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PRESENTATION



Julia Heidenreich - HollyFrontier Corporation - VP IR

-- (audio in progress) Analyst Day. For those of you that have joined us in Dallas, we really appreciate you making the trips in September, no less. Do keep in mind we have people listening in by webcast. So if you can remember to turn your phones on silent, that would be great -- or on vibrate.

For those of you online also and everybody in here, please note the forward-looking statements. It simply says that any statements made today, referring to expectations or future predictions, are forward-looking statements. These are intended to be covered under the Safe Harbor provisions of federal securities laws, and several factors can cause results to differ from expectations.

Many of you are familiar with this slide. We include it in all of our investor presentations. We have it hanging across all of our conference rooms across all of our sites. Simply put, it says our mission is to be the premier US refining and pipeline company. And we have strived to achieve this through safe production, which you are going to hear about from Jim Stump and his team in a little bit. We also work hard to minimize our environmental footprint, to be good corporate citizens and good neighbors in the neighborhoods where we have the privilege of operating.

Continuous improvement is why we are here today. We are incredibly excited to share with you our business plans. And today, you are going to meet a wide variety of our leadership team who are instrumental in identifying and executing the opportunities that we are going to be discussing.

A brief review of the agenda before we kick off. Mike Jennings, our President and Chief Executive Officer, is going to make some opening remarks. After that, we are going to move into the panel section. The first will be led by Jim Stump, our SVP of Refining Operations. He and his team are going to be talking about safety, reliability, and cost.

George Damiris, our Chief Operating Officer, is going to be leading the next two panels. The first will be our commercial team talking about opportunities in that arena, and the second will be with our Capital Investments team, where we'll get an update on the Woods Cross project and also on our opportunity capital investment plan going forward.

After that, we'll take a brief break before being joined by Bruce Shaw, President of Holly Energy Partners. And finally, Doug Aron, our Chief Financial Officer, will wrap things up for us. We're going to hold Q&A until the end, but we will be sure to leave plenty of time.

And with that, let me introduce Mike Jennings.

Mike Jennings

Thanks, Julia. Thanks, everybody, for coming to join us in Dallas for this. I know that many, if not all of you, spend a lot of time on the road, put in hotel nights and lots of meetings. And we appreciate you being here. I think you're going to find that it's worthwhile in terms of learning about where this Company is going.

Yesterday we had a practice session, as you sometimes do before an event like this. And we went through kind of a dry run, and I sat in the back corner watching. And I thought, you know? It's a real privilege to lead this group. We have a talented group of managers. Many of them don't get a lot of airtime with people like you at the end of the day, but that's really one of the principal purposes of this, in addition to rolling out our plans, is to put some of our people in front of you. And I think you are going to enjoy that.

In terms of our Company, there are differing levels of knowledge or experience with us. Most of you probably are pretty far up the curve. But HollyFrontier is obviously a very focused manufacturer of transportation fuels and specialty products. We've generated industry-leading returns to our shareholders and on capital for many, many years. That comes from a differentiated business model with very strong geographical attributes.

We get our crude oil from the field, domestically produced, Canadian produced. But generally speaking, closer to the source of production than many of our peers and competitors. And the products markets that we serve are attractive niche markets in the inland US and Rocky Mountains and Southwest.

We have a disciplined track record of putting ours and our shareholders' money to work in organic investments and in acquisitions. And we are not a very inquisitive company day-to-day, but we are always looking. And we are looking for things that fit our strategy and fit our return criteria.

We were an early adopter of the synergistic MLP affiliate model. Our MLP affiliate is Holly Energy Partners, and it's been around now for more than 10 years. It's gotten to the level of just about \$225 million worth of EBITDA. But perhaps most importantly, it has a very steady track record -- more than 10 years of continuous quarterly distribution growth. And that's differentiating.

You're going to hear about, today, an increased emphasis on dropdowns and then financial interaction between HollyFrontier and Holly Energy Partners. That's going to be a big driver of value for our Company going forward.

And finally, a very shareholder-oriented firm in terms of our capital allocation policy and strategy. Since our merger in June of 2011, which is kind of a seminal date for us, we have returned more than \$3.2 billion of capital to our shareholders through a combination of share repurchases, special dividends, regular dividends. We've been aggressively returning capital to our shareholders, and we have an industry-leading cash yield on our stock.

In terms of our footprint, the map indicates our refining locations, but let's suffice it to say that we have a nameplate of 443,000 barrels of complex crude processing capacity in Midlands, in Mid-Con, Rocky Mountains and Southwestern United States. Importantly, this system is knitted together and supported by logistics assets, owned by Holly Energy Partners, which includes product pipelines in New Mexico; product pipelines in Nevada -- a new crude pipeline announced this morning, a 50% interest; and a crude line from Kasper, taking crude over to Salt Lake City, which will be instrumental in our strategy to supply the Woods Cross expansion with crude oil; and many tanks and terminal zones by Holly Energy Partners.

But the 443,000 of nameplate capacity is something that's moving up through the strong operational execution. You'll hear that today. And the reliability of that system is both improved and improving.

This is a slide that speaks to what we believe and what we are going to achieve. Julia highlighted our values. I think they're pretty self-evident, but health and safety is first. It has to be; this is the oil refining business. Environmental stewardship and corporate citizenship to me are cost of admission. If we don't treat our neighbors well, if we don't treat the air and water resources well that we effect, we're not going to be able to be in this business.

So, those are critically important to us. We treat each other -- our suppliers and our customers, and our investors, with honesty and respect. That's the gating quality to be employed at our Company.

Finally, continuous improvement. Yesterday isn't good enough for us. And I think you are going to get that sense as you leave today.

What we're going to achieve -- simply put, building a sustainable competitive advantage in our core petroleum refining business through our investments in our operations. People are key in that. We can't operate these plants without people. We are not a people-intensive business. We have only 2,700 people between \$15 billion and \$20 billion of revenue, obviously depending on the flat price of crude. Not a manpower-intensive business, but the quality of the manpower matters a lot.

And then, finally, we recognize we are a public company. Our purpose is to generate strong financial returns for the people that provide us capital, our shareholders.

Looking back at recent history, in terms of the financial performance, five-year average return on capital employed, nearly 15% -- industry-leading, along with Marathon and Western. Five-year average net income per barrel also industry-leading. And that, again, derives from the crude we run, the reliability of our operations, and the products that we produce in the markets that we put those into.

So, very strong financial performance relative to our peers in the independent refining space. That rolls up into an ability to generate outsized returns for our shareholders. This is a 15-year look. It was a tough period of time, not specifically chosen. But HollyFrontier Corporation and predecessors -- 36% annualized compound return to our shareholders.



That's ahead of our two independent refining peers that were in the market for that same period of time. Some have come, some have gone, but the three of us have been in the market for those 15 years -- similar to a midstream index, which would include planes, Magellan and enterprise. And dramatically higher than the majors, the S&P, and oilfield service, which generated approximately 5% returns to shareholders. So, this to me is a financial measure of our success and, really, our efforts ultimately roll up in generating returns to our shareholders.

As we think about our plan looking forward and what you are going to hear today, we are looking to generate over a three-year period in excess of a 90% incremental return to our shareholders in a market-neutral environment. Let me digress for just a minute and try to differentiate between hope and expectation. Okay?

I hope I might lose a pound or two before we go to the beach next summer. Right? I expect us to execute this plan and generate results. The difference? Expectation is about having a purposefully-poured plan that's capable of execution and the resources to get it done. That's what you're going to hear about today. And for that reason, I believe we can do this.

How do we go about it? Running our refineries at the 75th percentile in terms of operational availability. So, basically, the bottom of the top quartile. That would mean relative to history, we move up by one quartile. Relative to this year's performance, we've made it.

Creating sustainable growth in gross margin and free cash generation through our opportunity capital investments and our commercial optimization -- these are two features of the program that you are going to hear about in detail today. The optimization is obviously a commercial effort. The opportunity capital investment is what I'll call small ball, but very efficient.

We're going to work within a cost structure that is median to our industry or better. Not terribly hard to achieve. Our sights are set on doing as well as the average. Improving the use of our balance sheet in terms of capital structure and the use of our MLP in interaction with our MLP affiliate to create value through capital structure. So what we're talking about is aggressively returning capital to our shareholders through share repurchase, adding leverage to our balance sheet, and increasing the pace of our dropdowns to the MLP.

And finally -- and excluded from the 90%-plus expectation is a potential to grow outside the fence. Some of our truly great returns have come from buying the right assets at the right price. And as I said, we continue to look for this. It's not a dedicated part of our strategy, but it could be [round yet] for our shareholders insofar as we are able to find the right assets.

Quantitatively, \$700 million in incremental EBITDA through this strategy against capital investment, including the large capital projects that we have going on right now of about \$900 million. So, the items at the top -- refinery operations, reliability cost, turnaround execution -- \$245 million without a capital spend. Commercial optimization -- \$90 million without a capital spend.

Capital investment section is fairly self-explanatory. We're going to get into that in greater detail. And then we get to the use of our balance sheet and capital structure. And these are items effectively increasing the pace of dropdowns to HEP, and using our balance sheet in a more conventional manner, adding leverage, repurchasing shares.

But the sum total impact in terms of what we are calling a 2014 baseline -- to take the 2014 as your starting point, that's the market you have to operate in, we believe we can generate \$700 million in incremental EBITDA and nearly \$35 per share in incremental shareholder value.

So, with that, I'm going to turn it to Jim Stump, who's going to speak to you about refinery operations.

Jim Stump

Thank you, Mike. As my colleagues are making their way up here, I'd like to introduce our panel. We are the refining guys. I'll start with myself. I'm Jim Stump, Senior Vice President of Refining Operations. I have been with the Company -- fortunately, I was able to celebrate my 25th anniversary here a couple of weeks ago. So, I've been with HollyFrontier for a very long time.



Spent most of my career in the plants -- first at Cheyenne and then El Dorado, where I was the Vice President and Refinery Manager for about seven years, where we improved the operations and spent about \$0.5 billion by expanding the plant by about 40%.

My colleagues -- yes (multiple speakers) -- proceed? Tom Shetina at my right is the Vice President of Refining Integrity. Tom has 34 years of experience in the industry. He's worked for both majors and minors, independents. He's got a career in refinery liability, maintenance, engineering, practices. He's been a plant manager for several years at McKee Refinery, and we are glad he's on our team.

Michael McKee has been with our Company for about four years. He hired on as our plant manager down at Navajo. And he's been plant manager at many different refineries, had a long career of 37 years. He has really achieved great work at Navajo. He's increased the run rate at that plant by over 10% with really no capital. He's a great leader. And with his success in Navajo, we moved him up to Dallas, where he runs all five of our refineries, and our plant managers report to him.

So I got to realizing that between the three of us, we have 100 years -- right at 100 years of experience running plants, improving plants. We do know refineries very well. And then I was relieved to realize that these two guys, their weighted average is a little higher on that side than up here. So, they are a little longer in the tooth than me.

So, to get started, I'd like to tell you a little bit about a four-year journey that we've had since the merger, continuing along the lines of building out a very large and capable refining organization, especially compared to what we had with Frontier and Holly. We are improving performance in four key metrics I'm going to tell you about a little bit later -- through organizational change, building out a very solid refining organization, we are sharing best practices from our sites.

All five refineries are sort of a different legacy background. And we've worked hard in the last four years to mine some best practices and start creating a HollyFrontier way of doing things, a set of best practices. We've completed the full integration of Tulsa. That was a huge achievement. And I think we have a really good story to tell you guys today.

We are going to focus on four metrics. And that's reliability; cost management; turnaround execution; but most importantly, safety. And that's where I'm going to start. All four of these things are key to our success in the refinery organization.

Let's start with safety. We have focused, over the last couple of years, promoting the five in our organization that we need to run production -- we need to be profitable. But we also -- and it's very important to do that safely. So we've sort of phrased that with our theme of safe production. We want to run production, we want to do it safely.

And fortunately, when you are safe and you don't have incidents, you are not hurting people, you gain production. I mean, the things you do to improve safety in a plant also improve reliability. I think we all know that. So, how are we doing that? We are engaged as an organization to drive the sculpture of safe production, and we're structuring our processes. We worked really hard again to mine out EH&S best practices. We are working towards an Environmental Health & Safety Management system, and we continually audit all of our plants and all of our people to ensure we improve our performance and compliance with the safety environmental processes.

So you can see our results. Since 2012, our employee personal recordable rate -- occupational recordable rate has dropped by 50% year-to-date 2015. Probably as importantly, maybe more importantly, our process safety incident rate -- which is a measure of industry standard method to gauge how many process safety incidents you have, which are releases, potentially fires -- has dropped by two-thirds in the same timeframe. A lot of those process safety events also result in reliability problems. So with an improvement in reducing our risk in our refineries, we are also keeping the refineries running more often and more consistently.

So moving on to reliability, this has been a huge focus for us. Over the last evening and this morning, the most common question I've been getting as soon as I tell them my title -- tell you guys my title -- is tell us why you've struggled the last couple of years in reliability. We want to know the details of what's happened.

And reliability in a reactive organization is like whack a mole, that game in the arcade. Right? Something breaks; the team reacts. You fix it, you try to figure out what happened. You beat that mole on the head. And then in a reactive organization, what happens is another mole just pops up somewhere else. And over the last four years, we've worked really hard to get out of the whack a mole game and start working towards a much more proactive system to improve reliability across the board, so we can predict where we are going to have failures and fix them before they happen.

So the metrics we follow to accomplish our goals, first of all, is operational availability. That's the graph on the left. Operational availability is a very standard industry metric. It's Solomon-based. The Solomon guys didn't like me using absolute numbers, so we scaled that graph so that US average is 100. And you can see that, despite the fact that a lot of folks think we've operated very poorly the last two years, we are actually absolutely average in the industry.

But absolutely average has two problems. Number one, Julia just told you our mission statement was to be the premier refining company in the US, not the average refining company in the US. So we are certainly not happy with average. The other problem that average presents for us is that unreliability in our kind of plants in the middle of the country is an extra burden than some of our peers on the Gulf Coast and West Coast.

What happens is, if the guys on the Gulf Coast lose their cat cracker, they can bring in some barges and load up some gas oil and sell it down street for a little bit of a loss. When we lose a cat cracker, we fill up a cat feed tank and we are done. We don't have the infrastructure and logistics to handle that intermediate. And so reliability is even more important for us.

So the way we measure the cost of unreliability is what we call lost opportunity. That's a graph on the right. Lost opportunity is a little bit difficult to explain, but I'm going to give it a shot. We plan the operational refinery three months in advance. And the way we plan is we use a linear program model -- an LP, that you might have heard about -- an LP looks at all the ways the refinery is configured, all the feedstocks that you can present to the plant, all the products that are available to run.

And based on a pricing assumption, it optimizes that plan to perfection. I mean, it scraps out the last little bit of margin that's available. So, it really runs for perfection. We base our plan on that run. We buy our crude. We engage to sell our products, and we operate the plant. And when we have a reliability event that affects that production, we then measure what that cost us in actual profit for the month. That gives us a dollar amount for what we left on the table.

To sort of normalize it for market conditions, we then look at the gross margin for a period of time that our plants made, and we divide the lost opportunity by the gross margin and put it in terms of percent gross margin. That way, in a down year, we can compare performance to a good year. And obviously, a good year, when we have unreliability, costs us much more than when markets are good.

So, is our goal zero lost opportunity? Do we want to have zero lost opportunity? Of course we do. But the problem is, our LP is planned for perfection, and then we count everything. So we count weather events. We had, for example, a tornado that nearly missed our Tulsa refinery and knocked out the power for a couple of days. That went in our lost opportunity bucket. That's beyond our control.

So what our real goal is to be less than 4% lost opportunity. We think that if we are a first quartile operator, in reliability, we can achieve that less than 4% lost opportunity. And you can see from the graph that that adds nearly \$200 million -- well, \$200 million of total lost opportunity. It reclaims about \$100 million of EBITDA compared to 2014 run rates.

Tom Shetina is going to give us a lot of detail about how we are accomplishing this more sustainable going forward proactive view on reliability. Our next bucket is managing operating costs. There's some data on the board that shows where we've been. We had some challenges over the last couple of years in spend rate. We inherited some refineries in Tulsa that, frankly, were just undercapitalized, underspent.

We had a lot of catch-up. We had a lot of turnaround catch-up. We had a lot of maintenance catch-up. And that inflated our fixed cost. We also had reliability problems. And definitely reliability problems will cost you more in throughput and production, they do cost you in fixed costs as well. You've got to fix the things that break.



So, between those two things coming down, and the bigger focus that Michael will tell us about, to control our fixed cost, we've reduced fixed cost with the benefit of lower natural gas pricing in 2015 and more barrels. So, our denominator is up. We have cut our operating cost by nearly \$1.00 a barrel so far in 2015. Now with the cheaper natural gas price probably not being quite as good going forward, our goal is \$5.50 per barrel of operating cost. And so far, year-to-date, we are beating that by a good margin.

Our last bucket is turnaround execution. Turnarounds are very difficult. I think everybody knows that in the room. They are a period of time where we shut units down. We shut whole refineries down to perform maintenance, and of course, that's a lost opportunity in its own right. We are down; we are not making products. So, we put all kinds of effort into making sure that when we shut down, we have a good plan, we are ready to go, we execute well. We fix everything that needs to be fixed, and we start up on time, and we don't spend too much money.

So, the two opportunities that we want to recover through return on execution are kind of two different buckets. One is lost opportunity of the schedule extending longer than we had planned. It's pretty painful. The crude guys have bought crude for us to come up and run. The production guys, those marketing guys have sold our product. And when we are not there processing and turning that crude into production, the market guys have to react, and we are just out of business.

So, that's a lost opportunity bucket we need to avoid. And the other one, of course, is just spending more money than we had planned on for the turnaround. So, Michael is going to tell us a little bit about how we are working to keep our turnarounds on cost and on budget.

So, with that, I'm going to turn it over to Tom to give us some more details on our reliability efforts.

Tom Shetina - HollyFrontier Corporation - VP Refining Integrity

Thanks, Jim. Well, good morning, everybody. Thanks for coming today. I love doing this stuff to show you our story, because I think it's a good one. And I'm very proud of where our people are taking us with reliability.

I love Jim's whack a mole analogy. So what that feels like in a refinery when it's reactive is just like that game. And it's very frustrating. And you can envision when you are whacking that mole, all you are doing is addressing a symptom. There's underlying problems that keep pushing those moles up. And unless you get to those problems, you are going to continue to play that game forever.

So, what are the three things you have to do that are kind of underneath that game? There's really three pillars of reliability. I think of them like a -- and we think of them as a three-legged stool. One is you have to design your equipment well. Okay? And your existing equipment, you have to upgrade it when there's technology upgrades.

You are not going to be a first quartile performer with fourth quartile equipment. Okay? So that's one. Design it right.

Number two is operate it right. Your operators have to be trained and capable, and have the knowledge to know the limits of your equipment -- what it can do, what it can't do; and they need to have the tools to be able to monitor that equipment, to make sure it's within its safe and reliable operating range.

The third is you have to maintain it right. Okay? So that includes inspecting your equipment, monitoring its condition, and knowing its condition at all times. And that way you can plan your maintenance interventions to maintain the reliability. Okay. So you have to do all three of those very well to avoid playing that game.

And around those, you have to have people and you have to have management systems to make sure they get done through time and they are sustainable. Okay? Or else you might implement a good program in one year, and in five years, you are playing the game again. So all that has to happen. Okay?



So what I'm going to show you in this slide I'd like to talk about is this is an analysis of our LPO that Jim talked about. And we work real hard to understand these lost opportunity events, both where they happen and what causes them. And then we implement programs -- and that's on the right-hand side; I'm going to go through some of them -- to improve the design, operating and maintenance features of that equipment.

So you can see -- I'd like to start with stationary equipment. That's 42% of our historic LPO. Okay. Now stationary equipment are things like piping, pressure vessels, heat exchangers, things that don't move or have moving parts. Right? That's 42% of our lost opportunity. The way you have lost opportunity with that equipment, it either loses containment -- like those process safety events Jim talked about -- or it can have following or other kinds of operating distress that cause you to take the equipment down before your planned maintenance turnarounds. And that cost you money. That's an LPO. Okay?

One of the biggest things we are doing to reduce LPO in that area with stationary equipment is an enhanced inspection program called risk-based inspection. It's a vast improvement over our historic time-based inspection that we have used in this industry for years. It basically -- it better tells you where, when, and how to inspect your equipment based on science and analysis. Okay? That's what that program does.

And I'll give you an example of where that's paid dividends in one of our refineries in particular in Tulsa. This risk-based inspection analysis pointed toward a large section of piping in one of our units, and it told us we better go look. And we did. And we found a problem. And it was some thin pipe, a pretty extensive run of thin pipe. We were able to shut the section down, replace the pipe without incident. Okay.

So when I get those -- I've got to tell you when I get those notes from the plants, I get excited. And it should excite you. If it doesn't -- because that's kind of what the core of refining is all about. If you look across our industry, when there's something really bad that happens, most of the time it's associated with this type of story -- this type of scenario that I just spelled out. Okay.

The risk-based inspection program finds those things, and we can take them out of service, we can do something before an event happens. So that program is paying big dividends for us. Okay.

The second bucket is operating practices. And when we have an LPO with operating practices, that's things like operators not having a good procedure or not following a procedure. It might be a failure to make operator rounds and find a defect. It could be a host of things with operating practices.

This is real significant because it points to us reaching outside of our gates to learn from the industry. We participate in a program called the AFPM, API Advancing Process Safety Program. We are heavily involved in that. In fact, Jim is one of the leaders of that group.

We developed, a few years ago, an assessment protocol for many things, including operating practices. And what these protocols basically are is a benchmark against the best-of-the-best in the industry. And we evaluated all our plants against that protocol this year.

So, now we have a real clear roadmap of where our gaps are versus industry best-of-best. And we are dedicating resources. And I'm going to show you that in the next slide. And we are implementing systems to close those gaps. That's our goal. Okay?

So there are some other examples on this slide -- rotating equipment, heaters, instrument electrical. Again, a lot of focus on improving maintenance and design of rotating equipment and the way we monitor it. Fired heaters. We have 163 fired heaters in our Company, thereabouts. We are doing a lot of work around training operators, inspecting furnaces. And we're upgrading many furnaces to better design.

