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HFC - Q3 2015 HollyFrontier Corp Earnings Call

EVENT DATE/TIME: NOVEMBER 05, 2015 / 1:30PM GMT

OVERVIEW:

Co. reported 3Q15 net income attributable to HFC shareholders, including non-cash inventory valuation charge, of $196m or $1.04 per diluted share.

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Paul Cheng *Barclays Capital - Analyst*

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PRESENTATION

Operator

Welcome to HollyFrontier Corporation's third-quarter 2015 conference call and webcast. Hosting the call today from HollyFrontier is Mike Jennings, President and Chief Executive Officer. He is joined by Doug Aron, Executive Vice President and Chief Financial Officer; and George Damiris, Executive Vice President and Chief Operating Officer.

(Operator Instructions)

Please note that this conference is being recorded. It is now my pleasure to turn the floor over to Craig Biery, Investor Relations. Craig, you may begin.

Craig Biery - *HollyFrontier Corporation - IR*

Thank you, Brandon. Good morning, everyone and welcome to HollyFrontier Corporation's third-quarter 2015 earnings call. I'm Craig Biery, Investor Relations for HollyFrontier.

This morning we issued a press release announcing results for the quarter ending September 30, 2015. If you would like a copy of the press release, you may find one on our website at hollyfrontier.com.

Before Mike, George and Doug proceed with their remarks, please note the safe harbor disclosure statement in today's press release. In summary, if the statements made regarding management expectations, judgments or predictions are forward-looking statements. These statements are intended to be covered under the safe harbor provisions of federal securities laws. There are many factors that could cause results to differ from expectations, including those noted in our SEC filings. Today's statements are not guarantees of future outcomes.

The call also may include discussion of non-GAAP measures and please see the press release for reconciliations to GAAP financial measures. Also please note that information presented on today's call speaks only as of today, November 5, 2015. Any time-sensitive information provided may no longer be accurate at the time of any webcast replay or rereading of the transcript. And with that, I will turn the call over to Mike Jennings.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Thanks, Craig. Good morning. Thanks for joining us on HollyFrontier's third-quarter earnings call. Today we reported third-quarter net income attributable to HFC shareholders of $342 million or $1.82 per diluted share, excluding the $225 million non-cash lower of cost to market pretax inventory valuation charge. Including the non-cash inventory valuation charge, net income attributable to HFC shareholders was $196 million or $1.02 per diluted share.

Healthy gasoline margins combined with high throughput rates and lower costs drove more than 100% increase in earnings year on year. Third-quarter EBITDA, excluding the inventory charge, was $630 million, a 70% increase from the comparable quarter last year. On a per barrel basis, third-quarter consolidated refinery gross margin was $19.85 versus the $15.59 per barrel reported in Q3 of 2014.

We had another strong quarter in operational reliability and safety performance across our refining system. Third-quarter 2015 refinery utilization rate was 104% of nameplate capacity, the highest quarterly rate achieved since our merger in 2011.

In the Rockies, our Woods Cross and Cheyenne plant set a record combined average crude charge rate of 78,000 barrels per day. Our Navajo plant also surpassed previous crude charge levels by recording an average of 105,000 barrels per day, while El Dorado in Tulsa ran above 100% utilization.

Our continued focus on improving refining liability and safety is evidenced by our operational performance throughout 2015 and we are confident in our ability to sustain these rates going forward. We are well on track in executing our business improvement plan outlined at our Analyst Day in September.

Through continuous improvement in our refining operations, commercial optimization and opportunity capital investments we are further increasing our competitive advantage as an end-product refiner. Year-to-date our employee [record both] occupational incident recordable rate has dropped by 43% and our process safety incident rate has dropped by 38%, which means we are running our refineries more safely and therefore more reliably.

We are continuing to make progress towards our first quartile operational availability target. In the third quarter we achieved this target on a consolidated basis and have done so year to date at our three largest plants.

Looking forward, we continue to focus our efforts on building upon this progress across our refining system. Our commercial organization continues to advance market capture opportunities, driving higher realized margins relative to the benchmark margins.

