



HOLLY ENERGY PARTNERS

March 29, 2010

Mr. R.M. Seeley,
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
8701 South Gessner, Suite 1110
Houston, Texas 77074

via Federal Express

Dear Mr. Seeley,

Holly Energy Partners (HEP) is in receipt of your letter regarding the Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order, CPF 4-2010-5007, for the Rio Grande Pipeline System inspection held on November 3 through November 7, 2008.

On April 1, 2005, HEP took over operation of the Rio Grande Pipeline system from Williams. After taking over operatorship of the pipeline, HEP began assessing the integrity of the pipeline and had recognized deficiencies in the pipe-to-soil levels in the system. Subsequently, we began working diligently to correct the deficiencies in the pipe-to-soil levels and took active steps to attempt to mitigate and correct the low potential areas by installing eight (8) new impressed current cathodic protection systems as well as replacing and upgrading the nine (9) existing anode beds. As a result of these additions and upgrades, the pipeline was being cathodically protected by 51 impressed current CP systems, 43 of the CP systems were owned and operated by Kinder Morgan, one was owned by Oxy and seven were owned by HEP.

After the aforementioned conventional cathodic protection systems had been installed there was very limited success in correcting the low pipe-to-soil readings, therefore, it was decided that a more in-depth study and engineering of the solution would be required. As a result of these decisions, in March 2007, HEP chose to run an internal inspection tool to assess the conditions of the identified segments located between MP 71 – MP 115. The results of this particular ILI assessment showed no defects that met criteria for repair within the sections representing low CP readings, therefore it was not the opinion of HEP that the low CP readings were detrimental to the safety and integrity of the pipe. Also as part of our efforts, HEP conducted a close interval survey in January 2008 and placed reference coupons on the line in January 2009. The end goal was to identify best solutions for the complicated multi-pipeline situation.

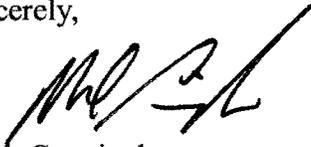
We would like to note that during the time of the inspection, we provided a copy of the written plan detailing our continued efforts to correct the low potential areas we had identified during our operatorship of this pipeline system.

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Following the inspection and during the first quarter of 2009, HEP began working on a divestiture to transfer HEP's 70% ownership and operatorship of this pipeline system to Enterprise. We believe that since this divestiture was completed on December 1, 2009, HEP cannot make commitments to any subsequent requirement compliance issues in the proposed Compliance Order related to Rio Grande Pipeline system; however, we are accepting the responsibility of the proposed civil penalties as outlined in the NOPV, PCP and PCO for the low potential readings at the time of inspection. A wire transfer in the amount of \$45,000 for the civil penalties imposed as a result of this inspection will be processed per the requirements of 49 CFR 190.227 on March 31, 2010.

If you have any questions or wish to discuss this matter further, please don't hesitate to contact me at (214) 871-3846.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Cunningham', written over a white background.

Mark Cunningham
Vice President - Operations