One in particular is Woods Cross. We installed a new crude heater a few months ago, put it in service. After the turnaround and heater installation, we approved the efficiency of that furnace by 35%, and it's a much safer and more reliable furnace than the furnace that was there before. So that's one example, and there are many others.

And then there's some work in instrument electrical. This isn't all we are working on. There's a bunch of other things I could tell you about that we don't have time for, but we are really focused on eliminating this LPO.

I will mention to you that, on this slide, the 4% turnaround, that's just the extended duration past our plant. That doesn't include all-in turnaround. So that's 4% of our LPO is due to turnaround overruns. Okay?

So the other thing and that we focus on is, as our Company got bigger -- I joined Holly in 2010. Okay. It was just Holly. And as we got bigger, some things started to happen. With our scale and our barrels, with more barrels, we can -- we thought about, hey, we need more people -- more SMEs, more experts we can hire. And we can justify that now.

And number two, people want to work for us. More people that want to come work for us. They call up and say, hey, we are interested in what you've got going on. You are a bigger company. For an engineer, it's a lot more fun to work with five refineries than two. Right?

The third thing is -- or the other thing is, when you have five refineries, you can start leveraging the expertise between those refineries very effectively. We'll always have one person in the Company now who is an expert on whatever issue is happening, and the other refiners can call that person up and say, hey, I need some help. And it will be common to see that happen in our Company now; whereas when we were two refineries and three refineries with Holly and Frontier, it was a little more difficult to do that. Okay?

So I want to show you -- this slide shows you the corporate organization that Jim and I and others have built over the last few years -- I've been working on the reliability issues with HollyFrontier since 2011, and -- to try to get a real clear path -- what does it take to quit playing Jim's whack a mole game? Right? What do we have to do?

We started all these programs that are targeted at these lost opportunity events, like I showed you in the previous slide, and we realize we needed some dedicated corporate resources to really drive this stuff and help the refinery teams make progress in this area. So we started in 2013. We filled two positions. You can see the stationary equipment. We've put a person in charge of stationary equipment in the RBMI program. And on the right, you see the operating practices -- we hired a very senior professional in December 2013 to start driving those two programs.

Since those were our biggest opportunities, that's where we started first. Okay? And then in 2014, we put emphasis on rotating equipment. We hired an outside expert to drive that activity. And then we promoted two of our folks in the refining system to cover fired heaters and boilers. Okay.

In 2015, we moved on to enhance our equipment inspection -- so that box on the lower left -- we put another gentleman in charge of really driving the inspection activity, the boots-on-the-ground activity. And we also hired a maintenance and turnaround subject matter expert who just started with us in March, who is going to drive improvements in maintenance and turnarounds. An added luxury -- he has an electrical engineering degree, so we are going to utilize his skills in that area as well. So that's gaining steam really fast.

And instrument and controls is another area of focus. And we are working on a plan to address that, as we speak.

Now, if you look at -- across the board, Jim talked about our experience -- this group has 35 years average experience. So, those are very senior, very focused subject matter experts. And the reliability just doesn't happen at the corporate level. And anybody that works in a refinery knows that. Every refinery has a very similar organization to this.

So what happens is these subject matter experts now, they form what we call technical networks. They get these folks together from the other refineries. They problem-solve together. They create plans together. They benchmark their performance. And we have many, many of these meetings. In fact, when I checked into the hotel, the guy says, oh, you are from HollyFrontier; we have your people here all the time.

So that's the subject matter experts coming to Dallas to meet with us to have these working meetings. So, a lot of networking going on at plants that these guys are responsible for facilitating. Okay. So, that's what we're doing. We're putting in processes. We are hiring people, and we are focused on our LPO. We are going to get the design right, the operations right and the maintenance right.

I think that's a lot of the reason you are seeing some of the performance that you are seeing. A question you should be asking, and we've talked about a little bit -- so, what we've had a few good quarters, right? Well, I can tell you the things we are doing are the things the industry does to get better at this stuff. This is the stuff you need to be doing.



Is it sustainable? I believe it is. Now, like Jim talked about, am I going to tell you we are going to get a zero LPO ever? Even with those outside events; forget about those. I would be foolish to tell you that. You know this industry well. This is a very complex industry. Sometimes things can happen, even to the best-of-the-best, which I consider one of us to be.

But our goal is to make those events very rare, very small. And if and when they do happen, we recover very, very quickly, and we get back and get you the predictable performance that you want out of our Company with reliability. So, that's the sum of reliability. Just do all those three things right, and focus people and processes on it, and you quit playing whack a mole. So.

Mike Jennings

Thanks, Tom. I will point out that I'm thankful to Tom he did a lot of heavy lifting early on about three or four years ago. It took us a little while to build out this organization. And the reason why it took us a while is we weren't going to settle. We weren't going to run out and hire somebody just to fill a vacancy.

We worked really hard to fill out this organization's chart with the best people we could find in the industry, and it just took a while. But they are all onboard now and it's a well-oiled machine.

So next is Michael McKee to talk to us a little bit about what's going on with expense management turnarounds.

Michael McKee - HollyFrontier Corporation - VP Refining Operations

Thank you, Jim. I want to spend some time discussing our initiative, which is designed to reduce our operating expenses for the five HollyFrontier refineries. One of the key parts of this initiative is not only to reduce our expenses, but also to ensure that we maintain safe, reliable and environmentally-sound operations at all of our five refineries all the time.

This is a very important initiative for us. We see that EBITDA opportunity of \$105 million reduction to our Company's bottom line, should we implement it successfully. Now in the past three years, as we've been HollyFrontier, we notice our expense per refinery has increased pretty appreciably. Some of that would explain about our Tulsa refinery, which is a combination of two refineries obtained by Holly prior to the merger. We put a lot of money into that refinery to get those to capture the synergies of those two facilities.

In addition, we had some very important reliability challenges at our Cheyenne refinery. Nevertheless, all five refineries have seen increases in expenses. And we thought not only was this not sustainable, but in looking forward, it would be not -- would not be necessary to maintain that safe, reliable operation of our facilities.

So, our objective, of course, this time we established upfront was we wanted to return our expenses to a 2012 expense level on a cost per barrel basis at all five refineries. That was the overall objective of our refineries. And this is an achievable result, I firmly believe.

If you look on the chart in the upper right-hand corner and you'll see some numbers that reflect the expenses at the Navajo refinery. I had the pleasure of being the Navajo refinery plant manager for four years. And during that period of time, we increased our throughput from just over 80,000 barrels a day on a stream day basis to over 100,000 barrels a day on a stream day basis, all the while maintaining good fiscal responsibility and reduce our operating expenses.

How do we do that? We utilize some of the same techniques and value that Tom's group bring. We have improved reliability, and empowered the workforce and encouraged people to show initiatives to bring about ideas to reduce those operating expenses.

So, one of the things that we are looking for as an organization in general is to make sure all five HollyFrontier refineries achieve a similar result, and that's my charter. We have a threefold plan to make this happen. The key part of this plan, this theme you are going to hear over and over, is

planning the scheduling. That's going to drive our entire organization. It drives our safety efforts; it drives our environmental efforts; and more importantly, it drives our reliability efforts -- applying safety culture.

Second, of course, is improved reliability while growing our production organically. As you keep units online and they run, you are able to optimize and squeeze out more barrels on a stream day basis.

And then finally, of course, is taken that the advantages of that increased operational performance, and let us see where we can reduce reliability expenses? For example, one of the key things we're doing now because of our reliability is definitely the mentality in the organization of fix quickly and return to service. We fix, we take equipment out, we overhaul, and make sure when that pump or piece of equipment goes back in the hole, it stays and runs reliable.

We'll see a higher initial cost per piece of equipment, but the overall expense for the facility will decrease over time. So, how do you do this? The first part of any key objective is to establishing measurable quantifiable goals. Those are very important to maintain. And it would help our same management team and Jim, Tom and myself will establish what we call good target cost per barrel expense measurements for each refinery.

And that was commensurate upon three things. Number one, the actual complexity of the size of the facility. Some of our smaller facilities have a higher cost per barrel basis target. Second, historical. It's hard to imagine a refinery that's been performing at a level that's not considered good to become great in one year. So we want to phase in that performance improvement over time.

And then finally, we don't live in a vacuum. We are in a very competitive environment and that environment includes how well we've performed against our peers. Hence, we look at measurements on our cost per barrel basis, and compare ourselves to our peers, and see where there are gaps, and see if it's possible for us to make a gap closure.

So as I mentioned before, this is very key to have established these metrics, make them more important is to make ownership of those metrics. Each facility has in its polished metrics and performance reviews, an objective of expense management. This expense management starts at the top of the organization and permeates the entire operating organization.

I'd like to say our other workforce gets their bonus performance each quarter. And expense management is a key part of their performance management and they are excelling. They bought into the process. They recognize that by doing that, our reliability improves, our efficiency improves, and frankly, their work effort is realized in a more acceptable manner. So it makes a good buy-in from across the organization.

I think one of the key things, if you look at the three elements we try to utilize, first is steps to what I call a structured approach into our budgeting process. You have established good quantifiable budget goals for people to achieve. We don't want to tie the hands of our plant managers so much that they lose their ability to have initiative. So we set a very high bar and a very high macro level basis, on a per barrel basis.

That allows the refinery manager to utilize his initiative and his team's skills to make improvements where they saw fit, but also, in some cases, spend money above and beyond what maybe looked like as the average for the facilities. For example, our plant manager at Navajo, one of the key parts of Navajo's movement, is trucks and rails. None of these sexy stuff of refineries but we brought crude in my trucks, we moved heavy oil by rail.

Some of our infrastructure deteriorated over time. And the operator -- the more of an operating injury rate, a very high rate at those railroad boating facilities. We identified them. The Company provides a significant amount of capital and expense money to improve that. And I'm glad to say our safety work improved tremendously and our ability to (technical difficulty) has increased significantly.

So that kind of expense does actually increase expense on that line item. But that did not preclude us from meeting the overall expense management checks to the Company as illustrated by the reduction on a per barrel basis of the total refinery expenses.

Secondly, the idea behind license -- the key is plan, do, check, back-check. The checking process is so important. It is great to set a goal, but if you don't check and log the performance against those metrics, you may or may not achieve them. So, that audit process is critical.



We established an audit process at all the facilities, whereby first, on a monthly basis, each facility reviews how well they are achieving those dollar per barrel bases at each refinery directly to the senior management team. Moreover, that same presentation is given to the leadership team at the refinery, and then finally explained to the union members, because that's part of their hourly bonus program.

So, that knowledge level is permeated throughout the entire organization so you can buy in an education. An educated organization is an empowered organization and a very successful organization.

And then finally, the hard part about any of these metrics is data, getting good data. All these gaps that we had in (inaudible) over the past few years was getting our financial data on a near or real-time basis. Hence, we've incorporated the utilization of SAP is a key part of our business structure. The data from SAP is provided on a regular basis to our facilities. We've added an additional tool, which allows us to dig deeper into each cost center, get better granularity of expenses associated with each of those cost centers.

So our refinery managers go into look at a category behind, they cannot see as high but they can drill down and say it's high because we spent X dollars at X locations or X task cost too much money or under-ran. So that's very important for us to maintain a good quality data supply to facilities.

Finally, on expenses itself, it's nice to say we've got to cover all the expenses and get every category to come down. But that's not realistic. So we focus the refineries on several high-value, high-dollar items to say -- these are what we want you to focus on to try and improve performance.

One of the first ones, of course, are personnel. And one of the things about personnel is that, in reality, we've actually expanded in several areas of personnel. Some of those key areas again are number one, reliability. Again, supporting the effort that Tom's group has done. That's a very great investment. So, we -- we're proud to say we've actually grown our reliability groups.

In addition, our engineering staffing. Engineering staffing was a very key part of making us a technically-driven organization. So our recruiting process -- we've gone to Texas A&M. We've gone to the New Mexico State. We've gone to the University of Kansas. We've gone to Kansas State. We've even got some Jayhawks as a fan. So we've actually expanded our approach to make sure that we get good young talent behind us to support this growing organization.

Another portion that's very important, of course, is making sure we are in the right size organization. Our Tulsa facility is our largest facility by population. And again, that's the mark of true refineries. So we think we have strong opportunities there to take advantage of those two refineries, and make sure that we can capture synergies of both facilities and eliminate potentially any duplicate efforts.

Next big category is energy management. Energy management is just the fuel gas and electricity -- two of our biggest expenses. Like Jim says, on a dollar basis, our energy costs are down, but we don't manage dollars. We manage consumption. We manage be to use. So one of the key things -- again, I give Tom's group a lot of credit -- they brought onboard the right people onboard as energy coordinators to assist our refineries.

And I think the most valuable part that team brings is they don't really come to the refinery and judge us. They go out in the field, at the crash group's level, take the operators in the field, show them how to adjust burners, how to manage excess oxygen, how to launch a draft in a facility. That day-to-day hands-on education knowledge has paid off invaluable and reduced our engine consumption at our refineries, and improved our reliability.

In some cases -- one of the cases that came to mind was, we were operating one of our heaters and managed to try to meet my compliance, but in doing so, we shifted ourselves into a higher risk level. And Tom's team identified that, helped work the operation and get us back in a regime that met both the environmental requirements as well as the operating efficiency requirements. That's very key kind of stuff -- grassroots, all take over to the leadership team.

And finally, maintenance and expenses, both labor and materials. Always a large portion of a business. Again, planning and scheduling are a key part of that initiative. The plan and schedule allow us to make sure that we achieved the highest efficiency utilization of our manpower. We first did a survey of our on-use utilization of Navajo. We were -- I'll say disappointed and surprised. The hands-on tool was 45%.



That means in an eight-hour day, our guys were actually working just under four hours a day. And so, the other four hours were going to the jobsite, waiting for tools to arrive, waiting for equipment to be ready. That planning and schedule process was a huge initiative. We utilized a third-party company again. That company was employed both at Navajo, at Tulsa, and our Australian facilities.

And during that process, they put in place a very rigorous planning and scheduling process. But more importantly, they got the Operations group to take full ownership of what reliability is. Reliability is not just the maintenance mechanic of craftsmen. Reliability is the person driving that car or driving that vehicle or operating that equipment. That was an important mindset that changed.

We utilized that structure report. And one of the benefits of that is, when you improve the efficiency of your mechanical personnel, not only do you get a better workforce, but as a result of that, your backlog falls off on your equipment repair list. And what you can do then is reduce your contractor headcount.

I'm very proud to say Cheyenne has taken a huge initiative in this approach. It reduced our contractor headcount this year by over 30%, while increasing the reliability of the facility. That's a wonderful thing. That's a beautiful process.

So I think, overall, there's a lot of opportunity with this expense management. I think it's very successful. I think if we look at both areas where we need some potential raised expenses, and more important -- of course, just as importantly, where we can reduce and capture synergies.

I'll try not to talk -- our Taiwan effort. Taiwan is another large expense item associated with the operation of the facility. It's a very high-dollar event and it's a very short period of time with a large amount of personnel in the facility. There's challenges on safety. There's challenges on environmental, and of course, there's challenges of the actual execution of a turnaround.

In the past three years, we've not demonstrated a very good performance and execution on turnarounds. And that's been primarily for two reasons. We had cost overruns -- which naturally add additional expenses to the corporation; but more importantly, we actually had extended downtimes. So, downtimes, they were basically when the turnaround went longer than we had anticipated.

So in doing so, that first position where our units were down during a period of very high sustainable margins, that's not acceptable. How do you improve on something like that when it's a short-term event? Again, one of the key things I would say for that is, as a refinery, we looked at that and said, you know? If we run this right, we have an EBIT opportunity of almost \$50 million if we can improve our execution on that front.

So, for example, one of the key things we did was getting the right scope. When you have a turnaround and you open equipment up, going inside and inspecting, repair as needed, and then bring equipment back online. So, the worst scope process is all in the planning schedule and it's very important.

Again, I give Tom's group a lot of credit. They brought onboard a leadership team we had at Winston. Tom's team has been invaluable in putting -- in us utilizing what's called a risk-based approach for developing our work scope. We've identified a risk-based matrix, which is set up by our corporate leadership team saying what do we achieve -- what do we want as acceptable risk? And utilize that same process where the risk rank items from very high risk to low risk.

Those items at very high risk, we take that subset and make sure that's in a workscope. but more important, we sit back and say, if we go inside this equipment, what can we expect to find to repair? There is nothing worse than going inside a vessel and saying, hey, the train is bad. Oh, God, there is no trains. We got all that train. The train is two weeks away. You don't want things like that.

That team has done a fantastic job in identifying that only high risk issues like areas whereby we can predict that there may be a mechanical issue that requires us to purchase materials ahead of time or potentially have materials available on short notice. Very important part of that general execution team. And again, utilizing expertise because they work in the field.

Tom's guys don't sit in the office and pontificate to the facilities. They go out in the field, they climb into the vessels. They call to the foreman and say, hey, come look at this. We think you need to do these items. So predicting that work scope is very important.



The second part associated with workscope and what we call the discoveries is extending duration of downtime. If we open a piece of equipment up and find, oh, something is damaged we weren't expecting, there is the potential of a higher cost, and just as importantly, a longer period of downtime associated with that turnaround -- that costs us money. So, the ability to predict what to find and what to expect to find is so critical.

And on the other hand, it does for us low-risk items. That matrix allows us to say, you know, this is a very low risk category where either, A, we can extend the period of time we look at it, or B, we can perform online techniques that assure ourselves that this works. Each of the HF or hydrofluoric acid alpha units, we use a concept called phase array, where Bobby would examine each flange.

In the past, we would break every flange, check every gasket, and then come back and repair and put together. Used by the phase array technique, we've identified those flanges which are integrity items, but also more importantly, identify those flanges that do not require integrity repairs. We don't break the flange, don't break the joint, minimize leaks on startup.

So that's a very important part of that process. Again, I mentioned those things -- that's how we see ourselves turning around. How does this work? One of the key parts again is that we employ -- again another third-party ally. We utilize the NaviTrack process. NaviTrack provides for us not only what to look for, but milestones is saying you should be at this level at this period of time.

You kind of run a schedule for January of 2017 as a T minus 24 starting period at the earliest. We should be at certain low on January 2015, 2016, September 2015, et cetera.

At a recent refinery, we had a planned turnaround early in 2015. We employ this NaviTrack process to examine where we were, relative to the NaviTrack milestone objectives, and to our dismay, we found ourselves not in a very good position. We were behind schedule on milestones. We were behind schedule in affording long-term materials.

In fact, the recommendation was, at that point in time, if you execute this turnaround, you're going to expand a higher percentage of money and you are going to be down a longer period of time. While we were proud that that was the finding, one of the best things about that is we were able to take a look at that equipment, do some external inspections, do some more additional analysis from our good engineering staff, and ascertain that we could defer the turnaround until the first quarter of 2016.

What that did for us was it validated the NaviTrack process, but more importantly, it allowed us to take a unit down in a timeframe in 2016 where we can pretty much assure ourselves the cost of it will be managed and the duration will be as scheduled. Very important stuff for us to do.

And then finally, I'll take -- I'd like to mention that we're going to take advantage of a size we have as HollyFrontier. Heading up our refineries now gives us our leverage to go to our key turnaround contractors and say, look, we want quality personnel and quality supervision to ensure ourselves good cost.

Our contract group of procurement has done a fantastic job of working with those contractors to ensure we get good fair rates. We are willing to pay -- I won't say top dollar, but good dollar -- to make sure we get good quality people, good quality supervision, so that when those turnarounds occur, we don't have startup issues from a quality control standpoint. All very important stuff.

So, overall, I think part of the program we have in place now for our expense management, as well as our turnaround execution, is a very aggressive plan. But as I mentioned, we look at over \$150 million of EBIT opportunity for our facilities, and the most important part is the people in the organization have grasped the concept. They don't see it as a way of us taking dollars from them. They look at it as a way of managing our money more smartly.

And again, from their perspective, fewer contractors, better execution, better workdays. Their world is better; our world is better. So we are very proud of this approach. And thanks for the opportunity to present it to you.

Jim Stump

Thanks a lot, guys. You know, I'm very proud of the work that these two guys have overseen in the organization, and I'm ecstatic about the performance we are starting to see in 2015, and our reliability of reducing risk, our cost structure coming down. And I think the future just holds more of that.

Thanks a lot, guys. And now I'll hand it over to my boss, George Damiris.

George Damiris - HollyFrontier Corporation - EVP and COO

Okay. As the team starts filing up here, I just want to say you can see the passion and knowledge those guys have for their activities. They know a lot about what they are doing. They could talk about it forever, as I'm sure many of you in the room probably thought that was going to be the case. (laughter)

I'm George Damiris. I'm truly blessed to be the COO of our Company. Before we get into optimization, I do like -- would like to give kudos to the Operations team. The improvements they are making are phenomenal. They are routinely setting new records for both throughput and production. And they are doing it the right way. They are doing it safely and with environmental stewardship.

As Tom said, they are putting people and processes in place to ensure these improvements are sustainable. We've just begun to see the results of their efforts in our last few quarters, and we have every intention of continuing to see those improvements and more in the quarters to come. They are well on their way to achieving the \$245 million per year of EBITDA improvement that Jim, Mike and Tom just laid out.

And when we run more reliably, we have more time to focus on better optimizing our business. And that's exactly what we're doing. We've identified \$90 million per year of specific EBITDA improvements that we are in various stages of actualizing.

As this panel will soon tell you, we're finding these opportunities across the entire value chain of our business. As the name would suggest, optimization means squeezing more value out of what we already have. By definition, little or no new capital investment is required. We'll cover capital investment in the next session.

The investment required here and the capital required here is intellectual capital -- the intellectual capital of these guys to my right. Their ability to recognize market opportunities, both short-term market arbitrage and longer-term market trends; figure out the best ways for us to participate in them; and then work with our Operations and Logistics teams to execute.

Optimization involves putting the right molecule in the right unit in the right refinery or in the right market at the right time. By right, meaning the highest value. Buying the highest value input and selling into the highest value markets.

