Tonnage. Pipelines shall provide the necessary connections and facilities for the exchange of tonnage at every locality reached by two or more pipelines, when the Commission finds that a necessity exists for connection, and under such regulations as said Commission may determine in each case.
18. Necessary Facilities for Receipt and Delivery. Each pipeline shall install and maintain facilities for the receipt and delivery of marketable crude petroleum of shippers at any point on its line, if the Commission finds that a necessity exists therefore, and under regulations by the Commission.
19. Reports of Loss from Fires, Lightning and Leakage.
 - (A) Each pipeline shall immediately notify the Commission district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. Each pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five barrels escapes. Each pipeline shall file the required information with the commission in accordance with the appropriate commission from within 30 days from the date of the spill or leak.
 - (B) No risk of fire, storm, flood, or act of God, and no risk resulting from riots, insurrection, rebellion, war or act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war,

shall be borne by a pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from any such causes occurs after the oil has been received from transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event, the shipper shall be required to pay charges only on the quantity of oil delivered. This Subsection shall not apply if the loss occurs because of negligence of the pipeline.

- (C) Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowners.

20. Printing and Posting. Each pipeline shall have Subsections 1 through 19 of this Section printed on its tariff sheets, and shall post the printed section in a prominent place in its various offices for the inspection of the shipping public. Each pipeline shall post and publish only such rules and regulations as may be adopted by the Commission as general rules or such special rules as may be adopted for any particular field.

SECTION 2

RULES & REGULATIONS

1. Definitions.

“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.

“Shipper” means the party who contracts with Carrier for transportation of Crude Petroleum or indirect liquid products of oil or gas wells.

“Crude Petroleum” means the grade or grades of the direct liquid products of oil or gas wells which Carrier has undertaken to gather or transport.

“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.

“Consignee” means the party to whom a Shipper has ordered the delivery of Crude Petroleum or indirect liquid products of oil or gas wells.

“A.P.I.” means American Petroleum Institute.

2. Rates Applicable from and to Intermediate Points. Crude Petroleum and indirect liquid products of oil or gas wells, received from a point on Carrier’s lines which is not named in tariffs making reference to this tariff but which point is intermediate to a point from which rates are published in tariffs making reference to this tariff, will be assessed the rate in effect from the next more distant point published in the tariff making reference to this tariff.

Crude Petroleum and indirect liquid products of oil or gas wells, delivered to a point on Carrier’s lines which is not named in tariffs making reference to this tariff but which point is intermediate to a point to which rates are published in tariffs making reference to this tariff, will be assessed the rate in effect to the next more distant point published in the tariff making reference to this tariff.

3. Common Stream Crude Petroleum – Offsetting Volumes. When both receipts and deliveries of substantially the same grade of Crude petroleum are scheduled at the same location on Carrier’s System, including, but not limited to, interconnections with connecting carriers, Carrier reserves the right to offset like volumes of such common stream Crude Petroleum, in order to avoid the unnecessary use of energy that would be required to physically pump the offsetting volumes. The applicable tariff rate will be applied to such transactions. When this right is exercised, Carrier will make the further deliveries for the Shipper involved from its common stream Crude Petroleum.
4. Quality of Receipts and Deliveries. Carrier reserves the right to require an assay on Crude Petroleum tendered, prior to accepting barrels for transportation.
5. Proration of Pipeline Capacity. When the total volume offered for shipment is greater than can be transported within the period covered by such offers, Refined Petroleum 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 September 24, 2004, which will be made available, upon request, to any Shipper or prospective Shipper.

[W] – Wording Change