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## Holly Corporation Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) And your first question comes from the line of Jeff Dietert with Simmons & Company.

#### Jeff Dietert – Simmons & Co.

Good morning. Question for Matt or Dave. It seems like your capital expectations on your major projects have been flat for quite sometime, are you seeing a reduction in the cost inflation that it was experiencing in prior years or do you attribute this to why you fixed the pricing associated with those projects?

#### Matt Clifton

I thin Dave can amplify this. I think the primary benefit we've had is just locking in the raw material cost in the lump-sum contracts to billed a couple of years ago, than before the curve. I think obviously the steel prices are still escalating rapidly but we've been a little bit of ahead, so that has helped us.

#### David Lamp

The only thing we've really been sensitive to is the wage ride that has gone up, but still manageable for us.

#### Jeff Dietert – Simmons & Co.

Good could you, on a separate topic talk about some of the heavier products you mentioned in you opening remarks that margins were weakened 2Q and that those have improved. Is there are way you can help us appreciate the level of weakness that was experienced in 2Q and what the decline in all prices where July margins are for the heavier products?

#### Matt Clifton

I'll take this, if you guys can correct me if get a little off track. The first thing I want to clarify in my remarks, I think I referred to our LHS that's been July and they were obviously May LHS. As far as the secondary products for example looking at Asphalt in particular and fuel oil prices pretty well trend with that. I think we had negative margins in the category of 40 plus dollars during the second quarter. In July that rationed it down to, I think it was in the \$25 to \$30 range and currently we are getting margins pretty flat with crude oil prices or their about, crude oil obviously has been moving rapidly in

the last few days, but we did see on the positive side putting aside the crude deductions we did see substantial increases in fuel prices and Asphalt that we are realizing.

**David Lamp**

And Jeff to your, I think one of your overall question was kind of margin levels, so far in the third quarter I made some comments in my prepared remarks our pro forma gross margins for the refineries would have been close to \$10 slightly below that for Navajo and in the \$15 range for Woods Cross. We're are seeing so far we haven't closed July book share, but we are seeing the Navajo right around the same number and Woods Cross in that same range perhaps slightly better.

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