With that, I'd like to introduce our team that is driving this initiative. Their bio is in the back of their slide deck, so I won't get into the details of their experience and background. But I do want to highlight that each of them has between 28 and 35 years of experience, so they are a little bit younger, and I'm told they are a little bit better looking than the Operations guys. (laughter)

They know their businesses, and we are proud to have them as leaders at HollyFrontier. Tom Creery and the Crude Supply Group are constantly looking for new crudes to feed our refineries and better ways to get them there. Mark Plake and the Marketing team search for new markets for our transportation fuels, both geographic and end-use. They also seek to capture market arbitrage such as quality, location, and timing.

Pat Gribbin is our Specialty Products guru. Specialty products is a unique business that provides diversity to our portfolio. Pat and his team are equal parts marketers and product development specialists, matching our customers' needs with our products' capabilities.

Kent Bradbury -- or I'm sorry, Fred Dunbar manages our Heavy Products group. This is a relatively new group that we created to take a page out of Pat Gribbin's playbook to find higher value markets for our bottom-of-the-barrel products.

Overlaying all these groups in our operations is our Planning group led by Kent Bradbury. Kent and his planners are the central command center of our short-term business activities. They use our linear programming models to help us decide what to buy, what to make, and how to make it. They also identify constraints that feed into our opportunity capital initiatives that we'll be discussing shortly.

Tom, let's start with the crude market. It's been on a wild ride the last year or so. What opportunities do you see for us in this market environment?

Tom Creery - HollyFrontier Corporation - VP, Crude Supply

Thanks, George, and good morning. It sure has been a wild ride over the past 10 to 12 months, and I suspect it's going to continue for the foreseeable future. So, let's talk about one of the projects that we've initiated, and that's the Malaga Centurion opportunity.

Over the past 12 to 18 months, HollyFrontier has been increasing our purchase capability in the Permian Basin. This started in 2013 when we saw increased drilling activity at the White City Olin location. These look like a good feedstock for our Navajo refining system.

So, we talked to HEP about repurposing the Malaga pipeline. This was an old product pipeline that was idled. And we thought by reversing it and putting it into current service, we could then supply some attractively priced crude oil back into the Navajo system. Our initial estimates were that we were basically saving \$0.50 on transportation by the elimination of some trucking and probably \$0.50 to \$0.75 in increased refining value.

So, in 2013, HEP completed -- or sorry, 2014 -- they completed the project in June. And we started pumping 3,000 barrels a day north. Roll forward 12 months to June of this year, and we're moving 32,000 barrels a day through that pipeline, which just happens to be the capacity of that mine.

Now did all this crude -- incremental crude end up in the Navajo system? No. Because in September of last year, we arranged and negotiated with Centurion to reverse one of their pipelines that was flowing from West -- sorry, from East to West to a new flow starting in the Permian Basin, and moving back to Cushing.

You will recall that, at that point in time, the Midland Cushing differential favored Midland barrels by \$7 a barrel. So, by buying these cheaping barrels, moving them to the pipeline, and then delivering them to our El Dorado refinery, we got a pretty good price crude oil back in that facility.

Since September, we've averaged 45,000 to 50,000 barrels a day of throughput through that line. And in 2015, we estimated we've added \$4 million worth of increased value by doing so. Even at today's current differential, which favor a Midland over Cushing differential, we still see some value in buying and moving those barrels.

You are going to ask how come? How come you see that? Well, let me tell you. We are beginning to buy more crude oil in the field, so we get a greater exposure and footprint to dealing with producers. Because we are buying in the field, we don't pay Midland prices. We pay a transportation adjusted price backwards into the field.

We get to control the quality. As one of the audience members last night said, Cushing crudes are now called frankencrudes. They are a hybrid. We can't control the quality. We just buy DFW and move it up the pipe and we get what we get. By buying in the field, moving it in our pipelines, and moving it to our refineries, we can control the quality.

And what does that do? It helps us in terms of reliability. Jim Stump talked about getting the LPs lined up, the linear program. If we can get a crude to our refineries that is consistent quality, those guys can run operations in a more reliable manner. We can hit our top points. And we can make the product so that Mr. Plake can sell what he's supposed to. That's all part of the bigger picture.

Another added bonus to this is that we are now able to integrate the Navajo refining system to that of either Tulsa or El Dorado by moving intermediates. By intermediates, I mean raw diesel or gas oil through that market. And Kent Bradbury in a few minutes will explain that and give you some numbers in greater depth.

So, are we going to rest on our laurels, sit back and say, hey, we did a good job, George?



George Damiris - *HollyFrontier Corporation - EVP and COO*

No, you are not.

Tom Creery - *HollyFrontier Corporation - VP, Crude Supply*

Yes, well, we're not. Potentially, we are looking at expanding the Malaga system from the current 32,000 to potentially 50,000 barrels a day. This is very preliminary. We are working with Bruce Shaw and the HEP group to figure out what the costs are. And we have been approached by several producers who are looking at underwriting by supplying volume to this movement.

So, we'll continue that process. And hopefully, in a couple of months, we're going to have some good news to pass on to you. So, the other thing that we are doing to increase our capabilities is expanding our capability to deliver back into the Midland market through the plane's distillant type system. And in October, we should be able to do that.

So, at the end we're going to be one, if not the only purchaser of crude oil in the Permian Basin, that says, hey, Mr. Producer, I can buy the barrels and take them to my refinery. I can take them to the Cushing market, and I can take them to the Midland market.

Why is that important? Because the producers like price but they like reliability too. If your refinery goes down and you turn barrels back to the producer, they are not happy campers. So, we like happy campers.

So, in summary, we try to abide by Mr. Damiris's mantra of getting the right molecule in the right place and at the right time at the right price. And we do this through the expansion of our field purchase activities. We control the quality. We have access to a variety of markets. We help HEP by enhancing their activities. And by doing all of this, we increase our level of value optimization and get us that much closer to that \$90 million target.

George?

George Damiris - *HollyFrontier Corporation - EVP and COO*

Thanks, Tom. Mark, can you please provide some recent examples of the new homes you and your team are funding for our transportation fuels?

Mark Plake - *HollyFrontier Corporation - VP Marketing*

Yes, I'd be happy to do that, George. We -- in the transportation fuels arena, our team is constantly working on three things. One is finding new and better homes for our products. The second is making and selling the highest value products. And the third is storing barrels so we can make money doing it.

What I would like to talk to you about today is what we are doing in the midcontinent with respect to those three things in support of our two largest refineries. The first is increasing market access out of Tulsa. We are now selling gasoline and distillates into the large Chicago and St. Louis markets.

We are able to do that thanks to revitalized connection between our Tulsa refinery and the exporter pipeline in Glenpool, Oklahoma. Not only has that connection been good with respect to our transportation fuels, but it has also allowed us to move low octane diluent out of the refinery. Kent Bradbury will talk a little bit more about that later.

What that allows us to do is to make more high-value premium gasoline. Central Oklahoma is a good market, but it becomes a very good market at times of the year when the southern Oklahoma refiners are moving barrels from their refineries into Texas on a pipeline that was made bi-directional a couple of years ago. We also take advantage of that pipeline connection to move barrels into Texas when we can make money doing it.

Fort Smith, Arkansas is one of our newest markets. Not only has it become a very productive market for us, but it is also the origin point of a new pipeline that's moving towards the 100,000 barrel a day Little Rock, Arkansas market. This market is not presently accessible by midcontinent refiners by pipeline but should be complete by midyear 2016.

Why am I making a big deal out of these pipeline connections? And why should it be important to all of you in the room today? Really for two reasons. One is that it allows our refineries to run at the high rates we enjoy today. But the second is that it provides a home for our most valuable products.

And I'd like to talk about a few of those now. One, is premium gasoline. Well, premium gasoline in the group has been -- well, I guess at a premium ever since the Magellan system or the group changed to a subgrade base standard two years ago. Jim, Mike, and the refining team has done a wonderful job responding to that opportunity.

For example, this past year, our El Dorado refinery has made an incremental 4,000 barrels a day of premium gasoline that we've been able to sell at a \$0.20 a gallon premium to subgrade gasoline. In addition, our [up] to St. Louis and Chicago has been a winner for us. We've been able to sell that product this year at a \$0.24 a gallon uplift to group subgrade.

And not to leave distillates out, we sold 5,000 barrels a day of ultralow sulfur called kerosene into the upper Midwest market at a 0.25 a gallon premium to ultralow sulfur diesel.

Adding to our ability to create value is our storage program. There we store gasoline and distillates during the winter months when demand is slack and prices are low, and sell them during the summer when both demand and prices rise. We also use storage -- this storage at other times of the year when the opportunities exist.

The final thought, George, that I have that I want to share with everyone is we see continuing value and greater opportunities as a result of our new markets, premium products and our storage program.

George Damiris - HollyFrontier Corporation - EVP and COO

Thanks, Mark. Pat, we all know you love to talk about your business. For those that aren't familiar with specialty products, can you please provide a brief -- and I mean a brief -- overview?

Pat Gribbin - HollyFrontier Corporation - VP Specialty Products

I'll do my best. Good morning, and thanks for allowing me the opportunity to speak with you guys. You know I think most of you probably think of lubes in the traditional sense of you are thinking of cars, motor oils, engine oil product and our business is somewhat different. The industry uses lubes by convention. The term lubes by convention but our business is different. It is very unique. We have a very unique portfolio of products and it's much more similar to a specialty chemicals business and is much as it is a traditional lubricants business.

We have a unique portfolio of products and we actually have a very unique production flexibility at Tulsa, unlike any other production team in North America - and, to my knowledge, the world. We begin with a very consistent feedstock, an abundant feedstock in the Tulsa region, which happens to be ideal for the production of new products.

We have a platform of products which consists of paraffinic oils, aromatic oils and wax. We take those various products and components, and we blend those materials to specific and various chemical and physical properties to match up with our customer applications.

We have a very talented product development organization and the most experienced marketing organizations in the industry. And we work directly with customers to try to match up our products and capabilities with their specific applications. We place our emphasis in the industrial markets. Industrial markets for these products make up about half of the total global demand for lube products.

And we generally emphasize those products on the heavier of these grades and avoid our exposure to the commodity engine oil products, and particularly the light viscous products where the markets are oversupplied. We focus on moving up the value chain by selling into applications that touch every facet of manufacturing.

And I would suggest to you that as you came in here today you touched components of products which others have our product as a component in the product or actually have touched the manufacturing process of those components. As an example, you drove in here today and you think of the parts of your car -- the tires, the belts, hoses, window seals, the cushions, the leather, the carpet underlay, all those things have our oil in the products as a component, and in many cases have used our oil in the process of producing the product.

So products are quite a bit different than what you are used to -- probably used to thinking of in terms of lubricants. We -- if you consider some of the other applications we sell out of our other ports, construction materials, agricultural products and household goods or our markets that we serve. If you are interested in learning more about the applications, you can visit our website, HollyFrontier LSP.com. There will be some more information about some of the markets we jump into. In general, the heavy diluents heavy vis product slate is more valuable than the lighter vis grades, which are like I mentioned earlier, are oversupplied. Virtually every refiner producing oils produces a lighter viscosity slate and our flexibility allows us now to expand into the heavier grades.

Our heaviest product has been known as Bright Stock to the industry and it's the vernacular. It's in short supply and growing shorter supply going forward. There are very few cost competitive alternatives to this product. So the value of this product continues to increase for us. Also, petroleum wax is also moving in short supply as the production schemes and refiners have changed.

As you can see, we do produce petroleum waxes, and unfortunately there aren't as many alternatives for those products as well. Generally, whether petroleum waxes are used they perform better than the alternatives that are on the market today. So here in lies the opportunity for us for sustained growth and cash flow.

Want to get to the next slide? We are increasing our heavy vis product slate. We recently replaced a vacuum tower with a much larger and more efficient vacuum tower, which allows us to produce increased volumes of our heavy vis products. We just completed a debottlenecking of our propane Dias faulting unit, our PDA which produces our Bright Stock and microcrystalline waxes. And we're in the process and nearly complete with the construction phase of an offloading facility in the Tulsa lube area, which allows us to take heavy viscosity or heavy gas oils from the Tulsa East plant to the Tulsa lube units to increase those heavy vis products, and give us the flexibility of increasing the higher value products in our slate.

You can see by the chart, the heavy vis products and Bright Stock margins are more than double that of the alternative lighter products. Those values range from \$30 to \$70 price differential between heavy and the Bright Stock and light vis. And the investments that we've made will allow us to increase those products. If you consider about 1,000 barrels per day -- at least 1,000 barrels per day minimum and take a conservative \$20 per barrel, that's \$7 million a year.

Our wax prices in the world market have been relatively inelastic due to declining supply, and we are working to improve the quality of both those waxes and also our process oils to cover the business in the future in 2016. As part of our initiative to remove aromatic extracts from the FCC in Tulsa, Ken is going to be talking about that further today.

We've increased our sales and we've created some new markets for those aromatic extracts and aromatic oils. And on average, about \$40 per barrel in the first half of the year and through June over 100,000 barrels growth, \$4 million of EBITDA and additional margin.

So, we continue to build markets and create value. I'm very optimistic about our position going forward. I'm looking forward to the next several years.

George Damiris - HollyFrontier Corporation - EVP and COO

Thanks, Pat. Fred, you were given a difficult task to turn asphalt into gold. Can you please tell us what you've been able to do with these products in a relatively short period of time?

Fred Dunbar - HollyFrontier Corporation - Senior Manager Heavy Products

Yes. Thank you for being here today. We are focusing on creating value from the bottom of the barrel. The product is called vacuum tower is, pops, pics, slurry, fluff. These aren't exciting products.

We're talking about products similar to asphalt or even heavier. However, many of them have unique properties similar to past specialty products and make them well-suited for specialty applications. Even though they are approximately 3% of our total annual product sales volume, we believe we'll capture significant value through upgrading and targeting specialty application uses for our heavy products.

One example is pitch. Pitch is a very hard asphalt. It's produced in two of our refineries, Artesia and Woods Cross. This product reduced by processing vacuum tower bottoms through a PDA erosion. Two strings are produced in that PDA erosion unit, additional gas whole feed for our FCC's and pitch for our unfinished asphalt.

Over the last few years, we've been working with customers to develop specialty application uses for this pitch. Prior to targeting specialty applications, pitch was blended with other heavy components to produce fuel oil and sold into the Gulf coast.

Today, if we were still blending this product into fuel oil, we would realize a price approximately half of WTI. By marketing our pitch to specialty application uses allows us to realize a price above WTI. This product is used in manufacturing of high performance tires. It's used also as in downhole drilling. This product is also used as an adhesive in plywood. We market this product throughout the United States, Canada and Mexico.

Another example of our heavy product is roofing flux, which is used to produce roofing shingles for commercial and residential use. We produce the roofing flux at our Tulsa refinery by capturing unique vacuum tower bottom properties. The roofing manufacturing industry is very particular about material properties and seeks consistent products. We produce a very high quality fluff at our Tulsa refinery by optimizing our crude selection and reliable vacuum tower operations. We are able to capture an average netback above WTI on our Tulsa roofing flux.

These are two examples where we are adding value to the overall capture rate by selectively producing and marketing our heavy products. To support this activity, we leased the Port of Catoosa terminal in 2014. Through the terminal, we are able to blend and store vacuum tower bottoms from Tulsa and El Dorado and further upgrade to higher value products.

This terminal has also allowed us additional access to more distant markets by water, additional rail and truck, and unloading and loading capability. It gives us the flexibility to capture the highest value netback while there's plenty of commodity asphalts, selling coker feed or fuel oil blend components.

Catoosa has also allowed us to leverage our Holly asphalt marketing capabilities and into the business in the Mid-Con. We operate asphalt terminals in New Mexico and Arizona with product blending capabilities to produce various grades of asphalt from low-quality vacuum tower bottoms that can't be sold directly to market. These terminals allow us to leverage our transportation abilities and select third-party components to produce upgrade raw materials that would otherwise be sold as low margin feedstocks.

In summary, I want to leave you with this. There's higher value in the bottom of the barrel and we are capturing it.

George Damiris - HollyFrontier Corporation - EVP and COO

Thanks, Fred. Kent, we've been able to run our refineries above nameplate capacity for much of this year and especially in Tulsa. Can you please explain the role you and your planners have played to help make that possible?

Kent Bradbury - *HollyFrontier Corporation - VP Refinery Planning*

Yes, thanks, George. My group is responsible for optimizing each refinery individually and the refinery system collectively. We've been increasing our focus on inner refinery opportunities, especially in the Mid-Con where we have excess crude capacity at Tulsa, excess downstream unit capacity at El Dorado.

We've been maximizing profitability by shipping intermediates from Tulsa to El Dorado to get back to your specific question, the number one reason we've been able to run extra crude that Tulsa has been the removal of aromatic extracts from our Tulsa FCCP. Aromatic extracts are just gas-hole streams generated by the lubes unit that do not crack easily in our FTC without being pretreated through a gas oil hydro treater.

We've always known that our Tulsa FTC is a major constraint where one barrel of aromatic extracts spent to the Tulsa FCC consumes more than one barrel of FCC capacity due to its poor quality.

El Dorado, with its high pressure and gas oil hydro treater, is well-suited to process this material. We've invested in logistics in both Tulsa and El Dorado, and began moving this stream earlier this year. The bottom line moving 2,000 to 3,000 barrels of aromatic extracts has helped fill El Dorado's FCC, giving us additional room in Tulsa's FCC, thus allowing us to run an additional 6,000 to 9,000 barrels a day of crude rate at Tulsa, which has been a benefit of \$25 million on an annual basis.

The next stream we are evaluating is coker gas oil. Moving that to El Dorado is our next lowest quality feed for Tulsa's FCC.

Next item I want to drop down to is now for streams by pipeline. We've invested in additional tankage at El Dorado in anticipation of higher utilization rates at Tulsa. At higher crude throughputs, Tulsa generates a diluent stream, which is just a low octane naphtha stream. This past June, we put in floating roof tanks into service, and we are able now to ship our excess naphtha streams from Tulsa to El Dorado and blend directly to gasoline.

Just in June, this benefit was worth \$3 million blending to gasoline versus selling the diluent to the marketplace. Our opportunities extend beyond the Mid-Con. As Tom mentioned earlier with the reversal of Centurion and Road Runner lines, we are now able to ship intermediates from Navajo to El Dorado. This capability will allow us to avoid unnecessary crude rate slowdowns at Navajo during planned and unplanned maintenance activities of downstream units.

This past January, during Navajo's plan to turn around, we were able to run an additional 10,000 barrels a day more crude by avoiding tank storage constraints and shipping the intermediates to El Dorado.

The planning group will continue to identify, evaluate, and execute further opportunities across our refinery system. This will maximize profitability and minimize the impact of downtime.

*** END OF SCOPED SECTION ***

George Damiris - *HollyFrontier Corporation - EVP and COO*

Without giving away too many trade secrets we've tried to illustrate the opportunities we are seeing in our markets and evaluate the value we can extract from them. Frankly, I think there is more money in this bucket. I think our \$90 million per year EBITDA estimate is conservative. Having said that, it's difficult to forecast markets and the opportunities they will present and how we will innovate as a result. But I do know this. When the market present since opportunities come our people will be ready, ready to find new and better ways to make money from it. I'd like to thank the optimization panel and ask the capital investment panel to please come forward.

Okay, the next section of our business improvement plan involves capital investment which includes both our large capital projects and a program we are calling opportunity capital. Together, they totaled two \$365 million of annual average EBITDA. We've previously discussed our large capital program in prior investor communications so I won't dwell on them here but I do want to emphasize three large capital projects that will be

completed and start contributing EBITDA by the end of this year. The El Dorado naphtha fractionation project that we just announced will be dropped down to HEP. The Woods Cross expansion project, another candidate for potential future dropdown to HEP and the Cheyenne hydrogen plant. Together these three projects have \$165 million of annual average EBITDA. Opportunity will support is a portfolio of smaller quick hit short payback projects. It involves deploying small amounts of capital to get more out of our existing refinery units. It's basically optimization with small doses of capital. It's scoring runs through a series of singles and doubles rather than swinging four home runs with megaprojects. Although individually, they are relatively small, collectively they totaled two \$325 million of capital investment to generate \$200 million of annual average EBITDA by the end of 2018. It the graph illustrates the timing of both the capital investment and EBITDA contributions from the large capital and opportunity capital programs. I'd like now to introduce three key players in our capital investment program. I'll also ask Tom Creery to join this panel. The Mike Wright is our refinery manager at Woods Cross. Prior to that, he ran our capital projects group at Woods Cross. He is a 27 year and third-generation Woods Cross employee. The Wright family is the first family of the Woods Cross refinery. Page Castor is our VP of corporate development. Prior to that, page ran our planning group, Kent Bradbury's current role. Page and his group are responsible for conducting the economic analysis of our capital projects and for tracking the progress of our opportunity capital portfolio. Finally, we have Ken Jenkinson. Ken Jenkinson is our senior director of process engineering. He is relatively new to HollyFrontier, having just joined us in January but he is not new to the refining industry with over 40 years of experience. As you will soon see, Ken brings passion and enthusiasm as well as many years of process engineering experience to HollyFrontier. Mike, let's start with the Woods Cross expansion kit we're coming down the home stretch. Can you please provide us an update?

Mike Wright - *HollyFrontier Corporation - VP, Refinery Manager Woods Cross*

Will do, thanks George. As with George did the introduction, I've been at Woods Cross for 27 years and has never been a more exciting time at the refinery as the landscape is going to be forever changed when you increased throughput by 50%. A few years ago I got to start this project has the project manager. Now, as plant manager I have watched it get built but I'm most excited to actually get to start it up. So with that I'd like to give you a short update. The Woods Cross expansion project expense the overall crude capacity from 30,000 barrels a day to 45,000 barrels a day through the installation of an FCC, a crude unit and a poly unit. In addition, existing units are being untied * to handle additional feedstocks. Today's crudes play at 30,000 barrels per day is made up of up to 50% being black wax and heavy sour crudes. The original design of the expansion project was to increase our black wax by 15,000 barrels a day. But in today's limited black wax market we have made adjustments on what we have termed our design flexibility project and are able to take advantage of other alternative crudes that are out there. And from a product standpoint, the design flexibility makes small tweaks to our final product mix with gasoline going down slightly but diesel going up a little. And overall, our diesel production will increase by over 50% and our gasoline production by over 35% from today's production levels. So, with that, what crew do I get to run?

