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Holly Corporation Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question is from Jeff Deitert with Simmons.

Jeff Deitert – Simmons & Co.

Good morning. I was wondering if you could talk a little bit about the third-party marketing. It looks like that had a nice contribution this quarter. Could you talk a little bit about what's going on there?

Matthew P. Clifton

You might be a little bit more specific on the third-party marketing.

Jeff Deitert – Simmons & Co.

The sales of purchased products was \$5 million for the quarter, \$5.4 million for the quarter. Gross margin.

Matthew P. Clifton

Right. There, basically from time to time we're net short, particularly as we started to ramp up our increased sales to Arizona with more access under the Kinder Morgan expanded line to Phoenix. I think we just showed some opportunistically buy and re-sale opportunities there in the fourth quarter.

Jeff Deitert – Simmons & Co.

Okay. And within the other revenue category, I believe that's where the sulfur credit sales were included, but it looked like that was an above average contribution, even adjusting for the sulfur credits. Any comment on the contributions there?

Bruce R. Shaw

Jeff, the other component of other revenues – it's Bruce – is our asphalt sales revenue, our asphalt business. That's the other strong contributor to that number.

Matthew P. Clifton

Jeff, basically our asphalt business, just to remind you, it's not only markets, the asphalt produced at our Navajo refinery, but we also buy a fair amount of asphalt from third parties and upgrade it by

modifying with polymers to sell it into the higher-valued asphalt business. That's kind of the spread between acquisition and ultimate sales price to the consumers.

Jeff Deitert – Simmons & Co.

So the price for the premium asphalt widened during the quarter relative to previous quarters?

Matthew P. Clifton

Yeah, there was a widening, I think, between the ultimate price of the premium asphalt and the depressed price of the commodity asphalt that we were able to buy.

Jeff Deitert – Simmons & Co.

Thank you.

Operator

Your next question is from Chi Chow with Tristone Capital.

Chi Chow – Tristone Capital

Thanks. Just following up on Jeff's question there on asphalt. It's a little bit surprising given that 4Q seasonally is typically a weak quarter in asphalt. Is this something you think is refutable going forward?

Matthew P. Clifton

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