In addition to increased light product market access, we are increasing production of high-value products. The Tulsa refinery produced an average 6,700 barrels per day of bright stock heavy viscosity lubricants in the third quarter, a 15% increase from 2014 levels. We also continue to capture higher value in the bottom of the barrel by targeting specialty applications for heavy products, such as roofing flux and pitch which sell at a premium to WTI.

We've made meaningful headway on recent opportunity capital investments with emphasis on liquid yield and de-bottleneck investments such as the Tulsa cat cracker modernization and the Cheyenne hydrogen plant. Both projects are currently on schedule for start-up in the first half of 2016. These enhancements further diminish feed stock constraints while increasing light product yields.

We have over 15 high-probability investments that are in various stages of planning and execution. These quick hit opportunities require small capital investment with quick payback periods, typically two years or less.

The Woods Cross refinery expansion is in its final stages of completion with an anticipated start-up date in January. Including the new crude design flexibility, we expect to generate $100 million of incremental average annual EBITDA from this project.

Our success in leveraging the relationship with Holly Energy Partners has been demonstrated recently by the completion of the El Dorado naphtha fractionation and hydrogen unit dropdown on November 1. Increased emphasis on dropdown opportunities between HFC and HEP will continue to be a big value driver for our Company. We continue to identify potential dropdown candidates such as the logistic assets related to the Woods Cross expansion.

HEP's future growth outlook has been further supported by its recent quarterly distribution increase, marking the 44th consecutive increase since its IPO in 2004. This increase in distribution demonstrates Holly Energy Partners commitment to achieving an 8% targeted distribution growth rate over the next few years.

Looking forward, our focus remains on the implementation and execution of our business improvement plan and we believe the strong gasoline demand growth experienced in 2015 will continue into the coming year, supporting attractive refining margins. With that, let me turn it over to George Damiris, our Chief Operating Officer.

George Damiris - *HollyFrontier Corporation - EVP & COO*

Thanks, Mike. Third-quarter crude throughput was approximately 460,000 barrels per day versus our guidance range of 440,000 to 445,000 barrels per day. Average laid-in crude cost across our refining system was $0.81 per barrel under WTI.

Total refinery operating costs for the quarter were $240 million, a 6% reduction compared to the same period last year. Cheaper natural gas prices and lower maintenance expenses contribute to our operating expense improvement in the quarter.

In the Rockies, crude throughput was 78,000 barrels per day. Realized gross margin per barrel was almost $24 per barrel, the highest we have seen since the second quarter of 2013. Average laid-in crude cost was $3.94 per barrel under WTI.

Refinery operating costs were $7.62 per throughput barrel, a 25% reduction from the same period last year. We expect to achieve $7 per barrel or less after bringing the Woods Cross expansion online and as we make further improvements to the Cheyenne refinery. Our focused efforts on improving operations at Cheyenne and Woods Cross are clearly reflected in the quarter with the plants setting a combined record utilization rate of 94%, the highest level since our merger.

For the Mid-Con region, crude throughput was 277,000 barrels per day. Average laid-in crude cost was $0.47 per barrel under WTI. Refinery operating costs were $4.34 per throughput barrel. On a per barrel basis, third-quarter Mid-Con realized gross margin was $18.67 per barrel.

Third-quarter capture rate versus our posted 321 indicator improved 5% quarter over quarter, despite narrowing crude differentials and smaller contango benefit, reflecting our ability to access higher-value markets and increased production of higher-value asphalt and lubricant products.

Southwest crude throughput was 105,000 barrels per day, a record quarter at 105% of nameplate capacity. We ran 100% premium crude, of which 39% was higher-gravity crude available to HEP's Southeastern New Mexico gathering system.

Average laid-in crude cost was $0.63 per barrel over WTI, which was the primary driver of the lower capture rate in the region sequentially and indicative of the Midland Cushing spread for the quarter. Refinery operating costs were $5.04 per throughput barrel.