George Damiris - *HollyFrontier Corporation - EVP and COO*

Okay, thanks Mike. Tom, Mike just mentioned less West crude supply and design flexibility for alternative crudes. There's been a lot of discussion regarding crude price and its impact on crude production especially in the Uinta Basin for West crude. There is also been a lot of discussion regarding pipeline capacity to bring alternative crudes into Woods Cross. Can you please share some but not all of your market knowledge on these issues?

Tom Creery - *HollyFrontier Corporation - VP, Crude Supply*

Sure. Let me start by allaying any fears that might be in the audience today that we are not going to have sufficient volumes in crude for the expansion. We're going to have the volumes, they are going to be there. Now I'm going to put a bit of a caveat on it. It may not be the original volumes that was planned two years ago because of the recent price decline. So let's talk about black wax. It should come to no surprise to anyone here that the black wax volumes are down. The producers have said so and we've seen hard evidence by rig counts dropping according to Baker Hughes from 24 a year ago to maybe even for today pit we've also seen the rail movements virtually dry up so when black wax was moving to east, west, and Cushing markets, that doesn't seem to be the case anymore. Making the Salt Lake market the primary market for these barrels. Producers, however our incentivized to produce. They have long-term contracts of which we have one and within that contract is a performance guarantee or sharp VolTE that basically says that if the producer doesn't produce the barrels, he pays us a fee in terms of dollars. Which is a great thing because the dealers negotiated inclusive of those fees help to provide a floor on our rate of return for the capital expenditures for this expansion. Is the



price going to remain at \$45? I'm not even sure it's at \$45 right now. It might be at \$50 or \$30, depending on what today's markets are doing. But over the long-term, the price of crude is going to go back up. The producers are going to go back to the Uinta Basin they are going to start drilling their wells and they are going to start fulfilling the contracts and will be there to take it. So what are some of the existing alternatives? On express pipeline which starts from Hardisty and moves to Kasper and beyond had an open season two years ago, HollyFrontier stepped up and we took more space than we thought we needed at that point in time and by that I mean more than we needed to supply the Cheyenne refinery. We thought it was a strategic move because we saw what was happening in the crude oil environment. In Western Canada we had the problems with Keystone XL we had roaming and porcelain problems on Enbridge which are in effect today. We saw the transmountain expansion and the Gateway projects going West that looked tenuous at best. So, when you got another straw coming out of a major production area it's probably a good idea to take a little bit more. We are pretty glad that we did because it fits into very well what's going on right now. This excess capacity on Express allows us to source incremental barrels of Canadian crude for Woods Cross so we can now run greater quantities of WCS which helps Fred Dunbar do his voodoo alchemy and turn it into gold or we can synthetic crude which builds the new Capacity and makes greater amounts of transportation fuels for Mark Plake to market. Another offshoot of this is that we are now able to optimize crude supply between the Cheyenne and Woods Cross refinery. Right now we currently run 30 to 35,000 barrels a day of Canadian crude at the Cheyenne plant. In the event that we have better economics to run the Canadian crude at Woods Cross we'll divert barrels there and then back fill Cheyenne with energy-based barrels whether it be Wyoming general, Bakken, peaking (inaudible) or DJ condensate. What are some of the new alternatives for crude deliveries into Kasper and Woods Cross? Well, there's various producers and pipeline companies looking at delivering barrels of Bakken into the Kasper market. We are also seeing a pipeline coming into operation that runs from Guernsey back into Kasper. That's all increasing the overall supply at Kasper which potentially can go back into Salt Lake. Let's talk a bit about the Frontier Salt Lake City pipeline system And that capacity. Previously we had gone back to the operator and just asked that question. Is there going to be enough capacity and we were assured that there would be even after our Phase I expansion and in accordance with this morning's news, I can now on down the floor and put my feet up on the new owners desk and say hey, Mr. Shaw, are you going to continue to have the capacity available to us? Which is a great thing. So in summary, we have a variety of alternatives from a variety of locations. We do have the pipeline space available to move these barrels into our expanded refinery. We can optimize between Cheyenne and Woods Cross and best of all we have a brand-new toy to play with at Woods Cross.

George Damiris - HollyFrontier Corporation - EVP and COO

Great. So Tom just told us is going to get us crude for the expansion Mike. You mentioned design flexibility. What specifically are we doing to allow us to run alternative crudes at Woods Cross?

Mike Jennings

Thanks Tom and George. So the crude flexibility piece that we've talked about previously is that there's three main components to it. The first is our crude tank (inaudible) flexibility. We're making adjustments in our tank farm by resurfacing tanks from one service to another and by installing a bunch of piping to allow delivery of more crudes. Ideally, the big push here is that we can accept larger shipments of these alternative crudes such as syncrudes. At the end of the day we will be able to finally post the right products into the right units at the right time. The second piece is our crude tower flexibility. This piece allows us through modifications of the new crude tower equipment to produce more naps and distillate products. And finally, the third piece is our gas oil hydrocracker. We are taking advantage of additional space or spare capacity we've had in our GHC and we are making modifications to allow for additional distillates to be hydrotreating. This was a much more cost-effective solution than a typical DHD expansion.

George Damiris - HollyFrontier Corporation - EVP and COO

Okay thanks Mike.



Mike Wright - *HollyFrontier Corporation - VP, Refinery Manager Woods Cross*

And then finally, we expect to return about \$100 million annually of EBITDA from this project with roughly 80% coming from our original design scope and another 20% coming from this new design flexibility piece. We expect to finish the project in -- early in the fourth quarter this year and have it started up by the end of the year. Total cost is expected to be about \$430 million and that includes the new design flexibility piece. The additional scope for the design flexibility will finish sometime in the first quarter of 2016. The completion of this does not prevent the start up of the new and with that, Woods Cross and my team are very excited to finally get these new units online. Thanks.

George Damiris - *HollyFrontier Corporation - EVP and COO*

So are we. Page, we use the term opportunity capital quite a bit this morning. Can you please provide some additional detail regarding what we mean by this exciting new program?

Paige Kester - *HollyFrontier Corporation - VP, Acquisitions and Corporate Development*

Absolutely George. Ken and I have the fortunate jobs of working on our opportunity capital program and see in front of us and ability to invest \$100 million each year over the next several which will add \$50 million of EBITDA to the bottom line. Opportunity capital is a structured approach to the projects that fall between the large capital and the small capital buckets. Large capital, like the Woods Cross expansion Mike right is working on which fundamentally change the way they refinery works or the small capital which you invest to keep a refinery operating, opportunity capital is a very deliberate focused group of projects that Hugh invest in to bring units along in capacity or technology to keep the modern. While individually they might not be very large, in aggregate they are very meaningful and if you do not manage them you will miss the opportunity. So the projects that we look for have certain criteria. We want them to have less than a two-year payout. We are a very high returning ROCE company like Mike Jennings talked about earlier. We generally scope our projects to be less than \$50 million in capital size. This is kind of a fundamental kind of a realistic size of project that can be done as Michael McKee talked around earlier we do not want to overrun turnaround timing and so you need to fit the capital dollars you spend within a shutdown period maintenance window which is generally 20 days or so when a unit is down. We also want to do slow technology risk. When we install new technology we want to install technology that's proven in the industry but most often when we are expanding units, we are replacing pumps, pipes, and vessels with larger pumps, pipes, and vessels. So with the small size and the small simple scope we have very low risk of execution and very high likelihood of success. So with that criteria, we've gone to people like Kent Bradbury as our primary person with this planners who tell us which units are mostly our bottlenecks and what our opportunities are. We go to our commercial group and ask them what the market trends are and we tried to find out where we can put our money to work along with our technology vendors. So, the real limit of our program is not the idea generation. I would say it's Ken and I that are the bottlenecks because we had to turn these ideas into projects. And so you have an infinite number of ways to design the this fixes and the way to take care of the opportunities and that's on Ken's desk and then we have to know what the economic sign so I'm there to support can with running the economics on the different ways to put these projects together and Ken loves to tell me up at every meeting that we go to's, page, we need to focus on the few projects that we can be successful with, not the many projects that we might be unsuccessful with. And so, with that mantra and that good adage we try -- we have looked at all the ideas, looked through many ways to solve the problems and we've come up with 30 solid projects that hit our list. So now you've got to go back to turnarounds and we can't implement these projects unless the unit is down generally. So looking out, we were asked how many of these projects will we implement over the next three years? We looked at our list, looked at the turnaround schedules and there's 15 projects that we'll implement over the next three years. 15 projects, over five plants over three years. That's one \$20 million project per plant a year. Very very doable. We have the team, the ability to implement these programs. So, what type of projects are we looking on -- working at? There's forming buckets we have up here. They are in the bottleneck opportunities which is capacity creep, liquid yield improvement which is generally new technology. But the next two I like. Cost reduction and incremental spending around regulatory compliance. Cost reduction is some of the lowest risk projects we can do because they are not crack spread projects. Crack spread risk. They just take energy or transportation usually and lower operational costs. Regulatory compliance spending -- how do we enhance that? Our industry often has regulatory issues that come up. For example, right now we have tier 3 gasoline that we need to implement. We are spending several hundred million dollars and when you spend that much money to comply with new regulation there is often opportunity to spend a little bit of incremental capacity because that incremental capacity in our project is not very expensive and so we have two projects in our list that will help us with octane and through volume expansion that will help us in the regulatory compliance. So overall, we see projects in front of us and a team with us that we feel very confident we will invest \$100 million over the next turnaround cycle that will produce \$50 million of EBITDA addition.



George Damiris - *HollyFrontier Corporation - EVP and COO*

Okay thanks Paige. You mentioned the bulk of our projects will be the bottlenecks and yield improvement. Besides identifying yourself with can as the bottlenecks of this process, what other recent D bottleneck accomplishments would you like to highlight?

Paige Kester - *HollyFrontier Corporation - VP, Acquisitions and Corporate Development*

Absolutely George. So de-bottleneck expansions like I said are expansions of capacity generally ended there's two types of units that you expand. One type of unit you will expand is to take a high-value unit and you expanded and you take barrels out of one process and put it into that. And then the other type a unit that you expand but it unlocks the capacity of your whole refinery and that very much usually is very profitable. So I have two examples here. Pat Gribbin talked earlier about the Tulsa PDA but he didn't talk about how we went about doing it. So, we spent \$1 million in the Tulsa PDA investing in some cooling and propane recovery and put in an asphalt bump. \$1 million and returned an expansion of 11,000 to 12,000 barrels a day of PDA capacity. This took feed from our coker and put it into the PDA which made Bright Stock for Pat to sell and PDA bottoms for Fred Dunbar to sell as flux. Very good project. We've returned over \$3 million already this year from that project. The other type of project like I said is expansion that unlocks the whole refinery. Aetna Ho, we invested \$15 million over the last several years to bring the capacity from 80,000 barrels a day to 105,000. And there was a lot of hard work by Michael McKee and his team in the middle of that. More recently though, not just to show the long-term trend for this year for 2015, we invested \$4 million in overhead piping and some vacuum Jets which were able to get 2000 barrels a day of diesel out of which allowed that last little bit of crude rate expansion unlocking the whole value of the refinery. We see these opportunities all across our organization and we think that we have many of them in front of us.

George Damiris - *HollyFrontier Corporation - EVP and COO*

Can, page just give us the Tulsa PDA and Navajo the bottleneck examples. Can you please discuss some other opportunities you see to further leverage this debottlenecking experience?

Ken Jinkerson - *HollyFrontier Corporation - Senior Director, Process Engineering and Design*

Yes. I've got a couple of examples. Some of my favorites here that I get to choose and brag I guess on the process engineers and the creativity they have. Paige has already indicated that at Navajo, the feed rate has gone from 80,000 to 105,000 barrels a day over the last few years and we are here to say that those process engineers are supporting those refinery managers and their leadership and we're going to continue that for the existing -- the current refinery manager to continue that improvement include rates. What we're finding is, almost obliquely that with pure process engineering the bottleneck for the Navajo refinery is currently not the crude unit per se. It's other units. Basically it is taking material off of some frac shares and putting it back to the crude unit that is filling up capacity. Simple as that. So we have -- the first priority is to map the hydro treaters. We have two of them and material goes into a reactor. It makes stuff that needs to be separated. So using my visual whatever, it's the disembodied hand -- for those of you in the back there is the fractionator so what we have is the feed to goes into someplace on this. One of them is too high on one of the fractionator's and one of them is too low. So one of them is too high, pukes stuff over out of the top back to the crude unit, taking up capacity. The one that's too low sends material out the bottom of the fractionator and H2 S is made in the reactor and that H2 us hydrogen sulfide is a irritant for the downstream units which is an isomerization unit and a reformer. So just like people, if they are irritated they don't perform very well. So we've hired the Goldilocks company, the engineering company to make this fractionator just right and clean this mess up and improve all these things. The big thing is that with an addition of a recycle compressor and some heating exchange to those hydro treaters we get to make big improvements in reliability, supporting Tom Shetina's efforts. We get to make energy savings looking at reducing cost and it's -- I don't know. A wonderful project. Next one, the kerosene hydro trigger, just to let hydro treaters have the same thing. Have the same problem. We're going to add a charge pump and a some heat exchange and a little bit of piping. I don't know how to express the creativity of the engineers that show this. It is just you know some people like to make the Taj Mahal. Some people like to fix this. This is good process engineering where you end up with a 4000 barrel a day crude expansion and a 4000 barrel a day just to let hydro Treacher expansion and by the way we haven't even touched the crude yet. Wonderful. As much as economically possible as soon as economically possible by asking questions what are the real limits and how do we go forward with that. Based on the engineering, we are already looking at the -- our Artesia crude unit and the Lovington crude unit. And I've



seen some of the engineering and I know that there is a sister project that's just almost equivalent to this one that's going to dance out of here in the next couple of months. So, not only do we have this project but I think we have pretty much an equivalent one coming up pretty shortly. The challenge is -- just to reiterate is to challenge how we look at a solution. So the next slide and the next thing just allows me to further explore that option. You know Todd Frazier's. He won the home run Derby at the All-Star game just a couple of weeks ago and in the final round he had 15 balls over the fence. I'm here to tell you I can do the same thing. I expect skepticism didn't I question mark I heard that okay but we're going to challenge that. I didn't say I was going to hit a home run. I said I was going to hit it over the fence. I'm only going to stand 10 feet from the fence. Now how many people think I can hit it over the fence. That's this next project. It is -- we know that there is additional capacity at the El Dorado crude unit. This is -- they'll give you 20,000 barrels a day so how do we get it? Well, ask the question. What is the limit of the El Dorado crude unit? It is a PSM limit, a process safety management limit. It is too difficult to explain in that it's a complex system to keep equipment and employees safe. Every unit in HollyFrontier at every refinery has one of these and we have gone through a process that we use that is complex and difficult but to make sure that we can safely increase the feed rate at a unit. We did that. It took a couple of months. When we found that we know that we can safely increase the crude unit to more than -- much more than 140,000 barrels a day. It doesn't say that the equipment can do that. It just says that we can try. So let's do that. So in August we tried and we went up 4000 barrels a day with absolutely no capital investment. Then we had a couple of limits. We currently have an engineer on those limits. They are redesigning or designing the limits that will be able to be taken out online. They don't require a shutdown to fix these. They are relatively minor and we're going to have them as soon as we can possibly get it up there. As soon -- as much as economically possible as soon as possible. The next limit venues all the limits can't be done with test runs. You know, you are going to hit in the mid-you can't go by. So we have another engineer that is currently looking at the El Dorado crude unit and looking from a -- not a detail standpoint but what is the next limit that we see and then we will put a rough cost on that and it will go back to Paige and he will look at those economics and then we hit a curb that starts to show what the return and what the -- how much we can remove a limit and what that return is and what it's going to cost so that we can get a very high level -- we can make sure we get high return low capital projects and get as much out of that equipment as we possibly can and that's what we're going to do.

George Damiris - *HollyFrontier Corporation - EVP and COO*

I think that was the first example of a human fractionation tower I've ever seen. Guys, similar questions on the yield improvement side. Paige, can you please discuss the El Dorado FCC yield improvement project and how we are leveraging that experience?

Paige Kester - *HollyFrontier Corporation - VP, Acquisitions and Corporate Development*

Absolutely George. Liquid yield projects take hydrocarbons that end up as byproducts or low value products and getting them back into a liquid form gasoline diesel that we can sell. Generally when you talk about liquid yield project to talk about the three units FCC's, cookers, reformers. FCC's have volume expansion. Coker's and reformers have volume shrink. So we had a very successful project at El Dorado that we'd like to talk about. At the end of last year, we spent about \$9 million putting a new termination device and feed nozzles and we got 1.5 liquid volume percent liquid yield. That's 1000 barrels a day of gasoline and diesel that came out of Coke steam natural gas basically. So you went from something you already paid for and you turn it into gasoline. Hugely successful and at our just kind of five-year average price that was \$25 million. We blew it out of the park with crack spreads in the midcontinent this year. Already. And that program is important to talk about because we have two more cats to shut down just in this next spring. So in Tulsa, we are spending \$36 million of incremental opportunity capital in that refinery paid we are taking two risers into a single riser. We are putting feed nozzle in and we are putting a reactor stripper in. And at the end of that, we still won't be to the point while El Dorado is now. And so you might say well why don't you do the termination device right now? It's because Michael McKee says you can't extend my turnaround. We have to hit our turnaround scope. And so we're going to stop here at \$36 million. We expect that to have 1% liquid yield gain which will be about \$9 million of liquid yield improvement and about \$10 million of capacity improvement. So, four years from now we'll be back to do another Tulsa improvement. At Cheyenne we are putting \$8.6 million of opportunity capital to work. New feed nozzles and some updating of some designs. Both of these units were built in the 1940s so there's a lot of opportunity here. And the \$6 million of EBITDA generation we expect from Cheyenne. Three quarters of that is liquid yield improvement and the rest is (inaudible) and creep. We have a lot of opportunities in our refineries. We have 16 of these units that we can work on and we continually improve and update and we have a lot of runway to go.



George Damiris - HollyFrontier Corporation - EVP and COO

Can, besides the FTC units that Paige just discussed, what other areas do you see as ripe for yield improvement projects?

Ken Jinkerson - HollyFrontier Corporation - Senior Director, Process Engineering and Design

A couple more examples. Tulsa naphtha splitter. You probably are all familiar with the El Dorado naphtha splitter project which is on-time, on budget should be done later this year putting again the right molecules in the right places. George has already indicated. What we do is where going to double the size of the naphtha splitter at Tulsa. We're going to again put those right molecules in the right place, reducing irritation downstream. You know, this is another example of those. But currently we put reformer feed in the isom and we put isom feed in the reformer. Reformer feed is a temporary catalyst poison. When it goes into the isom, that's in the C7 do see on the slide. So we're going to remove that and then of course isom feed through a reformer just goes through as a free ride. It takes up space so that will give us some more capacity there in the reformer. Being able to put those molecules in the right place allows us to raise the octane on the isom unit. That allows us than two blend a low octane material that we are currently selling into gasoline and achieve the upgrade. The graph on the lower left is an indication of that. This is natural gasoline versus gasoline. We don't absolutely sell it for natural gasoline but it's an indication and it's a pretty good marker. And you see the average is about \$1.00 a gallon for the last couple of years or I just use \$40 a barrel. The math is easier. So on a couple thousand barrels a day you can see the great incentive to do this project. This is -- this project is a winner George. It's just again another monument to process engineering.

George Damiris - HollyFrontier Corporation - EVP and COO

We all love leaders.

Ken Jinkerson - HollyFrontier Corporation - Senior Director, Process Engineering and Design

And one more. You know we've always had -- George has indicated singles and doubles and I told you we are going to hit it over the fence well, this is the grand slam. This is the kind of absolute project I love because it hits everything. It addresses the liability, supporting that effort. It changes -- it helps safety paid regulatory concerns and it generates an economic return in addition. Basically what we are doing is we're going to take almost valueless coke -- even Fred can't do much with that. So and we're going to turn it into gas oil mostly. Then goes into a hydro treater where it sucks of hydrogen where then goes into a Cracker where it makes a volume gain. So, we get 4% across the Coker but we get 0.6% across the entire refinery. What can I say? That is just a very great project turning Coke into 0.6% volume gain in an entire refinery. We also have an environmental regulatory concern about when we can open the coke drums, the pressure at which we can lower before we had to open the drums. This project will take care of making sure we are in compliance with that project. We have a -- to improve reliability and safety we're going to have a blowdown system and a switch deck. They are problematic at the moment. This will improve them greatly. Plus it has the added benefit we will be making them as standalone pieces of equipment to keep from having to stay down longer during the turnaround and get this system up we'll have them sitting there. All we have to do is tie them in and then we are putting in a safety interlock system for when we get ready to dig Coke de-coke. And through this whole process we found a few more safety problems that we are going to be able to take and cleanup. That's just -- it's just the grand slam. And in addition just as a little added bonus we're also looking at an expansion of this Coker and this sets it up for a very low cost Coker expansion will be down the road a few years. But I wanted to leave you with this thing as Mike Jennings has indicated. We want to do continuous improvement. That is our mantra. We want to do something that allows us to make as fast as we can and economic improvement and as soon as we can using the creativity of all the process engineers that are in this company which is a gold mine. I think they are very good, George. And I want to be able to say that if we challenge the way we do things, U2 and us will be able to hit it over the fence. George?

George Damiris - HollyFrontier Corporation - EVP and COO

I don't think I've ever heard anybody politick for a raise during an investor day. Ken, one last question for you. You have been in a lot of plants, have a lot of experience around the world. Are you surprised by the number of opportunities you're seeing at HollyFrontier?



Ken Jinkerson - *HollyFrontier Corporation - Senior Director, Process Engineering and Design*

No. I think in my 40 years of experience this is pure process engineering and I think it's becoming a lost art and to see that it is so alive and active in HollyFrontier is really good and I'm proud to be a part of this.

George Damiris - *HollyFrontier Corporation - EVP and COO*

We're glad you're here too. Okay to summarize our panel discussion this mine we've covered \$700 million per year of average annual EBITDA that will be delivered by the end of 2018. Approximately half will come from capital investment. The other half will come from improved refinery operations and better optimization. Nobody in our company believes it's going to be easy to execute this plan. Nothing in refining is ever easy. However, we are using a structured approach and have the right people and processes to execute this plan. With that, I think we've all learned a break. Let's take one. Let's get back by 10:30 so we can hear Bruce Shaw tell us about HEP.

George Damiris - *HollyFrontier Corporation - EVP and COO*

Without giving away too many trade secrets, we've tried to illustrate the opportunities we are seeing in our markets and the value we can extract from them. Frankly, I think there is more money in this bucket. I think our \$90 million per year EBITDA estimate is conservative.

Having said that, it's difficult to forecast markets and the opportunities they will present and how we will innovate as a result. But I do know this. When the market presents us opportunities, our people will be ready: ready to find new and better ways to make money from it. I'd like to thank the optimization panel and ask the capital investment panel to please come forward.

Okay, the next section of our business improvement plan involves capital investment, which includes both our large capital projects and a program we are calling Opportunity Capital. Together, they total to \$365 million of annual average EBITDA.

We've previously discussed our large capital program in prior investor communications, so I won't dwell on them here. But I do want to emphasize three large capital projects that will be completed and start contributing EBITDA by the end of this year.

The El Dorado naphtha fractionation project that we just announced will be dropped down to HEP. The Woods Cross expansion project, another candidate for potential future dropdown to HEP, and the Cheyenne hydrogen plant. Together, these 3 projects have \$165 million of annual average EBITDA.

Opportunity Capital is a portfolio of smaller, quick-hit, short payback projects. It involves deploying small amounts of capital to get more out of our existing refinery units. It's basically optimization with small doses of capital. It's scoring runs through a series of singles and doubles, rather than swinging for home runs with megaprojects.

Although individually they are relatively small, collectively, they total to \$325 million of capital investment to generate \$200 million of annual average EBITDA by the end of 2018. The graph illustrates the timing of both the capital investment and EBITDA contributions from the large capital and opportunity capital programs.

I'd like now to introduce three key players in our capital investment program. I'll also ask Tom Creery to join this panel. Mike Wright is our refinery manager at Woods Cross. Prior to that, he ran our capital projects group at Woods Cross. He is a 27-year and third-generation Woods Cross employee. The Wright family is the first family of the Woods Cross refinery.

Paige Kester is our VP of Corporate Development. Prior to that, Paige ran our planning group, Kent Bradbury's current role. Paige and his group are responsible for conducting the economic analysis of our capital projects and for tracking the progress of our Opportunity Capital portfolio.

Finally, we have Ken Jinkerson. Ken Jinkerson is our Senior Director of Process Engineering. He is relatively new to HollyFrontier, having just joined us in January, but he is not new to the refining industry, with over 40 years of experience. As you will soon see, Ken brings passion and enthusiasm as well as many years of process engineering experience to HollyFrontier.

Mike, let's start with the Woods Cross expansion. We're coming down the home stretch. Can you please provide us an update?

Mike Wright - *HollyFrontier Corporation - VP, Refinery Manager Woods Cross*

Will do. Thanks, George. As in George's introduction, I've been at Woods Cross for 27 years and there has never been a more exciting time at the refinery, as the landscape is going to be forever changed when you increase throughput by 50%.

A few years ago, I got to start this project as the project manager. Now as plant manager, I have watched it get built, but I'm most excited to actually get to start it up. So with that, I'd like to give you a short update.

The Woods Cross expansion project expands the overall crude capacity from 30,000 barrels a day to 45,000 barrels a day through the installation of an FCC, a crude unit, and a poly unit. In addition, existing units are being [logtied] to handle the additional feedstocks.

Today's crudes play of 30,000 barrels per day is made up of up to 50% being black wax and heavy sour crudes. The original design of the expansion project was to increase our black wax by 15,000 barrels a day. But in today's limited black wax market, we have made adjustments on what we have termed our design flexibility project and are able to take advantage of other alternative crudes that are out there.

And from a product standpoint, the design flexibility makes small tweaks to our final product mix, with gasoline going down slightly but diesel going up a little. And overall, our diesel production will increase by over 50% and our gasoline production by over 35% from today's production levels. So with that, what crude do I get to run?

George Damiris - *HollyFrontier Corporation - EVP and COO*

Okay. Thanks, Mike. Tom, Mike just mentioned wax crude supply and design flexibility for alternative crudes. There's been a lot of discussion regarding crude price and its impact on crude production, especially in the Uinta Basin for wax crude. There is also been a lot of discussion regarding pipeline capacity to bring alternative crudes into Woods Cross. Can you please share some -- but not all of -- your market knowledge on these issues?

Tom Creery - *HollyFrontier Corporation - VP, Crude Supply*

Sure. Let me start by allaying any fears that might be in the audience today that we are not going to have sufficient volumes in crude for the expansion. We're going to have the volumes; they are going to be there.

Now I'm going to put a bit of a caveat on it. It may not be the original volumes that was planned two years ago because of the recent price decline.

So let's talk about black wax. It should come to no surprise to anyone here that black wax volumes are down. The producers have said so and we've seen hard evidence by rig counts dropping according to Baker Hughes from 24 a year ago to maybe even 4 today.

We've also seen the rail movements virtually dry up. So when black wax was moving to East, West, and Cushing markets, that doesn't seem to be the case anymore, making the Salt Lake market the primary market for these barrels.

Producers, however, are incentivized to produce. They have long-term contracts, of which we have one. And within that contract is a performance guarantee or [sharp off] fee that basically says that if the producer doesn't produce the barrels, he pays us a fee in terms of dollars. Which is a great

thing because the dealers negotiated inclusive of those fees help to provide a floor on our rate of return for the capital expenditures for this expansion.

Is the price going to remain at \$45? I'm not even sure it's at \$45 right now. It might be at \$50 or \$30, depending on what today's markets are doing. But over the long term, the price of crude is going to go back up. The producers are going to go back into the Uinta Basin and they are going to start drilling the wells and they are going to start fulfilling the contracts and we'll be there to take it.

So what are some of the existing alternatives? On Express Pipeline, which starts from Hardisty and moves to Casper and beyond, had an open season two years ago. HollyFrontier stepped up and we took more space than we thought we needed at that point in time. And by that I mean more than we needed to supply the Cheyenne refinery. We thought it was a strategic move because we saw what was happening in the crude oil environment.

In Western Canada, we had the problems with Keystone XL. We had roaming and porcelain problems on Enbridge, which are in effect today. We saw the Transmountain Expansion and the Gateway projects going West that looked tenuous at best. So when you've got another straw coming out of a major production area, it's probably a good idea to take a little bit more.

We are pretty glad that we did, because it fits into very well what's going on right now. This excess capacity on Express allows us to source incremental barrels of Canadian crude for Woods Cross so we can now run greater quantities of WCS, which helps Fred Dunbar do his voodoo alchemy and turn it into gold. Or we can run synthetic crude, which fills the new [cat] capacity and makes greater amounts of transportation fuels for Mark Plake to market.

Another offshoot of this is that we are now able to optimize crude supply between the Cheyenne and Woods Cross refinery. Right now, we currently run 30,000 to 35,000 barrels a day of Canadian crude at the Cheyenne plant.

In the event that we have better economics to run the Canadian crude at Woods Cross, we'll divert barrels there and then back-fill Cheyenne with Guernsey-based barrels, whether it be Wyoming General, Bakken, peaking [Niobrara] or DJ condensate.

What are some of the new alternatives for crude deliveries into Casper/Woods Cross? Well, there's various producers and pipeline companies looking at delivering barrels of Bakken into the Casper market. We are also seeing a pipeline come into operation that runs from Guernsey back into Casper. That's all increasing the overall supply at Casper, which potentially can go back into Salt Lake.

Let's talk a bit about the Frontier Salt Lake City pipeline system and that capacity. Previously we had gone back to the operator and just asked that question: is there going to be enough capacity? And we were assured that there would be, even after our Phase I expansion.

And, in accordance with this morning's news, I can now walk down the floor and put my feet up on the new owner's desk and say hey, Mr. Shaw, are you going to continue to have the capacity available to us? Which is a great thing.

So in summary, we have a variety of alternatives from a variety of locations. We do have the pipeline space available to move these barrels into our expanded refinery. We can optimize between Cheyenne and Woods Cross. And best of all, we have a brand-new toy to play with at Woods Cross.

George Damiris - HollyFrontier Corporation - EVP and COO

Great. So Tom just told us he is going to get us crude for the expansion, Mike. You mentioned design flexibility. What specifically are we doing to allow us to run alternative crudes at Woods Cross?



Mike Wright - HollyFrontier Corporation - VP, Refinery Manager Woods Cross

Thanks, Tom and George. So the crude flexibility piece that we've talked about previously is that there's three main components to it. The first is our crude tank [borrow] flexibility. We're making adjustments in our tank farm by reservicing tanks from one service to another and by installing a bunch of piping to allow delivery of more crudes.

Ideally, the big push here is that we can accept larger shipments of these alternative crudes, such as syncrudes. At the end of the day, we will be able to finally put the right products into the right units at the right time.

The second piece is our crude tower flexibility. This piece allows us through modifications of the new crude tower equipment to produce more naphtha and distillate products. And finally, the third piece is our gas oil hydrocracker. We are taking advantage of additional space or spare capacity we've had in our GHC and we are making modifications to allow for additional distillates to be hydrotreated. This was a much more cost-effective solution than a typical DHD expansion.

George Damiris - HollyFrontier Corporation - EVP and COO

Okay, thanks, Mike.

Mike Wright - HollyFrontier Corporation - VP, Refinery Manager Woods Cross

And then finally, we expect to return about \$100 million annually of EBITDA from this project, with roughly 80% coming from our original design scope and another 20% coming from this new design flexibility piece. We expect to finish the project in -- early in the fourth quarter this year and have it started up by the end of the year. Total cost is expected to be about \$430 million and that includes the new design flexibility piece.

The additional scope for the design flexibility will finish sometime in the first quarter of 2016. The completion of this does not prevent the start up of the new units. And with that, Woods Cross and my team are very excited to finally get these new units online. Thanks.

George Damiris - HollyFrontier Corporation - EVP and COO

So are we. Paige, we've used the term opportunity capital quite a bit this morning. Can you please provide some additional detail regarding what we mean by this exciting new program?

Paige Kester - HollyFrontier Corporation - VP, Acquisitions and Corporate Development

Absolutely, George. Ken and I have the fortunate jobs of working on our Opportunity Capital program and we see in front of us an ability to invest \$100 million each year over the next several, which will add \$50 million of EBITDA to the bottom line.

Opportunity capital is a structured approach to the projects that fall between the large capital and the small capital buckets. Large capital, like the Woods Cross expansion Mike Wright is working on, which fundamentally change the way a refinery works. Or the small capital, which you invest to keep a refinery operating.

Opportunity capital is a very deliberate, focused group of projects that you invest in to bring units along in capacity or technology to keep them modern. While individually they might not be very large, in aggregate, they are very meaningful and if you do not manage them, you will miss the opportunity.

So the projects that we look for have certain criteria. We want them to have less than a two-year payout. We are a very high-returning ROCE company, like Mike Jennings talked about earlier. We generally scope our projects to be less than \$50 million in capital size.

This is kind of a fundamental kind of a realistic size of project that can be done. As Michael McKee talked earlier, we do not want to overrun turnaround timing. And so you need to fit the capital dollars you spend within a shutdown period maintenance window, which is generally 20 days or so when a unit is down.

We also want to do slow technology risk. When we install new technology, we want to install technology that's proven in the industry. But most often when we are expanding units, we are replacing pumps, pipes, and vessels with larger pumps, pipes, and vessels. So with the small size and the small simple scope, we have very low risk of execution and very high likelihood of success.

So with that criteria, we've gone to people -- like Kent Bradbury is our primary person with his planners who tell us which units are mostly are bottlenecks and what the opportunities are. We go to our commercial group, ask them where the market trends are, and we try to find out where we can put our money to work along with our technology vendors.

So the real limit of our program is not the idea generation. I would say it's Ken and I that are the bottlenecks because we had to turn these ideas into projects. And so you have an infinite number of ways to design the [fixes] and the way to take care of the opportunities. And that's on Ken's desk.

And then we have to know what the economic sign. So I'm there to support Ken with running the economics on the different ways to put these projects together. And Ken loves to tell me up at every meeting that we go to is Paige, we need to focus on the few projects that we can be successful with, not the many projects that we might be unsuccessful with.

And so with that mantra and that good adage, we try -- we have looked at all the ideas, looked through many ways to solve the problems, and we've come up with 30 solid projects that hit our list. So now you got to go back to turnaround. So we can't implement these projects unless the unit is down, generally.

So looking out, we were asked how many of these projects will we implement over the next 3 years? We looked at our list, looked at the turnaround schedules, and there's 15 projects that we'll implement over the next 3 years. 15 projects, over 5 plants over 3 years? That's one \$20 million project per plant a year. Very, very doable. We have the team, the ability to implement these programs.

So what type of projects are we working at? There's four main buckets we have up here. They are in the bottleneck opportunities, which is capacity creep; liquid yield improvement, which is generally new technology.

But the next two I like. Cost reduction and incremental spending around regulatory compliance. Cost reduction is some of the lowest risk projects we can do because they are not crack spread projects, crack spread risk. They just take energy or transportation usually and lower operational costs.

Regulatory compliance spending -- how do we enhance that? Our industry often has regulatory issues that come up. For example, right now, we have Tier 3 gasoline that we need to implement. We are spending several hundred million dollars and when you spend that much money to comply with a new regulation, there is often opportunity to spend a little bit of incremental capacity because that incremental capacity in our project is not very expensive.

And so we have two projects in our list that will help us with octane and through volume expansion that will help us in the regulatory compliance. So overall, we see projects in front of us and a team with us that we feel very confident we will invest \$100 million over the next turnaround cycle that will produce \$50 million of EBITDA addition.

George Damiris - HollyFrontier Corporation - EVP and COO

Okay. Thanks, Paige. You mentioned the bulk of our projects will be the bottlenecks and yield improvement. Besides identifying yourself with Ken as the bottlenecks of this process, what other recent debottleneck accomplishments would you like to highlight?

Paige Kester - *HollyFrontier Corporation - VP, Acquisitions and Corporate Development*

Absolutely, George. So debottleneck expansions, like I said, are expansions of, capacity, generally. And there's two types of units that you expand. One type of unit you will expand is to take a high-value unit and you expand it and you take barrels out of one process and put it into that. And then the other type is a unit that you expand, but it unlocks the capacity of your whole refinery and that very much usually is very profitable.

So I have two examples here. Pat Gribbin talked earlier about the Tulsa PDA, but he didn't talk about how we went about doing it. So we spent \$1 million in the Tulsa PDA investing in some cooling and in propane recovery and put in an asphalt dump. \$1 million and returned an expansion of 11,000 to 12,000 barrels a day of PDA capacity.

This took feed from a coker and put it into the PDA, which made brightstock for Pat to sell and PDA bottoms for Fred Dunbar to sell as flux. Very good project. We've returned over \$3 million already this year from that project.

The other type of project, like I said, is expansion that unlocks the whole refinery. At Navajo, we invested \$15 million over the last several years to bring the capacity from 80,000 barrels a day to 105,000. And there was a lot of hard work by Michael McKee and his team in the middle of that.

More recently, though, not just to show the long-term trend for this year for 2015, we invested \$4 million in overhead piping and some vacuum jets, which was able to get 2,000 barrels a day of diesel out of cat feed, which allowed that last little bit of crude rate expansion unlocking the whole value of the refinery. We see these opportunities all across our organization and we think that we have many of them in front of us.

George Damiris - *HollyFrontier Corporation - EVP and COO*

Ken, Paige just give us the Tulsa PDA and Navajo debottleneck examples. Can you please discuss some other opportunities you see to further deleverage this debottlenecking experience?

Ken Jinkerson - *HollyFrontier Corporation - Senior Director, Process Engineering and Design*

Yes. I've got a couple of examples. Some of my favorites here that I get to choose and brag I guess on the process engineers and the creativity they have.

Paige has already indicated that at Navajo, the feed rate has gone from 80,000 to 105,000 barrels a day over the last few years. And we are here to say that those process engineers are supporting those refinery managers and their leadership and we're going to continue that for the existing -- the current refinery manager to continue that improvement in crude rate.

What we're finding is, almost obliquely, that with pure process engineering, the bottleneck for the Navajo refinery is currently not the crude unit per se. It's other units. Basically it is taking material off of some fractionators and putting it back to the crude unit, that that is filling up capacity. Simple as that.

So we have -- the first priority is to map the hydrotreaters. We have two of them and material goes into a reactor. It makes stuff that needs to be separated. So using my visual whatever, it's the disembodied hand -- for those of you in the back, there is the fractionator.

So what we have is the feed to goes into someplace on this. One of them is too high on one of the fractionators and one of them is too low. The one that is too high pukes stuff over out of the top back to the crude unit, taking up capacity. The one that's too low sends material out the bottom of the fractionator and H2S is made in the reactor and that H2S -- hydrogen sulfide -- is an irritant for the downstream units, which is an isomerization unit and a reformer.

So just like people, if they are irritated, they don't perform very well. So we've hired the Goldilocks company, engineering company, to make this fractionator just right and clean this mess up and improve all these things.

The big thing is that with an addition of a recycle compressor and some heating exchange to those hydrotreaters, we get to make big improvements in reliability, supporting Tom Shetina's efforts. We get to make energy savings looking at reducing cost. And it's -- I don't know. A wonderful project.

The next one, the kerosene hydrotreater, distillate hydrotreaters, have the same thing. Have the same problem. We're going to add a charge pump and some heat exchange and a little bit of piping. I don't know how to express the creativity of the engineers that show this. It is just, you know, some people like to make the Taj Mahal. Some people like to fix this.

This is good process engineering, where you end up with a 4,000 barrel a day crude expansion and a 4,000 barrel a day distillate hydrotreater expansion. And by the way, we haven't even touched the crude yet. Wonderful.

As much as economically possible, as soon as economically possible, by asking questions, what are the real limits and how do we go forward with that. Based on the engineering, we are already looking at the Artesia crude unit and the Lovington crude unit.

And I've seen some of the engineering and I know that there is a sister project that's just almost equivalent to this one that's going to dance out of here in the next couple of months. So not only do we have this project, but I think we have pretty much an equivalent one coming up pretty shortly.

The challenge is -- to reiterate -- is to challenge how we look at a solution. So the next slide and the next thing just allows me to further explore that option. You know who Todd Frazier is. He won the Home Run Derby at the All-Star game just a couple of weeks ago. And in the final round, he hit 15 balls over the fence.

I'm here to tell you I can do the same thing. I expect skepticism, didn't I? I heard that. Okay, but we're going to challenge that. I didn't say I was going to hit a home run. I said I was going to hit it over the fence. I'm only going to stand 10 feet from the fence. Now how many people think I can hit it over the fence.

That's this next project. It is -- we know that there is additional capacity at the El Dorado crude unit. This is -- they'll give you 20,000 barrels a day. So how do we get it? Well, ask the question. What is the limit of the El Dorado crude unit?

It is a PSM limit, a process safety management limit. It is too difficult to explain in that it's a complex system to keep equipment and employees safe. Every unit in HollyFrontier at every refinery has one of these. We have gone through a process that we use that is complex and difficult, but to make sure that we can safely increase the feed rate at a unit.

We did that. It took a couple of months. When we found that, we know that we can safely increase the crude unit to more than -- much more than 140,000 barrels a day. It doesn't say that the equipment can do that. It just says we can try. So let's do that.

So in August, we tried. And we went up 4,000 barrels a day with absolutely no capital investment. Then we hit a couple of limits. We currently have an engineer on those limits. They are redesigning or designing the limits that will be able to be taken out online. They don't require a shutdown to fix these. They are relatively minor and we're going to have them as soon as we can possibly get it up there. As soon -- as much as economically possible, as soon as possible.

The next limit then is all the limits can't be done with test runs. You know, you are going to hit a limit you can't go by. So we have another engineer that is currently looking at the El Dorado crude unit and looking from a -- not a detail standpoint, but what is the next limit that we see.

And then we will put a rough cost on that and it will go back to Paige and he will look at those economics. And then we hit a curve that starts to show what the return and what the -- how much -- we can remove a limit and what that return is and what it's going to cost. So that we can get a very high level -- we can make sure we get high return, low capital projects and get as much out of that equipment as we possibly can. And that's what we're going to do.



George Damiris - *HollyFrontier Corporation - EVP and COO*

Okay. Thanks. I think that was the first example of a human fractionation tower I've ever seen. Guys, similar questions on the yield improvement side. Paige, can you please discuss the El Dorado FCC yield improvement project and how we are leveraging that experience?

Paige Kester - *HollyFrontier Corporation - VP, Acquisitions and Corporate Development*

Absolutely, George. Liquid yield projects take hydrocarbons that end up as byproducts or low value products and getting them back into a liquid form gasoline diesel that we can sell. Generally, when you talk about liquid yield project, you talk about the three units: FCCs, cokers, reformers. FCCs have volume expansion. Cokers and reformers have volume shrink.

So we had a very successful project at El Dorado that we'd like to talk about. At the end of last year, we spent about \$9 million putting in a new termination device and feed nozzles and we got 1.5 liquid volume percent liquid yield. That's 1,000 barrels a day of gasoline and diesel that came out of coke steam -- natural gas basically.

So you went from something you already paid for and you turn it into gasoline. Hugely successful and at our just kind of five-year average price, that was \$25 million. We blew it out of the park with crack spreads in the midcontinent this year already.

And that program is important to talk about because we have two more cats to shut down just in this next spring. So in Tulsa, we are spending \$36 million of incremental opportunity capital in that refinery. We are taking two risers into a single riser. We are putting feed nozzle in and we are putting a reactor stripper in.

And at the end of that, we still won't be to the point where El Dorado is now. And so you might say well, why don't you do the termination device right now? It's because Michael McKee says you can't extend my turnaround. We have to hit our turnaround scope.

And so we're going to stop here at \$36 million. We expect that to have 1% liquid yield gain, which will be about \$9 million of liquid yield improvement and about \$10 million of capacity improvement. So 4 years from now, we'll be back to do another Tulsa improvement.