Our refining system continues to run exceptionally well, as reflected in our third-quarter operational results. Going forward, we expect to continue to see the benefits of our ongoing efforts to improve reliability across our system in the form of improved safety, enhanced optimization of our units and reductions in operating costs.

We have no further major turnaround activity scheduled for the remainder of the year. However, we have some minor maintenance planned for the typically weaker-margin fourth quarter on the Tulsa west crude and lubes units, Cheyenne to deal hydro-treater and reformer and on El Dorado's largest diesel hydro-treater. For the fourth quarter we expect to run 410,000 to 415,000 barrels per day of crude with 30% of the [slave tinks tower] and 20% WCS and black wax crude. With that, I will turn it over to Doug for some closing remarks.

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

Thanks, George. For the third quarter of 2015 cash flow provided by operations totaled $333 million. Third-quarter capital expenditures totaled $150 million, excluding HEP's $8 million capital spend. In 2015, we continue to expect to spend between $600 million and $650 million in capital and additionally we expect to spend about $70 million on tanks and turnarounds.

During the third quarter we executed $102 million in open market share repurchases and completed our previously announced $300 million accelerated share repurchase program that was initiated in May. Additionally, in October we have repurchased an additional 2.1 million shares and spent approximately $100 million. Year to date we have repurchased nearly 12.8 million shares, reducing our shares outstanding by more than 6%, and as of October 31 of this year we had approximately $455 million left on our current $1 billion authorization.

As of last night's close, our current dividend yield stands at 2.6% and we remain committed to maintaining a competitive total cash yield relative to our peer group. As of September 30, HollyFrontier's debt totaled $32 million, excluding nonrecourse HEP debt of $951 million. Our total cash and marketable securities balance stood at $627 million, essentially flat quarter over quarter.

As a reminder, HollyFrontier owns 39% of Holly Energy Partners, including 22.4 million common units plus the 2% general partner interest. The current market value of our LP units is approximately $780 million as of last night's closing price. Third-quarter general partner distribution was $11.1 million, a 19% increase over the same period last year.

Lastly, a reminder that you can find monthly WTI-based 321 indicators for our Mid-Con, Rockies and Southwest regions posted on HollyFrontier's investor page. These regional indicators do not reflect actual sales data and are meant to show monthly trends.

Realized gross margin per barrel may differ from indication for a variety of reasons. You can find the data on our investor page at www.hollyfrontier.com. And now, Brandon, I think we're ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ryan Todd, Deutsche Bank.

Ryan Todd - *Deutsche Bank - Analyst*

Thanks, good morning, gentlemen. Maybe if I could start with one on the differentials. The differentials are clearly better. We've seen narrow light dips and attractive WCS dips from within your system. Can you talk a little bit about your outlook for the rest of fourth quarter and into 2016 in terms of differentials and how it will impact the crude slate that you guys run?

George Damiris - *HollyFrontier Corporation - EVP & COO*

Yes, this is George. I think the key dips for us are the Midland Cushing dip as it relates to Navajo. And I think the dollar premium for Midland versus Cushing that you saw in the third quarter is an anomaly. I would look to that to flip to $0.50 to $1 per barrel under Cushing set by some sort of a reflection of transportation costs.

And then WCS, as you said, dips are reasonably attractive considering the flat price I do not foresee much changing from the nominal $15 discount at Hardisty for WCS, despite some new pipelines coming into play out of Canada.

Ryan Todd - *Deutsche Bank - Analyst*

In terms of the outlook for 2016 on the slate you see things as relatively consistent and --

George Damiris - *HollyFrontier Corporation - EVP & COO*

Yes, Ryan, I don't think much could change from our crude slate perspective. We will always try to match -- it is very rare that we won't match WCS at both Cheyenne and El Dorado. And then we're going to run Permian crudes at Navajo.

Ryan Todd - *Deutsche Bank - Analyst*

Great, thanks. And one follow up on OpEx as well. You've had positive trends throughout the year on OpEx, a little bit higher than we would have expected in 3Q. Can you talk a little bit about anything that were driving some of the OpEx trends in this quarter and how we should think of it going forward?