At Cheyenne, we are putting \$8.6 million of opportunity capital to work. New feed nozzles and some updating of some designs. Both of these units were built in the 1940s, so there's a lot of opportunity here.

And the \$6 million of EBITDA generation we expect from Cheyenne, three-quarters of that is liquid yield improvement and the rest is (technical difficulty). We have a lot of opportunities in our refineries. We have 16 of these units that we can work on and we continually improve and update and we have a lot of runway to go.

George Damiris - *HollyFrontier Corporation - EVP and COO*

Ken, besides the FCC units that Paige just discussed, what other areas do you see as ripe for yield improvement projects?

Ken Jinkerson - *HollyFrontier Corporation - Senior Director, Process Engineering and Design*

A couple more examples. The Tulsa naphtha splitter. You probably are all familiar with the El Dorado naphtha splitter project, which is on-time, on budget, should be done later this year. Putting, again, the right molecules in the right places, as George has already indicated.

What we do is we're going to double the size of the naphtha splitter at Tulsa. We're going to again put those right molecules in the right place, reducing irritation downstream. You know, this is another example of those.

But currently, we put reformer feed in the isom and we put isom feed in the reformer. Reformer feed is a temporary catalyst poison. When it goes into the isom -- that's the C7s you see on the slide. So we're going to remove that. And then course isom feed through a reformer just goes through as a free ride. It takes up space, so it will give us some more capacity there in the reformer.

Being able to put those molecules in the right place allows us to raise the octane on the isom unit. That allows us then two blend a low octane material that we are currently selling into gasoline and achieve the upgrade.

The graph on the lower left is an indication of that. This is natural gasoline versus gasoline. We don't absolutely sell it for natural gasoline, but it's an indication and it's a pretty good marker. And you see the average is about \$1.00 a gallon for the last couple of years -- or I just use \$40 a barrel. The math is easier. So on a couple thousand barrels a day, you can see the great incentive to do this project. This is -- this project is a winner, George. It's just again another monument to process engineering.

George Damiris - *HollyFrontier Corporation - EVP and COO*

We all love winners.

Ken Jinkerson - *HollyFrontier Corporation - Senior Director, Process Engineering and Design*

And one more. You know, we've already -- George has indicated singles and doubles. And I've told you we are going to hit it over the fence well.

This is the grand slam. This is the kind of absolute project I love because it hits everything. It addresses reliability, supporting that effort. It changes -- it helps safety, regulatory concerns, and it generates an economic return in addition.

Basically what we are doing is we're going to take almost valueless coke -- even Fred can't do much with that. And we're going to turn it into gas oil, mostly. It then goes into a hydrotreater, where it sucks up hydrogen, where then goes into a cat cracker, where it makes a volume gain.

So we get 4% across the coker, but we get 0.6% across the entire refinery. What can I say? That is just a very great project: turning coke into 0.6% volume gain in an entire refinery.

We also have an environmental regulatory concern about when we can open the coke drums, the pressure of which we can lower before we had to open the drums. This project will take care of making sure we are in compliance with that project.

We have a -- to improve reliability and safety, we're going to have a blowdown system and a switch deck. They are problematic at the moment. This will improve them greatly. Plus, it has the added benefit we will be making them as stand-alone pieces of equipment to keep from having to stay down longer during the turnaround and get this system up. We'll have them sitting there. All we have to do is tie them in.

And then we are putting in a safety interlock system for when we get ready to de-coke. And through this whole process, we found a few more safety problems that we are going to be able to take and clean up. That's just -- it's just the grand slam.

And in addition, just as a little added bonus, we are also looking at an expansion of this coker. And this sets it up for a very low cost coker expansion. It will be down the road a few years.

But I wanted to leave you with this thing, as Mike Jennings has indicated. We want to do continuous improvement. That is our mantra. We want to do something that allows us to make as fast as we can an economic improvement and as soon as we can, using the creativity of all the process engineers that are in this Company, which is a gold mine.

I think they are very good, George. And I want to be able to say that if we challenge the way we do things, you, too -- and us -- will be able to hit it over the fence. George?



George Damiris - HollyFrontier Corporation - EVP and COO

I don't think I've ever heard anybody politick for a raise during an investor day. Ken, one last question for you. You have been in a lot of plants, have a lot of experience around the world. Are you surprised by the number of opportunities you're seeing at HollyFrontier?

Ken Jinkerson - HollyFrontier Corporation - Senior Director, Process Engineering and Design

No. I think in my 40 years of experience, this is pure process engineering and I think it's becoming a lost art. And to see that it is so alive and active in HollyFrontier is really good and I'm proud to be a part of this.

George Damiris - HollyFrontier Corporation - EVP and COO

We're glad you're here, too. Okay, to summarize our panel discussion this morning, we've covered \$700 million per year of average annual EBITDA that will be delivered by the end of 2018. Approximately half will come from capital investment. The other half will come from improved refinery operations and better optimization.

Nobody in our Company believes it's going to be easy to execute this plan. Nothing in refining is ever easy. However, we are using a structured approach and have the right people and processes to execute this plan.

With that, I think we've all earned a break. Let's take one. Let's get back by 10:30 so we can hear Bruce Shaw tell us about HEP.

Bruce Shaw - HollyFrontier Corporation - President of Holly Energy Partners

If I could get your attention please. We'll get rolling again. Before we start, if you would, in if you happened to turn your cell phone on during the break, would you turn it off? I'm making sure mine is off at the moment.

Thank you all. My name is Bruce Shaw. I'm privileged to serve as President of Holly Energy Partners. It's great to be with you all this morning. And on behalf of over 220 other HEP employees, I'd like to thank HollyFrontier as our major customer as well as our GP sponsor for letting us crash their analyst day today.

And seriously, we are proud to be part of the HollyFrontier family. And as outstanding as the HollyFrontier story is, as you've heard today, the story wouldn't be complete without updating you on HEP's growth plan going forward and how we contribute to the HollyFrontier value equation.

So let me run through a few stories, a few items for you here. I'm going to cover in these next few slides first of all just a quick review, an overview of HEP's business; second, review the value and growth drivers for HEP. I'll give you some examples of those drivers. I'll add up the numbers for you and give a projection of where we are headed EBITDA-wise and what that means for distributions, and then summarize how it adds up for HollyFrontier value before turning things over to Doug.

So as far as growth drivers for HEP, these have been consistent over our 11-year history. July of this year, we celebrated our 11th anniversary.

I'll point your attention to the chart on the right-hand side of this page. And as you can see, we've got distribution per-unit graphed in the bar graph next to WTI price on the line. And what we've done at HEP and what we have been consistent with is a business model that is structured to deliver consistent growth over time that reacts very little, if any, to commodity fluctuation.

So as you know, HEP is a 100% fee-based business. We do not own any commodity so we have very little, if any, commodity risk in the business model. We are fortunate to have minimum commitments from HollyFrontier and from our other major refining customer, Alon USA, around their

big-screen refinery. And about 80% of our revenue is covered by minimum commitments from these customers. And that's allowed us to charge (technical difficulty) to increase our distributions every quarter since our inception back in 2004.

The only other data point on this chart -- it's not on the chart but I'll mention it, since 2004, and I'm kind of getting into August 2004, so about a month after HEP's IPO, if you measure HEP's unit value appreciation versus the Alerian, we are up about 165% over that time period versus the Alerian up about 75%.

So, to touch on the growth drivers, we've got three -- organic projects; projects that we work on with HollyFrontier, call those drop downs primarily; and then we also have third-party acquisitions. I'm going to give you some examples as I go through the next few slides on each of those categories. But I would like to give you a little context, given that organic is pretty easily explained around projects we build that add on to our current assets and the internal initiatives that we take to increase cash flow to HEP. I want to give you the context for drop downs, how we think about those, as well as acquisitions, which is not for the faint of heart in the MLP space.

As far as drop downs go, and I know that HollyFrontier and we have been pretty clear about this, we look for assets that HFC has added to its portfolio that are fit for HEP asset-wise and business structure-wise, that are relatively new, so there's little tax leakage in the transaction with HollyFrontier from their perspective. And there's also new EBITDA that's been added to the HollyFrontier equation for which they can carve out a portion for HEP. So that's a little bit of a context setting for drop downs. And certainly the El Dorado fractionation unit that I will talk about fits into those categories.

As far as acquisitions go, we thought we were a little bit late to the MLP space in 2004. I think there were 25 or 30 MLPs at the time. We've learned over time we weren't exactly late, we may not have been entirely early, but with over 120 MLPs now, the auction for assets can get a little heated. A lot of value can be kind of sucked out of an acquisition just in the price that's required upfront.

So when we think about our competitive advantage, we think about our relationship with HollyFrontier, their refining footprint, their commercial requirements, and then how we can bring to bear our logistics capabilities to find deals that make sense for both companies, and that are strategic. And we've had one example of that transaction earlier in the year of a transaction of that type with acquiring the crude tank farm near the El Dorado refinery and had bought down to the farm in March. And then we also just announced this morning the acquisition of a 50% interest in the Frontier crude pipeline in Wyoming and I'll cover a few more details on that in just a minute.

An example -- a couple of examples of organic growth, first the crude system in southeastern New Mexico. Tom Creery talked about this earlier. And this is one where we -- during the initial transaction that happened in 2008, this is a system that was built really just to supply the refinery and its needs for local gathering there in southeastern New Mexico. Part of this is being lucky, part of it is being smart, a little bit of both. But we've been fortunate to be in a basin that has seen a lot of production growth. And as Tom and his group like to continue to grow their relationships with their crude suppliers, in 2014, we completed this expansion that allowed us, number one, to gather more barrels, actually move more barrels on segments of the system, but also allowed us to connect the system to some exit points. So if the refinery actually couldn't run all the barrels that were being produced, we could still collect those, deliver them to Midland or Cushing. And as Tom mentioned earlier, when they get to Cushing, they can also supply option for supply at El Dorado or Tulsa as well.

So the graph on the right here just shows the growth in gathering volume since 2011 are basically a doubling in gathering volume, counting new volumes that are coming in at the Whites City truck station just there near the Texas border.

Another organic opportunity, I know that our self-help initiatives when we talk about it in the context of HEP may seem small in absolute numbers, but still significant kind of in our smaller cost structure. We've identified a set of internal initiatives we believe can deliver \$14 million or better of improvements, cash flow improvements, for HEP over the course of 2016 and 2017. They fall into four rough categories -- maintenance management savings, project management improvements. We also have some power contract work to do and pump efficiency work we are working on, and then some small capital projects that we have in mind.

Just a couple of examples with maintenance management. Pipelines are not a whole lot different than refineries in this regard. But predictive maintenance is really key for us. So improving our ability to avoid emergency maintenance or expedited maintenance services by taking care of



equipment on time and in advance of any problems is key to working on our maintenance budget every year. We just completed the installation of a new software system and business process to -- we think will deliver over \$4 million in benefits.

And in terms of small capital projects, another example, we have some butane blending projects we're looking at our terminals. We have one underway in Las Vegas. And we are also taking a hard look at trans-mix fractionation in a couple of places that may earn us a little more money at the terminal as well as save money for our refining customers. So again, \$14 million of incremental cash flow we believe over the course of 2016 and 2017 annual savings going forward.

Let me cover the drop-down that was announced this morning. We agreed in principle with HollyFrontier to acquire the naphtha fractionation unit and the associated hydrogen plant purchase price as it's envisioned in the term sheet that's been approved by both board committees, \$62 million. This is a transaction we are excited about. It does have a little different unit profile than we are used to, but in terms of the business structure and the business terms around it, we are excited about this being a template for us going forward if other opportunities inside the refinery present themselves. A \$62 million purchase price. We see a \$6.9 million or better EBITDA based on the towing arrangements with HollyFrontier. And again, this is a project that makes -- is every profitable from a refining perspective and carving out the small amount of EBITDA for us to make the transaction attractive from a limited partner perspective was an easy decision to make. So this is the first drop-down of this nature, and one, as I mentioned, we are excited kind of to create a template here for future potential projects.

So let me talk about third-party acquisition. I already mentioned the tank farm we purchased in El Dorado earlier this year. This was announced this morning, about a 300 mile crude pipeline. We purchased a 50% interest in the pipeline. Plains All American is the operator of the pipeline. They also increased their ownership percentage to 50%, so we are now 50-50 owners in the pipe. It delivers crude down to a couple of different pipelines at Frontier station that carry crude oil into Salt Lake City. Clearly, a strategic purchase, as mentioned earlier, from a HollyFrontier perspective, and making sure the crude supply is there for the Woods Cross expansion, but also a deal that HEP is excited to be a part of, one we think has got some growth potential and will deliver between \$6 million and \$7 million of EBITDA over the first year for our interest of ownership. That's a deal we closed on Monday, money already spent. And again, fits with that description of acquisitions working with HollyFrontier and their refining footprint and their commercial requirements to create unique deal opportunities for HEP and finish it in both companies.

So let me add up the numbers for you. I've just got two slides left. These just take the numbers from the organic projects we've talked about from the drop-down, as well as third-party acquisitions. It also envisions of potential drop-down of Woods Cross expansion assets that both companies have talked about that are not yet finalized. If you take the numbers among these, some of the capital having already been spent around the southeastern New Mexico crude system, around the UNEV growth and some investments we made at that terminal, some of the money yet to be spent like the money we've spent for the fractionator drop-down later this fall as well as what is potentially certain assets out of the Woods Cross expansion, but we see growth potential of \$22 million of EBITDA plus or minus for the year 2015 versus our \$212 million of EBITDA in 2014. Over \$60 million of EBITDA potential among these for 2016 and then approximately \$90 million addition to EBITDA by the time we get to 2017. Now, this growth would support a roughly 8% distribution growth annually. I don't want to call out a ceiling. Obviously, we want to push for as high distribution growth rate as we can find. I just want to call out for you that if you put these numbers together and line up through, we believe it would support an 8% growth rate. So we will spend, among all these, \$400 million to \$450 million of capital, and by the time we get to 2017, we would be generating over \$300 million of EBITDA at HEP.

Let me finish by just pointing out the value that HEP, the value role HEP plays for HollyFrontier. This is a chart that just shows you the GP cash flows for HollyFrontier's general partner interest as well as their incentive distribution rights since 2005, basically a 40% annual growth rate in those distributions. I know you all understand the mechanics of the incentive distribution rights. But I do want to add it up for you.

So, the \$43 million and change kind of annual GP cash flow that HollyFrontier receives from HEP, the 20 multiple, is worth almost \$900 million in GP value. Then if you take HollyFrontier's 22.4 million limited partner units, that gets you close to \$800 million in value. Putting those things together, they amount to about \$8.70 in share value, ignoring taxes, for the HollyFrontier equation. And as we see this going forward and I think as mentioned earlier, not only the growth in the value that we will see over the next few years for HFC but also shrinkage, potential shrinkage in shares outstanding, I think one of the earlier slides Mike pointed out could add more than \$4 more to the share value.



So thanks for your time this morning. I know that you all have digested a lot. I was visiting with some folks at the break who were talking about how many notes they've taken and how much review they wanted to do. But if you remember two things about HEP just to leave with you, one is we've got a solid track record growth from a very stable business model, and we expect to grow to over \$300 million of EBITDA by 2017. And also, we are a significant contributor to the HollyFrontier value equation, and happy to be in that position.

So with that, I'm going to turn things over. I'm going back to Ken's baseball analogy here, but I'm going to call the cleanup hitter up, and Doug is going to talk you through the financial roll ups.

Doug Aron - HollyFrontier Corporation - CFO

Okay. Thanks, Bruce, very much and thanks to all of you for being here today. I get the distinct privilege of trying to tie a bow around this unbelievable presentation from a lot of folks that have with a lot of hard work in. Before I get to the roll up though, just another word or two about HEP.

As you think about its growth and where it's been and maybe not so successful in third-party acquisitions at least until the tank farm Bruce mentioned or the one today, in an escalating crude price environment when everybody seems to have plenty of capital and opportunity to do things, we weren't as successful. But as you look at the current environment and you look at folk selling assets, I think HEP has got a great opportunity to provide significant additional value to HFC, and we are excited about that opportunity. And while the \$62 million or so drop-down of the naphtha fractionation unit we think is exciting in its size, maybe is a little smaller than some anticipated. What I would tell you just as exciting or even more exciting to me is the template that's been created, the fact that lawyers see this as qualifying income and that tax folks say this is a transaction that works. This is very much a template for us to use for Woods Cross and other potential drop downs as we look forward to the next couple of years.

Before I talk about where we are headed, I'd like to review for just one more minute sort of where we have been. And one of the folks here in the audience said perhaps we ought to change our ticker symbol from HFC to ATM, sort of referencing the automated teller machines.

As Mike mentioned in the open, we've paid in excess of \$3 billion to shareholders through regular and special dividends and share buybacks in the little over four years we've been a merged entity. That's nearly \$17 a share, and certainly on the high end of the peer group in terms of industry-leading cash returns. We certainly remain committed to that, would expect for that to continue into the foreseeable future, and we will take you through some of that in the next few slides.

In terms of our capital approach, we think we are certainly disciplined, again an industry leader there. There are sort of three budgets that we like to think about when we think about allocating capital. The first is our sustaining and maintenance capital budget. It's about \$125 million a year, call it \$25 million a refinery for sort of ease of averaging. It doesn't quite work out that way but close enough. We do have some compliance capital that has to be spent over the next few years. The largest of those, our biggest focus, will be on tier 3 gasoline compliance to stay sort of in business. That will be the requirement that the government has put forth for us. So we've got some capital to spend there. And then finally, tank and turnaround maintenance that has to occur. That adds up to about another \$100 million to \$125 million a year.

You heard today a lot about opportunity capital, and that's going to be principally focused on the quick hit projects that Paige and Kent talked to you about. Rather than the larger sort of Woods Cross \$400 million plus CapEx, these are smaller, \$50 million at a time, at largest, some much smaller than that. We expect to spend about \$100 million annually on these opportunity capital programs.

And then the third bullet here, mergers and acquisitions, we haven't talked much about that today. And frankly, we haven't had a lot go on there since our merger in 2011. It's not for lack of looking. We thought we saw some opportunities, some of which we've been more public about than others that turned out not to come to market or end up being sold as we would have hoped. We will continue to look, but for today, and I think you've heard a lot about what we plan to do and where we plan to focus our efforts, our focus will be internal. It doesn't mean we will stop looking certainly in the corporate shop. It's our job to make sure if assets are sold and they are done so at a reasonable price, that we are there and we are taking a hard look at those. But what I would say is you should expect from us a continued disciplined and patient approach. We don't want to be bigger for bigger's sake. If we can return capital at the same level that we've done historically, we would be very interested in growing. If not, we think reinvesting in HollyFrontier shares is certainly the highest value use of our cash today.



And there on the right-hand side of this slide, we are committed to maintaining a best in class shareholder yield through dividends and share buybacks. We have a current \$1 billion authorization outstanding. At the last public reporting period, we had spent \$325 million to \$350 million of that, leaving \$650 million outstanding. I think, as you'll see in the next few slides, it's certainly reasonable to expect, once that authorization is completed, that there will be much more of that to come.

I want to take just a second and talk about our capital structure because it is an important part of our story. We are privileged to be one of the few investment-grade independent refining companies, and we certainly intend to stay that way. There wasn't a huge differentiation between investment-grade and high-yield a year or two ago. But as we've seen the energy markets come under a little bit of stress, there is now upwards of 300 basis points of differentiation between investment-grade and high-yield. And it's very much our attempt to stay investment-grade.

If you deconsolidate HEP and HFC, you'll see that HFC today has effectively zero debt, about \$32 million outstanding around a tank lease in Tulsa, and our debt to cap is less than 1%. So not very efficient from a CFO's perspective, and adding some debt to our balance sheet is something that this market and this group should expect from us in the next 6 to 12 months.

What I would say is we are not going to overdo it. We will maintain our investment-grade rating. I think targeting over time, and this has been an area of perhaps a misunderstanding in the room, we've seen a few notes that sort of said jeez, these guys are going to lever up to one times net debt to EBITDA in the next 6 to 12 months. I don't think that's the message you should take away. I think that's a longer-term target and we will show you in a minute sort of our idea of when that debt gets issued, and that would sort of be the upper end of the range that we would feel comfortable going to. It doesn't mean necessarily we'll get there overnight.

As a recap, you've seen this slide a couple of times today, most recently George sort of summarized. I just want to drive home the fact that we think we've put forth a plan that everybody in this room has embraced that increases our EBITDA in a 2014 sort of margin neutral environment by \$700 million by the end of 2018. So let's see what that does on a pro forma income statement and cash flow statement as we go forward.

I want to caution everybody that's both here in this room, and this group knows how difficult it is to model refining earnings, so for those listening on the call, please understand that this is a projected consolidated income statement. These are non-GAAP, non-audited financials. And that actual results absolutely will differ. We just aren't quite sure whether they will be lower or higher than what we've put on this screen. But with that in mind, we started with a 2014 baseline. We did adjust for the lower cost to market adjustment that we took as a result of a LIFO hit with a big drop in crude prices. But you can see, starting in 2014, EBITDA of \$1.3 billion roughly, or \$2.68 a share. And we had at that time at around the end of last year 197 million, almost 198 million shares outstanding.

And what we are trying to show to you here is that, by the end of 2018, with all of the projects, operating cost reductions, yield improvements, reliability improvements, we expect to grow EBITDA by \$700 million annually, and at the end of 2018, instead of \$1.3 billion in earnings, we are closer to \$2 billion. \$1.97 billion is what we have modeled here. And you see that has an incredible impact on net income and an even bigger impact on EPS. The reason for that is because we show, by the end of 2018, having significantly reduced our share count to 138 million shares, about a 60% reduction in shares outstanding. On the next slide, I'm going to show you how we plan to get up there.

Okay. So, again, the same caution that I gave you on the income statement. Non-GAAP, non-audited, projected based on earnings that we would expect in a 2014 margin neutral environment. You can see that we have layered in some CapEx, as you heard from, again, the groups that talked about these quick hit projects as well as our CapEx line -- sort of comes way down from the \$720 million that we expect to spend this year as we complete the Woods Cross project more into the \$450 million to \$500 million a year range. Again, focusing on quick hit projects as well as our maintenance CapEx and some compliance capital.

The other thing we've done here is to target a \$400 million to \$500 million cash balance as we go forward to run our business. And what that let us do is sort of plug them for share repurchase numbers.

I absolutely want highlight, and Julia and I talked about last night, we probably should have had a separate slide to talk about the expected drop downs as we go forward here. But we've inserted a line to talk about drop-down proceeds. You will see in 2015 \$62 million. We accomplished that as of today with the El Dorado naphtha fractionation drop-down. But what we've shown here going forward is \$200 million a year in each of 2016,



2017 and 2018. And that equates to about \$22 million a year of EBITDA being dropped down to HEP at roughly the same multiple as the El Dorado naphtha fractionation was dropped today. Call it nine times EBITDA. And so there may be a few skeptics in the room saying gosh, that seems like a bigger number than you've historically been at. What I would tell you is that, as you look at HollyFrontier and our net income per barrel, highest in the industry, very durable three time, and we've spent the last 2.5, 3 hours now marching you through how we are going to grow that by \$700 million, dropping down \$22 million a year of EBITDA to HEP shouldn't be a very difficult bar for us to jump over. So for those that are sitting here wondering how we get to that 8% targeted growth rate or higher for HEP, we believe the answer is in these drop downs from HFC, again, without transferring any commodity risk to our very stable and profitable MLP HEP.

Through this time now, with those drop downs, with our capital program being what it is, and with our expected growth in EBITDA, you can see that the plug number again targeting the \$400 million to \$500 million cash balance leaves us with about \$1 billion of share repurchase in 2016, another \$1.25 billion in 2017 and almost \$1 billion, \$950 million, in 2018. So call it \$3-plus billion of shares repurchased over the next three years, and that doesn't include the \$600 million, of which we've already spent about half so far in 2015.

Sort of summarizing all of that, and I also want to -- we have a lot of footnotes in the financial statements, as you might expect. The EPS number we show on this slide is different than the one we show on the projected income statement. The reason for that is the projected income statement a couple of slides ago was on a consolidated basis. This is meant to show just HEP as from a valuation perspective -- rather HFC, excluding HEP's earnings because, from a valuation perspective which I will talk about in a second, we value that separately from the refining earnings. But again, expected EPS growth of greater than 100% from 2014. We don't think we are really stretching here. But again, that's in a 2014 margin neutral environment. Potential share repurchases in excess of \$3 billion, retiring more than 60 million shares, or in excess of 30% of the shares that we had outstanding at the end of last year.

If you assume a 10 times earnings multiple on EPS and a \$2.5 billion evaluation for HEP, HFC share price against the \$37 and change that we ended 2014, we would expect to grow by 90% by the end of 2018. And we do all of that without significantly leveraging our balance sheet at all and maintain a less than one times net debt to EBITDA, and about a 10% net debt to cap.

This is the final slide of the deck, and it's meant to illustrate a few things. First, if you look at the pie in 2014 and compare it to the one in 2018, the one on the right, that being the one at the end of 2018 that is significantly larger. Also, as part of this, the GP value which we would expect to increase by about \$10 million a year in terms of cash flows to the GP owner, HFC, grows from about 10% in 2014 to 15% in 2018 as our market value continues to grow, as does the size of the GP cash flows. And also important in this is the fact that we've taken significantly the denominator down by 30%. All of that adds up, we believe, to significantly higher shareholder price, value and return for both HEP and HFC.

So, sort of wrapping up in total, first, I want to thank all the guys that are sitting in the back of the room that did this presentation today. It might have seemed very natural and like these guys do this every day. Very much, they don't. They are engineers. They are optimization and marketing guys, and you guys are done an awesome job I think telling the story. I hope you guys agree. I hope it illustrates to you the depth of knowledge, tenure and experience we have at HollyFrontier.

And I also want to take just a second to thank Craig Biery and Julia Heidenreich, who were able to get this many folks to Dallas, Texas in September when it's 97 degrees outside. That is really good work. I'm not convinced they didn't pay you to be here, but we appreciate your attendance nonetheless.

Let me conclude by saying that you saw a lot of slides today. There were a lot of numbers, a lot of things that sort of go towards that \$700 million EBITDA improvement. And I'm certain that, as you run your own models, perhaps you look at margins that are different than 2014. They have been different in 2015. In fact, they have been considerably better in 2015 than they were in 2014. Maybe you guys will come up with a number of higher than \$700 million. Others will come up with less.

But if you take away nothing else from today, please take away the fact that everyone that you heard from and saw today is signed onto and accountable for this plan. And when I say that they are signed on, I mean literally that they are signed on. This sign hangs in Mike Jennings' office. Everybody you heard from today signed this a little while ago sort of saying I am committed, I am in, I want to be part of this, I am excited about it. And this is what we as a management team will be focused on.

And in terms of the balance sheet, the drop downs to HEP and the share repurchases, while we don't have much control at all over margins, we have a whole lot of control over that. And I think you should expect to see the share repurchases happen as we've advertised them. We are very excited about it.

Thank you guys again, I'm sure there's a few questions out there. So what I will say is, because we are webcasting, please wait until Julia or Craig comes to you with a microphone so that those that are listening in their offices can hear the question. I would now ask George, Jim and Mike to come join Bruce and I and we will take all your questions.

QUESTIONS AND ANSWERS

Neil Mehta - *Goldman Sachs - Analyst*

Thank you very much. Neil Mehta here with Goldman Sachs. I appreciate the presentation today.

If we can reflect a little bit on the slide you showed that discussed capital allocation, two questions there. One is as you think about the pacing of that debt issuance and how quickly you want to lever the balance sheet, what are the factors you have in your mind as you try to calibrate the pacing of that?

And the second question is dividend growth. If you look at the numbers you showed, you showed relatively flat dividend growth. I'm guessing that's just as a placeholder. How do you think about that in terms of capital allocation? Thank you.

Doug Aron - *HollyFrontier Corporation - CFO*

Sure Neil. Good question and I think I failed to mention in my presentation that we showed a \$500 million debt issuance in 2016 and another \$500 million debt issuance in 2017. The timing of that is obviously dependent on, first, the board approval, also a little bit dependent on markets. But what I would say from a debt issuance perspective is you probably ought to expect something from us certainly in the next six months. Operating today with no leverage is just not efficient. And the capital markets for investment-grade companies like us seem to be in the 4% to 4.5% range on a 10-year issuance and maybe just inside of that on a seven- or eight-year issuance. So expect that to be sooner than maybe even the 2016 timeframe. I'm not sure whether we are able to get that done before year-end or not.

And then targeting by the end of 2018 or beyond, that sort of one times net debt to EBITDA is I think reasonable. But there is a long way to go between here and there and a lot of shares to be repurchased. So what we tried to illustrate for you is what we thought a conservative approach so you guys don't leave here saying they sort of took the max in every category. This isn't an achievable plan. Just the opposite. We think, if anything, we've left a little room to grow. Excuse me.

And then the second question was on dividends. What I would tell you is we have modest increase to the amount of the dividend sort of consistent with our historical call last 12 months on a regular dividend. The numbers don't look like they are growing. It actually looks like they are shrinking. But keeping in mind with a 30% reduction in the share count, it actually saves us considerable money on the amount of dividends going out the door.

Mike Jennings

Strategically, I think what we are looking for is a competitive, regular dividend in the preponderance of the cash yield to go through the share repurchase channel so long as we have this kind of value growth ahead of us.



Evan Calio - Morgan Stanley - Analyst

Evan Calio, Morgan Stanley. Clearly an impressive buyback, both in magnitude and duration. Two questions around that. My first is you are based on 2014 crack spreads, and we could debate in the room what the forward look is going to be, but clearly in 2015 has been significantly higher. So how do you treat cash flow in excess of your base case? Is there a faster sweep to the buyback, given the reluctance to build cash as what happened in 2013? And then conversely, if cracks were weaker given how much duration there is to the buyback, would we maybe be expecting an acceleration in that scenario? So just really trying to understand how you pace scenarios around with what looks like a conservative cash profile.

Mike Jennings

Our purpose is not to accumulate cash. Insofar as we are earning at higher rates, we are likely repurchasing at higher rates as well. The upper limit becomes one of how effectively can you be in the market at what volumes without pressuring the price due to our program. And we are conscious of that. So think in terms of 5%, maybe up to 10% of daily volume, at which point we are a big player in the stock.

Your converse question relates to negative or downsize crack environment, presumably cheaper stock price environment. Are we are going to be opportunistic? And it's hard to forecast what might happen. What I would say is our purpose is to be consistent to try to execute this plan. On down days, yes, we might buy a little bit more, but I can't tell you that in a down year we are going to be aggressively repurchasing at faster than pace.

Evan Calio - Morgan Stanley - Analyst

And my second question is related, and it relates to what was the consideration to doing an accelerated buyback -- for at least a portion of it? And is -- the way in which you laid it out, is that by design to provide you with maybe more strategic flexibility if things (multiple speakers)

Mike Jennings

It simply is a demonstration of resolve. We figured we would come out with \$300 million, which is a chunky buyback, and follow that with open market purchases. I don't anticipate we will have a lot more accelerated programs rather be in the market, the open market consistently, but we felt like a good, chunky start to the repurchase program, which replaced an aggressive special dividend program if you recall, would be a great way to signal to the market that we are serious about this.

Ryan Todd - Deutsche Bank - Analyst

Ryan Todd at Deutsche Bank. Maybe if I could just ask on the MLP, the drops at MLP and the use of that structure outlook. We've seen you cite evolution in your views over the past few years in terms of your willingness to use the MLP structure. Can you talk about I guess a little bit of how your views have changed over the past couple of years, what's driven that, and then maybe where, as you think about where the right place -- what's driven your thoughts around the right place to draw that line in terms of what you are willing to carve out and drop down?

Mike Jennings

Sure. The MLP in general has become a proportionally larger piece of the valuation equation for independent refining or for sponsor refining company stocks over the past couple of years. I would say that probably wasn't as pronounced three or four years ago. It can't be ignored now.

The GP value, the GP cash flows and the LP unit value as a percentage of our stock is considerable. If you look at the 2018 chart that Doug put up, 25% further the multiple expansion in putting cash flow into that vehicle has improved over time, frankly. You're looking at drop downs that are now done at 9, 10 times EBITDA, not 4, 5, 6. So the value to the sponsor is that much higher.

Finally, we have now some tax efficient assets to drop down newly constructed equipment in which we have high basis. I think that's important. I don't want to leave 35% of what we do to the government. So if you start at a 10 multiple and you get to a 6.5, and you trade at 5.5, I don't think you have achieved that much apart from perhaps buffering or supporting your GP value. Thus the addition of high basis assets that we can work with inside the sense I think has allowed us to be a little bit more aggressive on the drops prospectively.

Ryan Todd - *Deutsche Bank - Analyst*

Maybe a follow-up on that in the Permian. You have a great position in New Mexico and the Delaware Basin. You talked in the presentation about some of your opportunities to grow and optimize that position. Are you in a place now where you feel like you could take advantage from, in terms of an infrastructure, incremental infrastructure, be at acquisitions or more organic growth opportunities on the MLP front, or is the cost of capital still problematic in that area?

Mike Jennings

I think there are great opportunities in the Permian. We're talking with producers today who are still active and who are looking for incremental infrastructure. We've put in the Malaga and Centurion legs as a starting point, but these gathering systems aren't static. We are going to grow. Obviously at a \$45 crude price, the growth is going to come more slowly. But we have a strong capital position, and we have customers that want to work with us. So that is a core area of future growth for our MLP and builds the third-party revenue piece of that MLP.

Roger Read - *Wells Fargo Securities, LLC - Analyst*

Roger Read, Wells Fargo. Thanks for the presentation today. I guess kind of continuing on with the theme here, if you get a 10% debt to cap, Doug, I'm trying to look around where I can see you, and you do make a move to larger acquisitions, whether in the refining side or something that could be dropped to the MLP, can you give us an idea of kind of what is the maximum level you would be willing to lever up to going forward?

Doug Aron - *HollyFrontier Corporation - CFO*

I think what we've said, again, is historically we'd target a one times net debt to EBITDA. And so because we would still like to think there might be opportunities out there, we won't go to that level tomorrow on HFC's balance sheet. Now, that being said, while we continue to look, all refiners are sort of flush with cash today and we aren't the only one that would be interested in growing. Yes, we've got the best positioned balance sheet. But if you look at our historical acquisition strategy and when we have typically bought assets, it's been more -- is a trough in the cycle rather than, say, mid-cycle or I could argue today we are above mid-cycle in terms of earnings, certainly in 2015.

So I think rather than worry about our ability to finance a large acquisition, which if we do all the things we're talking about which we very much expect to do and our equity value appreciates the way we expect it to, then we've got a very nice currency at that point that can be used to buy assets, whereas you don't necessarily have to add on leverage. And so I don't think you wait around for that. We maybe were guilty of that a bit over the last six to nine months thinking that we had sort of the great white shark or bigger on the line, and that didn't come to fruition. So we are going to eat our own cooking for now and buy back HFC stock because we think that's the highest value.

Mike Jennings

We also want to emphasize the investment-grade nature of our future expected balance sheet. So as we have evaluated acquisition financing, we think you can probably get up in the near term toward two times debt to EBITDA, questioning whether that includes, excludes MLP drops as part of that acquisition. And we probably don't need to get that detailed right now. But I think you can get to almost two times, maintain investment grade, and then reduce debt from there, from that point.

Roger Read - Wells Fargo Securities, LLC - Analyst

Okay. And then kind of a follow-up to that. The MLP, you mentioned earlier a highly competitive market and now it sounds like you've got some let's say sellers in the market that might be a little more motivated than they were before. Can you kind of quantify at all how that may be changing, or sheer number of deals, the dollar size, bid-ask spreads, anything along those lines?

Unidentified Company Representative

I probably won't get to all the specific details you just went through, but let me try to characterize it. We are seeing more assets on the market here and there. What we have not seen necessarily is a close in the bid-ask spread that makes those deals competitive from a valuation perspective for HEP. Obviously, we found a couple that I highlighted earlier. We're going to continue to look for those. But even though buyer expectations -- I'm sorry, seller expectations have come down a bit on value, the gap between kind of what they are still expecting or a more rosy as the future as a seller is a little different than when you kind of factor in some downside cases as a potential buyer. Mike, I don't know if you want to add anything to that, but we are seeing a bit more deals out there, just not the necessarily valuations kind of (multiple speakers)

Mike Jennings

(technical difficulty) deals done based upon acreage commitments. The new deals are going to have real dollar and volume commitments associated with them. I think that is shifting the valuation landscape a little bit. There's probably still a different view in terms of multiple or the amount of volume required, but the previous regime of acreage commitments and sort of long on hockey stick upside is coming away a bit.

Steve Sherowski - Goldman Sachs - Analyst

Steve Sherowski, Goldman Sachs. A couple of quick questions also on HEP. The first is I can see in your HEP growth guidance that you include the Woods Cross drop-down in 2016, but does your guidance include any -- does it include a portion of that \$200 million of drop-downs you outlined for 2017?

Mike Jennings

Bruce's slide built from \$15 million to \$25 million of EBITDA based on prospective Woods Cross drop-down. The point of Woods Cross is we are spending in excess of \$400 million on the HollyFrontier side, and have developed we think a transaction format that makes sense for both companies. Our view is, as we look at that \$200 million a year of drops in 2016, 2017, Woods Cross probably represents a large portion of that.

Steve Sherowski - Goldman Sachs - Analyst

Okay. And I recognize going forward that you're going to need to, at the HEP level, issue equity to finance a lot of these drop-down and growth initiatives. But just on the announcements today, how do you intend to finance those transactions?

Doug Aron - HollyFrontier Corporation - CFO

What I would say is we target sort of a long-term debt to cash structure at HEP of 50-50 sort of debt and equity. And it's unit price dependent. I think I said on our last call that where our unit price was down in the high \$20s and we were yielding close to 8%, that we don't have to be issuers of equity. And that stays true.

The beauty of the corporate structure we have here in HollyFrontier's balance sheet allows us to be patient and wait for the appropriate unit price. That's not to say we won't ever issue equity again. We saw a nice recovery, and then depending on the day, saw a big pullback.



What I will tell you is if we are going to fund, and we certainly plan to, \$600-plus million worth of drop-downs to HEP, obviously some equity issuance along the way is going to have to be part of that program. But it will be done at the appropriate price and timing such as we don't give the market more equity than they can handle. And that gets back, we think, to somewhat the unique structure we have with HFC as a parent.

Paul Cheng - Barclays Capital - Analyst

Paul Cheng, Barclays. My three (technical difficulty) simple questions. First, on the GP, what will be the consideration of [activity] you use to determine whether you want to partial IPO there?

Doug Aron - HollyFrontier Corporation - CFO

Consideration of what please, Paul?

Paul Cheng - Barclays Capital - Analyst

Partial on the IPO, the GP.

Mike Jennings

So we feel the GP as a strategic asset to control. Insofar as we can get value for the cash flow without giving up control, we will consider it. But I think you can appreciate, as we work inside the fence, as we work with logistics assets that are critical to HollyFrontier, we really feel like we need to control that GP. So we've got a lot of growth ahead of us, and we are looking at \$10 million a year on a \$45 million a year base. The GP cash flows will be growing aggressively, but we don't have current plans to IPO that entity.

Paul Cheng - Barclays Capital - Analyst

Second question. As the companies turn more to the internal organic investment growth focus, how is the management compensation there being changed to reflect that new focus?

Mike Jennings

That's a good question. Hopefully upwards. We've laid out a pretty detailed plan that goes beyond capital projects execution. There is reliability, cost of savings, turnaround execution. And these metrics are going to roll through our compensation program because we are saying these are the things that drive value in our business. So the bonus measures that may have been return on capital employed versus the peer group are going to represent going forward significantly the things you've seen on the screen. We like to lineup compensation value with driving value for the shareholder. We think that this plan does that. So our comp structure will be aligned with it.

Paul Cheng - Barclays Capital - Analyst

Has that already changed, or are you going to propose to change?

Mike Jennings

Going to propose. Our compensation calendar runs from October 1 to September. We've got effectively a month left in this current year, so not changing it for 2014, 2015, but rather forward.

Doug Aron - *HollyFrontier Corporation - CFO*

(multiple speakers) I guess the only I guess caveat I would say to that is we did have a change for the 2015 calendar year which was there was an operating cost component that's in all of really every employee's cost structure. Jim talked about that a little bit, and we've already started to see the benefits of having everyone focus, their wallets being focused on the Company's wallets as well. So expect that to be part of the new plan as well.

Paul Cheng - *Barclays Capital - Analyst*

Final question if I could. (technical difficulty) cash, your (inaudible) on the upstream size on the other hand (technical difficulty) cash. And so with that in mind, when we argue the E&P may become cheap and refining is reasonable. So correspondingly, will you consider taking that profit charge and maybe following some kind of joint venture or outright purchase of upstream assets? (multiple speakers) Canada or the US shale oil producer. Thanks.

Mike Jennings

My initial reaction to that is we are a refining company obviously and not an E&P company. So I don't think we would want to stray too far from that foundation. But having said that, there might be very, very, very unique opportunities where we need feedstock, and just to be blunt about it, crude -- the wet crude for Woods Cross could potentially have some interest for us to align ourselves more closely with an E&P company.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Chi Chow from Tudor, Pickering, Holt. I want to ask a couple of questions on the naphtha fractionator drop and the structure around that. So just to clarify, so you're transferring the PP&E to HEP, but HFC retains the commodity exposure. Is that correct?

Mike Jennings

That's correct, Chi. Not only the commodity exposure but the ownership of the commodity through the processing unit.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. What happens with the operating costs and any future turnaround costs? Do those get moved to HEP?

Mike Jennings

Yes, they do. The operating cost has been estimated and built into the tariff. As with the future turnaround cost, there is a mechanism through which we will get to a true-up after a year of the actual operating costs so that HEP has a very clear picture going forward of what the operating costs of the unit are and the tariff should reflect that.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Can you give us any details on the tariff rate initially?

Mike Jennings

It's a complex calculation. It includes the obvious, being the value of the capital, but also the operating costs and the throughput. And the de minimums are fairly high relative to expected utilization so that HEP will have a steady income stream from this protected from commodity risk and with minimal cost risk.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. And this is the same model you're going to use on future, like the Woods Cross expansion drop, and any other future (multiple speakers)

Mike Jennings

We've spent a lot of time internally and with outside advisors getting something that we think works. And so yes, this is what we have landed on. There might be minor tweaks but we think that it really puts HEP in that fee-based income position that it currently occupies while allowing us to get the capital efficiency of using the MLP for process unit assets.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. And you don't have any concern about the valuation the market might assign to the potential kind of greater risk that's being put on HEP with these?

Mike Jennings

I would dispute the potential for greater risk, honestly. I think this will behave much like a pipeline better than a products terminal. You've got high minimum volume commitments. You've got a cost structure that's going to be well known through a year of operation. I really don't believe that it's a higher portfolio risk versus existing assets.

Chi Chow - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. Thanks. And then the second question on M&A, I know you are focusing more internally. But I think previously we know your interest in Citgo. I think you stated you would be interested in Gulf Coast assets. Yet I think, on the second-quarter call, Mike, you mentioned that, going forward, you would be looking for fence line synergies on any refining M&A. You'll buy back the last Gulf Coast assets. So just one issue, if you could clarify how you're thinking about the strategy going forward.

Mike Jennings

I hope what I said was that, to us, the highest prospective value involves defense line synergies. That's the easiest for us to pay for as an acquirer because we have a lot of experience with El Dorado Tulsa as an example and are able to optimize through time and mine that for huge value. If you recall at the time of the HollyFrontier merger, we scoped out \$40 million of total synergies. We are getting more than that between El Dorado and Tulsa right now. So the defense line synergy model is very, very powerful.

With that said, sort of in second order, assuming a competitive market and reasonably full valuation for a plant, if we are able to export what I will call excellence in terms of operating the plant, the reliability, the improvement in capital structure through the tools that you see on the screen today, we are not afraid to do other than fence line deals. It's just that those are the easiest and easiest to realize near-term value from.