George Damiris - *HollyFrontier Corporation - EVP & COO*

Sure. Our operations guys continue to do a good job squeezing costs out of our system. Most of the cost reductions you are seeing right now are maintenance-related and that ultimately ties back to our reliability efforts.

When we keep our plants online we don't need special projects or special maintenance to get them back in line in a hurry. So a lot of savings. I think we've reaped those benefits pretty much already. I don't think you're going to see much more improvement along that perspective.

I think on a per-unit basis we should continue to trend downward, especially in the Rockies as we get our denominator higher in the form of more throughput. But as far as absolute dollar perspective, the maintenance cost reductions, I'd probably say we're 80% there.

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

And, Ryan, I guess your question was my maybe a little bit higher 2Q to 3Q? There was a few things, notably we had a job wage credit in the second quarter that we did not get in the third quarter. Again, from our perspective, everything trending in the right direction and guys working very hard.

One timers like that you can't count on maybe should have been called out further in our second-quarter call. Thought it was, but that could be one thing that -- I think that was a $6 million or $7 million credit.

Ryan Todd - *Deutsche Bank - Analyst*

Okay, thanks. That's helpful. I will leave it there.

Craig Biery - *HollyFrontier Corporation - IR*

Operator, do we have another question?

Operator

Paul Cheng, Barclays.

Paul Cheng - *Barclays Capital - Analyst*

Hey, guys, good morning.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Good morning, Paul.

Paul Cheng - *Barclays Capital - Analyst*

A couple questions. Mike and George, one of your peers in this case, Western, they have done very well on the crude gathering. That helped their refinery profit [3T] and the gross margin quite substantially over the last couple years. The question is that, is that an area that you guys will be focusing? And what is the percent of your oil currently gathered by yourself to run in your different system? And what may that target look like over the next 12 months and over the longer-term target?

George Damiris - *HollyFrontier Corporation - EVP & COO*

Paul, we gather all the crude that we run at Navajo on our HEP affiliate systems. We've done that for a long time and I guess to some extent Western must be catching up on growing their business to get away from their typical Midland supply, and again, getting on their own gathering systems.

What we have been doing and we've been talking about that quite a bit, I think, is we have been growing with our Malaga system. That's the newest system we built in the Permian region to bring lighter condensates from the very south end of New Mexico. I think we highlighted that in the call, that 39% of our slate at Navajo are barrels that are coming to us from that Malaga system.

So in addition to Navajo, we are also gathering and transporting barrels to Cushing primarily for El Dorado but also for Tulsa. And that's on the order of 40,000 to 50,000 barrels per day that are coming from the Permian to be run at those two refineries. The majority of that is coming from HEP's systems as well.

Paul Cheng - *Barclays Capital - Analyst*

George, is there a target to increase in the Mid-Con system that by your own crude gathering? And also how far are you into Rocky Mountains?

George Damiris - *HollyFrontier Corporation - EVP & COO*

Yes, like I just said, Paul. About half of what we are currently bringing to Cushing is coming from barrels that are gathered on our system and we would like to increase that to 100%. That is going to be difficult with the limited growth in the Permian now but we will continue to push that.

As far as the Rockies, the local crudes around our Cheyenne refinery are not typically attractive to us relative to alternatives like WCS, so that has not been a primary focus for us. Having said that, we typically bring in about 5,000 to 10,000 barrels per day into Cheyenne that are locally gathered. As far as Woods Cross, there's really no production locally that can be put on the gathering systems.

Paul Cheng - *Barclays Capital - Analyst*

Second question. I know historically you guys are not really interested in retail. But over the next several years, when they argue in the niche market where you guys are operate, that gasoline supply may end up there to be increasingly exceed the market demand at some point.

So a lot of your peers that would argue that having the retail element secure is a good thing. Is there any change in your view that how you guys view on the retail or that you still think that this is just not a business for you?