Theresa Chen - *Barclays Capital - Analyst*

It's Theresa Chen from Barclays. I have a question, a follow-up question, to Chi's question on the drop-down and the type of assets that are going to be in MLP. Looking past this year to the \$600 million of drop-downs outlined, would it be reasonable to assume that the vast majority of that would also be qualifying but nontraditional assets in which the commodity and volume risk would be moved to the parent? Are there any traditional logistics at all baked into those numbers?

Mike Jennings

There aren't. We have a few traditional logistics assets remaining in terms of tanks, terminals, etc. They are relatively low tax basis assets, and I've tried for financial efficiency reasons to focus on the higher basis assets. But really the bulk of what you see going forward in prospective drop-downs represent exactly that new refinery process equipment that we have built recently.

Doug Aron - *HollyFrontier Corporation - CFO*

And as a qualifying income of course, we couldn't add \$600 million of nonqualifying income and remain a tax-advantaged MLP. So again, we think we've created a template here with the naphtha fractionation unit as being qualifying income. That will be a prerequisite to drops. But don't see why a crude unit, as an example, wouldn't be.

Theresa Chen - *Barclays Capital - Analyst*

And secondly, when thinking about the GP, your current IDR burden is not insignificant. And I understand for the reasonable amounts of the two transactions you will not likely need to issue equity for those. But going forward, as Doug mentioned, equity will be part of the purchase price of future transactions. If neither -- is there any flexibility at the parent level to either reset or restructure the IDRs to sweeten accretion for the MLP unitholders?

Mike Jennings

We look at that on every deal. And what we are doing is selectively, as was the case with the UNEV drop-down, giving IDR relief for what is called a GP giveback and we are absolutely willing to entertain that. We want HEP to be a very competitive entity. And at the same time, there's tension in that system because the value of the GP cash flow is very high for HFC. But to do deals to the exclusion of the LPs is not a long-term recipe for success.

Theresa Chen - *Barclays Capital - Analyst*

And lastly, Bruce, on your internal initiatives, that \$14 million by 2017, what's the capital cost associated with that, if any?

Bruce Shaw - *HollyFrontier Corporation - President of Holly Energy Partners*

Capital is pretty small. I think we've got a category in there for small capital projects. It's in the \$20 million to \$25 million range, so relatively small, which fit into it. But in most years, we find a way to deploy \$30 million to \$50 million across the system we'll put into that kind of natural flow of projects.

Theresa Chen - *Barclays Capital - Analyst*

Thank you.

Phil Gresh - JPMorgan - Analyst

It's Phil Gresh with JPMorgan. Mike, just to follow-up on Chi's question as well on the acquisition front, maybe you could just remind us what your perspective would be on which region you'd be interested in participating, or definitely not participating in if there are any.

And with respect to the expanded market access opportunity that you discussed, is there any reason to think that you might consider participating in retail and control that access, or is it not a competitive benefit, or are there no synergies from your perspective in doing something like that?

Mike Jennings

I'll ask George to answer the retail question. I'll take the geography question. We never say always and we never say never. Fair? You would expect me to say that. Pads two and pads four are home for us. We think we understand those markets and those are the best opportunities for fence line synergies. We've also highlighted the US Gulf Coast as an area, particularly from Port Arthur to Houston, where we think we could get long-term synergies in terms of product flows via the Explorer pipeline. Beyond that, the US refining space can be idiosyncratic, and I guess I don't see assets on the coast that we are pursuing or that are for sale. So we tend to think in terms of the things we know. And thus pads 2 and pad 4 are probably the most attractive to us.

George Damiris - HollyFrontier Corporation - EVP and COO

Regarding retail, I guess the short answer I would say is no. But it kind of goes back to the E&P question earlier. And Mike just said as well, never say never. If there are synergies to be gained by aligning ourselves more closely with the retailer or starting our own retail, we would consider it. Right now, it looks like a long shot.

Phil Gresh - JPMorgan - Analyst

Fair enough. Okay. A follow-up question is just, on the financial plan, I can certainly appreciate 2015 as an above normal year, and you want to plan for something normal in terms of how you communicate it to us. I'm just curious if you think the fundamentals are in place today for above normal trends to continue beyond 2015 or not given the moving parts you're seeing out there on gasoline distillates and on the crude differentials.

Mike Jennings

As you well know, there are signals on both sides of that question. Gasoline demand is tremendous right now. In our markets, it's probably plus 4% year-over-year. We've had wonderful margins through the year, and it reflects a relatively tightly supplied market. Part of that is driven by a low price at the pump. \$45 crude flowing through to create \$2.15, \$2.25 gasoline at the pump has clearly driven demand through price elasticity. But I think that as people have purchased cars recently, the economy is improving, you are seeing larger cars being sold in terms of vehicle mix, and that's going to drive consumption as we look forward. So we are bullish on gasoline.

The distillates side is really more of a global commodity, at least it moves that way. And then there's obviously new distillate production coming from the Middle East and probably some exports coming from China. So we have seen an inversion in that, that diesel versus gasoline relationship. As it persists, I don't know that we can forecast that well. But what we do know is that we've got a really strong base of distillate customers in our markets, and we tend to sell out every day. So the diesel market has remained good for us, though at a lower margin than the gasoline market.

As we look forward, do we have the potential for 2015 type years to continue? My response to that is there's obviously marketplace premium to octane. And I think that that fundamentally will stay inside in the markets. We expect to make more money selling premium gasoline. Beyond that, in terms of identifiable trends, a lot is going to be determined by what happens with crude price, and how that flows through price at the pump. But for the foreseeable future and the recent past, this has been a pretty strong sector, sub-sector, within energy. And I don't see it rolling over.

Blake Fernandez - *Howard Weil Incorporated - Analyst*

Blake Fernandez with Howard Weil. Mike, your team has outlined quite a bit of opportunity investments going forward. I know historically I believe you've used two times cost of capital to kind of sanction projects, if you will. Has anything changed on that front as far as a gating process in the way you're kind of looking at reinvesting into the business?

Mike Jennings

I think one thing very important has changed. We've sent people out on a go-get mission, people like Ken Jinkerson as an example, and throughout the organization to find small dollar projects that can be executed quickly with high financial return. So I guess what we have done, instead of using a threshold rate of return, we are using a project size and an immediacy type target to help us define where we want to invest our money.

Blake Fernandez - *Howard Weil Incorporated - Analyst*

Okay. And then second question, Doug, you've mentioned a nine times drop-down multiple. And obviously the MLP market has been pretty volatile. We've heard from investors here recently a lot of concern about capital availability in that market going forward. I'm just curious how you think about the future drop downs using that nine times multiple? And if it were to dry up, would HFC consider taking equity?

Doug Aron - *HollyFrontier Corporation - CFO*

Certainly. We've taken equity before. In this instance, you've got high maintenance assets, so cash would be a preferred method. But as we think about it, we certainly can't control the capital markets, and there will be good times and there will be bad times. And so, back to Theresa's question, to maintain that multiple, does there need to be some GP give back, at least in some short period of time, to ride out a downturn in the market? Perhaps. Those are all kind of the tools that we believe we have as being a consolidated entity, two public securities, but as Bruce sort of mentioned when he was standing up there, we are one family, and our goal is to maximize the size of the overall pie. And we can look at a lot of different ways of doing that without being forced to go into the market at any given time to try and maintain that multiple.

Vitash Eddie - *Macquarie Research Equities - Analyst*

[Vitash Eddie] with Macquarie. I just want to make sure I understand this. The cap tractor and the coker projects, as you execute those, do those get more profitable as oil price goes up in the sense that you will be making less slurry and less coke and sort of paying less for low value now, or paying more for low value later but that is actually good for the value of this process?

Mike Jennings

Absolutely. Not only as crude oil price goes up does the gap between the crude oil and the low value, even though Fred turns his magic on that stuff, that gap goes up for sure. But a lot of the residual products that we don't make with those projects are coke, which is valueless, and a lot of natural gas replacement, stuff that goes in our plant fuel system. So with natural gas at all-time lows and LPG pull-down with it, a lot of the margin gap is between natural gas and LPG and products which are based off crude price. So absolutely.

Vitash Eddie - *Macquarie Research Equities - Analyst*

So that EBITDA or the improvements are based off of today's prices and margins. So is that fair too?

Bruce Shaw - HollyFrontier Corporation - President of Holly Energy Partners

Yes. That's fair and that's one of the things that Julie will be talking to us about is to make sure we do a better job highlighting our pricing assumptions when we give you EBITDA estimates.

Vitash Eddie - Macquarie Research Equities - Analyst

Got it. Thank you.

Doug Aron - HollyFrontier Corporation - CFO

And by today's prices, let's just say generally, we mean sort of a range of over maybe the last 12 months. I think today it's proved up another \$3.00 or \$4.00. So let's not be literal in today.

Vitash Eddie - Macquarie Research Equities - Analyst

Sure. And then maybe a bit more technical question on the cap tractor side, when you guys are going to -- or whatever it is -- saturate the aromatics or how you treat the product, any negative octane implications of that? And could that come back to bite you if the octane premiums actually get even bigger over time?

Unidentified Company Representative

I might let Kent comment. A couple of points of view there. Our El Dorado plant has a high pressure gas oil hydro treater, and it's kind of a sledgehammer. So some of the opportunities you've heard were getting cat feed to El Dorado from other sources. Those other sources are kind of junkie gas oil in Tulsa, Cheyenne. We run Cheyenne coker gas oil to El Dorado pretty continuously now. The Tulsa coker gas oil the Tulsa extracts from the Louisville plants, that's kind of junk feed for a normal cat. And the El Dorado system can be sledgehammered by our cat feed hydro treater which expands the volume. It's really the perfect gas to liquids product -- project. We have steam ethane reformers, the one that HEP just acquired from us, that turn natural gas into hydrogen. We then slam that hydrogen into their cat feed with this gas oil hydro treater and then get the volume expansion across the cat.

So on the pre side, absolutely hydro treating is great for us when we can get to the cat feed. Ken, can you address a little bit our tier 3 solution is hydro treating on the back end of the cat, and I think maybe that's the second point of your question. Kent, octane loss and cat gas hydro treating what we're doing about that?

Kent Bradbury - HollyFrontier Corporation - VP Refinery Planning

This is Kent Bradbury. I was going to speak to the octane balance question first and if Ken or Paige can jump on the question on the project side. But as far as octane balance, we are in really good shape. El Dorado, Navajo, we have exit octane, so a lot of times we will blend naphtha right around the reformers for liquid volume purposes. So we are not in bad shape as far as octane.

Tulsa is a little tighter on octane, and so we will just have to watch that with Ken's project. That's why he's pushing that naphtha splitter through. That's going to improve their octane situation, getting the right molecule in the right place, getting the C7s out of the Isom unit. So that will benefit the octane balance quite a bit there as we approach Q3. Both Navajo, Artesia and El Dorado, we're doing a [Prime G] project. We are doing the splitter on the back end of the El Dorado. That's going to help our octane when we go to tier 3. And we are doing the evaluation now on the Artesia Prime G whether to install the splitter there or not. And that's our 2017 tier 3s. Then we've got the other two required in 2020. Does that answer?



Mike Jennings

Maybe one last point. We are building a Prime G unit in Artesia. There is some pots and pans you can add to these gasoline hydro treaters that kind of prefractionate the light portion of the cat gasoline, keep it out of the heavy-duty reactor to salvage octane. You don't really need to hydro treat that stuff very deeply, at least not with sulfur. So we've added that feature to the El Dorado prime G unit we are evaluating -- this is what Kent spoke to -- that we are evaluating that option for our Navajo Prime G that we are just under design right now.

Johannes Van Der Tuin - *Credit Suisse* - Analyst

Johannes Van Der Tuin, Credit Suisse. I've got several hopefully fairly quick questions. Taking it to kind of execution risk, you have identified, as you said, about \$200 million in opportunity capital. And I really do appreciate the detail that's gone into these slides and some of the projects that have been highlighted, but I did notice that it doesn't account for all of that \$200 million. So I was wondering. The other category, the residual that's there, if you could put that into buckets. Is it debottlenecking? Is it liquid yields project. Is it cost reductions?

And then secondary to that, because these projects need to be executed within such a strict time window during turnarounds, what additional risks are associated with that? And kind of if there is going to be an overrun in terms of time required to finish the project once you start getting into it during that turnaround, how do you cope with that as you get to the tail end of the turnaround?

Mike Jennings

I'm not sure I understood what you meant by other bucket in the first part of your question. If you wouldn't mind clarifying that.

Johannes Van Der Tuin - *Credit Suisse* - Analyst

Sure. I'm just saying those unidentified opportunity capital projects which contribute to that \$200 million of EBITDA, that kind of residual there that's not in these slides, whether that is Navajo or anything else, what sorts of projects are they in general? Are they enhanced regulatory compliance, are they cost reduction? Are they liquid yields projects?

Mike Jennings

No, the majority of those will still be debottlenecks and yield improvements. But we do have a handful of projects that fall into those other buckets that Paige discussed very briefly -- cost reduction, and then tweaking our compliance capitals to turn them not only into a compliance investment, but also to extract value out of them.

I think the second half of the question pertains to (inaudible) turnaround execution and how we make sure we succeed with that. A couple of things. A lot of these projects need turnarounds, not all of them, so we have lots of projects that can be done outside of turnarounds that we are actively pursuing. One thing we didn't mention we are continuing to -- we are ripe in our Company to apply vast control to our process units. We have very little right now at our Company. Those all be done online and need to be online. So, there's lots of opportunities there.

For turnaround planning, we are planning the next round of turnarounds we have, the coker expansion, the revamp that was discussed, we are planning that into the 2018 cycle. And we have lots of time to do that.

One feature that I'd like to point out is that we are being smart about how we execute these projects. Do we re-tube a heater to gain heater capacity, or can we replace the heater? Replacing that heater saves a lot of turnaround downtime. It can be done online now, most of the work, and it's a great opportunity to improve the efficiency of the heater to save energy. So you might see some cost expansion versus a true rebound during turnaround, but we will see that in duration of the turnaround and in some other synergies along the way. So it's a fairly open-ended question. And yes, these capital revamps greatly increase the complexity of our turnaround sometimes. But we have the tools in place with a turnaround execution process in the product NaviTrack that was discussed and I think we'll be very capable of handling that.

George Damiris - *HollyFrontier Corporation - EVP and COO*

I'm sure you appreciate this, but the scope and complexity and duration of these opportunity capital projects are much smaller than, say, a Woods Cross expansion type project. But I think you are right. If we have an off sit in the middle of one of those, it's going to be tough. We're going to have to slam them.

Unidentified Company Representative

That's a great point. One of the projects Kent highlighted were all these little Navajo -- the human fractionator thing, right? Those are very, very simple. That's a piping and exchanger, a pump, piece of cake. That's not a problem at all. We have some fairly big revamps coming up on our books too, like I said, the coker revamp. We have a reformer revamped in El Dorado. Those are little more tough. So it's a big mixed bag. They are not all turnarounds. They are not all big turnarounds kind of revamp projects. Just some of every kind.

Johannes Van Der Tuin - *Credit Suisse - Analyst*

Okay. Then a follow-up question, hopefully also not too difficult. It's great to see investments that are going to go into increasing the value of the Company and building out the Company, whether that be self-help and/or creating value for the investors through drop-downs. There does seem to be -- and this is a little bit flipped so I don't think it's 100% fair -- a playbook that exists within the space right now of self-help drop-downs increasing the value to the GP by being able to have EBITDA go into that MLP vehicle. How do you think about your strategy as being differentiated from your competitors, if you could? I'm not expecting you to comment on your competitors, but more focus on your strategy. What sort of things would you like to highlight in this particular strategy that makes you unique in terms of valuation perspective?

Mike Jennings

Really we won't comment on our competitors. The point of this presentation and the point of the value creation project, projects, process, if you will, is really what can we do inside the fence to improve shareholder value over a reasonable period of time? And that really is the mandate that I and we addressed over the last three months, is coming up with a jeez, what if we are not successful in buying a large refining company outside our system and integrating them and using the typical playbook in terms of MLP drop-downs of their logistics assets in order to pay for the acquisition, it goes on and on. Do we just have what we have or are we going to just operate our existing business and take potluck in terms of sometimes cracks are good, sometimes cracks are bad? That's very unsatisfying. And so really regardless of what the competition is doing, our purpose was what can we do with our plants, with our MLP and with our capital structure to generate share value. And this is what we have come up with.

George Damiris - *HollyFrontier Corporation - EVP and COO*

Let me try to add a little bit to that. All we know is what we have, right? What we have -- what our competitors have, we don't know. We don't know how unique what we have is. So all we know is we have this list of opportunity capital projects, some of which we told you about today, some of which we didn't. And we're going to focus on them. Can somebody else do that? I don't know. Do they have the inventory of opportunity capital projects like we do? I don't know. Do they have guys like Ken Jinkerson, Jim Stump, Tom Shetina, who are going to help us make it happen? I don't know. Maybe they do; maybe they don't. Are they focused on that? Again, I don't know. All I know is we have these opportunities and we are going to focus on getting them done.

A.J. Dunwoody - *Simmons & Company - Analyst*

Hi, this is [A.J. Dunwoody] with Simmons. You guys used to have a slide earlier where you would break out the sensitivity of your EPS through various changes in crude differentials, typically in dollar amount (inaudible). You've broken out DI Brent, the DI Midland and then WCS (technical

difficulty) before. Those were normally when differentials were wider, specifically DI Brent and also DI Midland. They look like structurally different relationships right now. How would you say that your sensitivity to these differentials has changed over time? How do you look in this current environment?

Mike Jennings

The grade-based differentials are dependent on the flat price of crude in that the volume loss and the respect of running WCS through a coker is going to be proportional through the plant. And so at \$12 differential against a \$45 base price might be more attractive than an \$18 differential against a \$100 base price. That's not an easy apples-to-apples comparison to make.

I think what is easy is when Midland is trading either head of or below Cushing, if you're calculating your crack spreads based upon WTI Cush, you can calculate dollar for dollar the impact. So that relationship really hasn't changed. The wax crudes in Utah, again, that discount is a percentage discount, which I think you all know, and is less valuable to us, the refiner, when crude prices are low. And in fact when crude prices are low enough, the value -- the cost of hauling that crude down from the well site into the city can be wider than the differential in dollars. So, I think the geographic differentials are pretty much dollar for dollar, as they always have been. The grade-based differentials require a little more study.

A.J. Dunwoody - *Simmons & Company - Analyst*

Thank you. And then a separate question, on your optimization initiative, I think you highlighted \$90 million in EBITDA enhancements and you're working on various initiatives to try to get to that \$90 million. Could you provide a more granular breakdown? Trying to get to a specific dollar values, it's going to add up to that \$90 million when you spoke about your specialty products and your various other initiatives.

George Damiris - *HollyFrontier Corporation - EVP and COO*

I think maybe we'll talk outside of this meeting with Julia about what more detail we can provide. We tried to provide as much detail today as we felt comfortable providing without giving away too many "trade secrets". But at this point in time, I don't think I would like to provide any more detail than we have. I do think, as I said, there's more in that bucket than the \$90 million per year we've talked about.

Mike Jennings

But insofar as the industry tends to adopt a similar playbook, we would like them not to adopt ours in that area.

Brad Heffern - *RBC Capital Markets - Analyst*

Brad Heffern from RBC. Mike, I think you said it originally, but I'm asking about what might be a question for George. You're targeting sort of industry median operating costs or cost structure. I'm curious why that particular goal and is there potential upside to that going forward.

Unidentified Company Representative

So it's sort of plant by plant that average out to kind of average. El Dorado, our goal, and so a year ago, coming into the budget season for 2015, we did something new. We actually came up with targets for our plants to budget to. And the targets we came up with were loosely based on Solomon basis. We've been in the study for several years, many years. And so we colored that a \$1 per barrel target.

El Dorado we actually budgeted to be first quartile because they have been in the past. They are traditionally a first-quartile OpEx refinery. They slipped a little bit the last couple of years and their budget is coming back at first quartile this year. The other plants, for various reasons, have some challenges that, in my opinion, number one, they were lower than median, so the first goal is to get them to median. Can we go higher? Yes. But



they do have specific challenges that make it tough. Navajo, our Navajo complex, Ludington being 60 miles away from Artesia and a whole lot of money to truck resid to that plant in some inefficiencies in staffing. You've got a (inaudible) that's 60 miles away. That makes it tough. So the other plants for now are average. We get there, we will look at setting the bar higher.

George Damiris - *HollyFrontier Corporation - EVP and COO*

I was going to say just from a general philosophy perspective, whenever we have a gap, we don't swing for the whole gap at the first crack. So these are interim gaps. And once we get to these gaps, and I have every confidence that we will, a year or two from now we will be talking about the next increment to go again.

Brad Heffern - *RBC Capital Markets - Analyst*

Thanks for that. And then maybe for Doug, on the debt side, in your projections here, you have \$1 billion of added debt. You've talked about maybe doing 1 times EBITDA, which would suggest a higher number than that. I assume that is partially conservatism, but since you're effectively using it to repurchase shares, what determines whether you're comfortable at 0.5, 0.7, 1 times?

Doug Aron - *HollyFrontier Corporation - CFO*

Yes, fair enough. And again, I think what we tried to illustrate today was a plan that this management team is highly confident we can execute on. This reduces our share count with what we showed here by 30%. If we layer onto that and see again for an analyst day, I don't know if Julia can handle another one next year but maybe the year after, and we start talking about taking debt up from there or even before then, that would be reasonable to expect. But I think our goal in showing that \$1 billion was that's a very low bar for us to get over and perhaps there's some conservatism baked in. I don't think it's any more scientific than that.

Unidentified Company Representative

Okay. I think Julia is telling us that we had promised to have you out of your by noon central time. So Mike, do you want to --

Mike Jennings

We have it looks like one minute to hit the exits. But before that, obviously thank you for coming. I hope that you appreciate the enthusiasm on the part of this team towards this plan. I also hope that you appreciate we expect that we can do this. And we have very purposely laid it out. We have a lot of buy-in through the organization. There is science behind it, and it's something we are very excited about. I think the roll up shows a pretty obvious value gain for our shareholders, and that really is our purpose. So thank you so much for joining us. Happy to take further questions off-line. But I hope you got something out of the day.



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