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Paul, I would tell you that I and we are in strong agreement with our peers who say the integrated retail distribution is important to clear barrels. Our strategy is just a little different. We don't believe we need to own or brand that retail to do so. We have very strong customer relationships with big-box retailers, with convenience stores, with truck stops who are competing against our peers and like the direct relationship that we have with them.

So to construe it as we are out there as a bulk seller, as a commodity seller every day trying to clear a wholesale market really is inaccurate. Our distribution channels go through established relationships, long-term commitments to retailers that are unaffiliated with oil companies typically.

Paul Cheng - *Barclays Capital - Analyst*

Mike, can you tell us what's the percent of your sales is going through? Or your gasoline and diesel that you could use that are going through those long-term relationships?

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Paul, it's in the 80%, 85% range depending on the quarter. 80% to 85%.

Paul Cheng - *Barclays Capital - Analyst*

Thank you.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Yes.

Operator

Paul Sankey, Wolfe Research.

Paul Sankey - *Wolfe Research - Analyst*

Have there been any issues of black wax delivery in the slow price environment?

George Damiris - *HollyFrontier Corporation - EVP & COO*

Not to date, Brad, we're still getting our typical volumes.

Paul Sankey - *Wolfe Research - Analyst*

Great, thanks. Can you talk a little bit about flight plan and train differentials? How the market is shifting particularly for those running trains and whether that affects you in any way? Thanks.

George Damiris - *HollyFrontier Corporation - EVP & COO*

Yes, we are not active in the train market. So our intel there is just from what we hear in the marketplace. I think it is fairly clear that economics for rail and crude have diminished, especially with the WTI Brent spread and WTI LLS spreads collapsing. I think all of that directionally should work to our favor as the crude searches for pipeline routes rather than train routes out of the markets.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Paul, beyond that, particularly with respect to the Bakken, as you probably know there were a lot of contracts out there that were Brent-minus. So Brent minus $10, Brent minus $15, which afforded rail transportation to the coastal plants.

But those were not five-year deals, those were six-month deals. I think we are going to see a lot of those rolling off and that crude is going to be hopping on pipelines preferentially over the rails just because of cost and lack of economics to ship to the coasts.

So we believe in Cushing we are going to be a beneficiary of that through pipelines such as Pony Express. You can get from Williston Basin down to Cushing for about $5, whereas the rail transportation, including terminaling charges would be nearly twice that.

Paul Sankey - *Wolfe Research - Analyst*

I guess it was a bit of an obscure question, given that you are not exposed as such rail. But I was also thinking of the extreme discounts we saw in Canadian crudes earlier in the year that seems to be corrected by rail, as well as obviously the comments that we've heard in the past 24 hours from plenty of American and how the rail side of the crude market in the US seems to be under severe pressure.

And, finally, we've had consolidation. I know your strategy is essentially now buyback. But can you comment on the environment as you see it for consolidation and the latest update on how you see consolidation in the Mid-Con? Obviously I'm thinking of Western NCI recently as your latest thoughts. Thanks a lot, Mike.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Sure. I think there will be through time a continuing argument to make for consolidation to gain efficiencies. But the refining industry is very healthy right now. People are generating strong margins. I would expect that the bid ask is probably pretty wide for quality assets.

Paul Sankey - *Wolfe Research - Analyst*

Yes, sure. Can I do a follow-up? Q4 to date, how do things look given on the screen a lot of stuff has gone down a lot? Thanks, I will leave it there, thanks.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

I'm going to have to answer two questions because I'm not sure which one you asked. (Laughter) But the margins have obviously come down seasonally but still attractive. We certainly have reason to run, incentive to run, flow at all of our plants.

The stock prices really, really haven't come down. In fact, they're at year-to-date highs. So I assume it is the margins on light products that you are speaking of. And that does not surprise us a bit. We expect seasonal decline and we tend to pick back up when people start seeing gasoline season in front of them in late January, early February.

Paul Sankey - *Wolfe Research - Analyst*

Actually, yes, you got there. Thanks a lot for helping me out. What I was really referring is the capture that basically seems to be Q4 to date better than the screen margins for refining would indicate.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

We hadn't reported capture yet. Maybe others do that, Paul. But what I would say is for November, we feel like gasoline margins, and diesel margins for that matter, are pretty constructive. I think what you are seeing is gasoline may be a little higher than this time of year typically. Diesel a little bit lower, which is somewhat of a continuing trend.

Typically this time of year folks in refining start hunkering down and that hunkering has not started yet. Product inventories are well behaved on the Magellan system. Demand is good and a lot of turnaround activity and some unplanned outages in our geographies during the fall, and that is obviously supportive of margins. So we have been in a pretty good spot quarter to date.

George Damiris - *HollyFrontier Corporation - EVP & COO*

To see double-digit cracks for both gas and diesel for this time of year, as Doug said, is not typical.

Paul Sankey - *Wolfe Research - Analyst*

Great, thanks, guys. Thanks for helping me out.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Thanks, Paul, have a good day.

Operator

Brad Heffern, RBC Capital Group.

Brad Heffern - *RBC Capital Markets - Analyst*

I think that one of the things that stood out on the quarter specifically, and you called it out in the prepared comments, is utilization in the Rockies. I was curious if you could delve into it a little bit more. What has driven the pretty dramatic uplift? How sustainable is it? How much upside to it is there going forward?

George Damiris - *HollyFrontier Corporation - EVP & COO*

The uplift is the Cheyenne refinery that is operating pretty well. And even then they are not operating at full capacity, nor are they operating at our targeted loss profit opportunity of 4% or less. So I think that there remains upside. We continue to invest in people and process and equipment up there with the intent of Cheyenne running as well as our other facilities.

So the Rockies had a very strong margin driver throughout most of the summer months, even into the fall. We captured that nicely. But there is still opportunity on the table in terms of both the Woods Cross start-up and operating the Cheyenne plant to the extent we can get probably another 4,000 or 5,000 barrels a day out of that plant consistently through better operations.

Brad Heffern - *RBC Capital Markets - Analyst*

Okay, great. Thinking about repurchases, obviously there was a decent flag in the third quarter but that was down some from the second quarter. And then it seems like you guys are back heavy in the market in October.

I was curious, in the third quarter was there anything from a blackout standpoint that caused you to repurchase less? Why was it down so meaningfully on a sequential basis?

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

Yes, Brad, that is really a function of the way these ASR programs work. You enter into them and the benefit is you get to report a big slug of stock that gets retired immediately.

If there is a downside to it, is you have to selectively and carefully only at the permission of the executing bank, then be in the open market. Because the way it works is it gets executed over period of time, and in our case I think that was a three- or four-month time window.

Once they completed their program which was, let's call it the last week or so of September, we were free to get back in the market. As you know, we went then into blackout September 30, but could execute more aggressively through a 10b5 program.

Understand, if one was looking quarter over quarter, they could say, geez, perhaps they've lost their conviction. Just the opposite. We remain very much committed to what we outlined at our Analyst Day and I think you saw that in October and will continue to see that in the November and December months and then roll forward into 2016.

Brad Heffern - *RBC Capital Markets - Analyst*

Thanks, I will leave it there.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Thanks, Brad.

Operator

Blake Fernandez, Howard Weil.

Blake Fernandez - *Howard Weil Incorporated - Analyst*

Good morning. Doug, just to elaborate a little bit on that buyback piece. I think you were pretty clear, but when I look at the cash flow from ops in the quarter, when you strip out CapEx and then what you've returned to shareholder, it is basically balanced. Is it fair to think that is the strategy going forward? Or does it just happen to be that the buybacks landed right around where it was about neutral?

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

No, Blake, that's a coincidence. As we've also mentioned in prepared remarks, debt level at HFC, excluding HEP, is zero.

I think we outlined, again at Analyst Day, that one should expect certainly by the first quarter of next year, for us to add some leverage to the balance sheet and continuing to get to a more normalized structure. So, yes, sure, at some point in our future you would expect something more balanced, but not until we reach a targeted capital structure. And that does not also speak to expected dropdowns to HEP, including the one we finished on the first, which was a little over $60 million. And then notably up next is likely the Woods Cross dropdown.

So I think coincidental that we were balanced this quarter. At some point that would probably be a long-term strategy to look to, but we've got a little ways to go before we get there.

Blake Fernandez - *Howard Weil Incorporated - Analyst*

Right.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Had we been reasonably able to be alongside the executing bank buying back more shares, we would have run the quarter at a deficit, which is really what our intention is, obviously, in order to get to a more levered balance sheet.

Blake Fernandez - *Howard Weil Incorporated - Analyst*

Understood. If I could quickly circle back to the guidance on throughput into 4Q and then the previous questions on OpEx. Is it fair to think with a lower utilization rate into 4Q that the per unit cost could actually trend up a bit into 4Q here for a short term?

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

Yes, that is reasonable.

Blake Fernandez - *Howard Weil Incorporated - Analyst*

Okay. Then the last question, I know you've already tackled the differential question, but I was curious if you could opine a bit on some of the Cushing draws that we have seeing, despite the fact that overall inventories are building up. I know for a while there Canada had some production offline, but it seems like that has restarted and it has been interesting to see depleting inventories each week while overall inventories are actually moving up.

George Damiris - *HollyFrontier Corporation - EVP & COO*

Blake, we are seeing inventories depleting Cushing on one hand. The other hand is that there were a lot of commercial inventories in Cushing, basically contango storage plays. With a $0.60 contango there isn't near as strong an interest by commercial buyers in doing that type trade. So I think that probably you see that move toward more operational levels unless the contango widens out.

Blake Fernandez - *Howard Weil Incorporated - Analyst*

Okay. That's a lot, guys, appreciate it.

Operator

Douglas Leggate, BoA Merrill Lynch.

Clay Augumini - *BofA Merrill Lynch - Analyst*

This is actually Clay Augumini on for Doug. I got a couple questions. First of all I want to ask about Mid-Continent utilization. When looking at the data recently, it seems like the Mid-Con has been trending around 80% and actually touched lows of 74%. And we are expecting that maintenance should come back online in November and December but we have not seen that yet. I just want to get your outlook on how that plays out through the rest of the quarter.

George Damiris - *HollyFrontier Corporation - EVP & COO*

I think in the third quarter we should have had more of the maintenance conducted than we will in the fourth quarter. So I think utilization rates net-net should pick up. But as you said, there will be some maintenance coming on here in November and December with us being a piece of it.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Beyond that, you typically see weather-induced impacts to Mid-Con utilization, be it in the fourth quarter or in the first. So I'm not sure that I would expect the high runs that we saw this summer to persist through the winter, even after maintenance is completed.

Clay Augumini - *BofA Merrill Lynch - Analyst*

Okay, thanks. And as my follow-up I want to touch on the buyback. It seems like in Q2 you guys ran at a pretty accelerated place and that slowed in Q3. Understanding that the program from May was $300 million and you seem to executed that. But on a quarter-over-quarter basis it is a step down, so I'm wondering how you guys are pacing the buyback going forward.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Let me try to answer this question. The accelerated share repurchase that we entered into the month of May was one where we immediately sent to the bank, Doug, $300 million?

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

Mas o menos.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

And immediately from accounting perspective got to take credit for that share repurchase. Then the bank is in the market day to day to day, actually repurchasing those shares. As we expressed earlier, very difficult for us to be in the market alongside them because they are not desirous of competition in the program. Okay?

So once they complete that program and fill the bucket of actual shares to deliver us, come September we are able to be back in the market. But if you start in May 15 or May 20, whenever we started that program, and look through the calendar, you see consistent repurchases in the market by either the bank or ourselves through today's date.

And so it is really an accounting difference versus actual execution. The daily repurchase volume in the market has been very consistent.

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

And I would add for extreme clarity, our expectation when we announced the $1 billion repurchase plan was to be done within 12 months. So if you wanted to think of it is $250 million per quarter for four quarters, that is probably a pretty reasonable expectation. It was a little lumpy around that share repurchase program, but going forward you ought to expect us to be caught up and to have executed within 12 months.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Yes, and at risk of piling on, our purpose in entering that accelerated program was two-fold. One, it was an attractive financial value. We paid a discount to VWEP, which we thought was attractive to do.

Second, it represented a different strategy for us to emphasize repurchase to the exclusion of the special dividend. And we wanted to make a statement to the market that we are taking a different turn.

So that is really the hows and the whys behind the accelerated share repurchase in May. Looking forward, I think we will be conventional open-market repurchases conducted really by ourselves.

Clay Augumini - *BofA Merrill Lynch - Analyst*

That's clear, guys. I appreciate it.

Operator

Roger Read, Wells Fargo.

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

Thank you, good morning.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Hi, Roger.

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

A lot of the good stuff has already been hit, but one thing I want to make sure I understood, and we saw this from a number of your peers during the summer. Part of the margin capture in Q2 and especially Q3 seem to be that you were capturing even on the lower value-add products.

I wanted to see if that was the case for you over the summer and how we should think about that over the next couple of quarters in terms of capture versus indexes. Obviously indexes are going to get tougher as the differentials stay narrow, which is certainly our assumption.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Yes, it's funny, the lower value products are not so lower value as they used to be, especially on the asphalt front. Asphalt has been a very attractive business. We make our fair share of it, especially in Tulsa and Cheyenne. So we expect to see some of that asphalt positive crack the WTI erode as it easily does as the winter approaches. But we think it will still be higher than it has been historically.

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

And on that, I don't know what your visibility on the demand, the ultimate buyer of it is. Have we see a change there? There's the highway bill issue; there is general spending on maintenance which probably was lower I would suspect, given coming off of the financial crisis issues and then the sheer price of asphalt. Is there anything you've seen you could point to on the demand side and say, yes, that's a reason for what we've seen and a reason for why we would expect that to repeat next summer assuming prices are in the same general neighborhood.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Roger, if you have driven the streets of the city we live in, you would probably want to get long asphalt because there's some repairs that need to happen.

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

Houston has that too. (Laughter)

Mike Jennings - *HollyFrontier Corporation - President & CEO*

We're obviously hoping for a highway bill and some spending to happen on infrastructure. It needs to happen, but budgets have been tight since 2009 at the state level. The deficits that they were running in our markets have tended to get more toward neutral.

But importantly, on the supply side, you are seeing a lot less wholesale asphalt being manufactured. And I think you've seen heavy investment in coking equipment, cokers in particular. The big ones are well known.

There are just fewer and fewer people in the wholesale asphalt supply. I think that is as important to part of the market as is the demand, which we think is fundamentally needed. Whether it will be funded will be one to watch.

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

I think on the demand side it's just flat price-driven. These government amenities have fixed dollar budgets and at a lower price they can buy more.

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

Okay, great. I will leave it there, thank you.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Thanks, Roger.

Operator

Evan Calio, Morgan Stanley.

Evan Calio - *Morgan Stanley - Analyst*

Hey, guys. A lot has been covered here. At your Analyst Day you highlighted the $200 million in EBITDA from smaller projects with less than 2-year payback and less than $50 million of capital costs, I believe. How should we think about those projects coming online over the next several years? And is there anything in 2016?

George Damiris - *HollyFrontier Corporation - EVP & COO*

Yes, I think overall, generally, you should view that as being fairly ratable. And then the specifics we have coming on next year, as we mentioned at the Analyst Day, a lot of those projects will be related to our turnaround schedule, because they will be implemented during turnarounds. The two big turnarounds we have next year are the cat crackers at Tulsa and Cheyenne. So somewhat of the project that we had at the El Dorado cat cracker turnaround late last year, you will see a similar project implemented at those two refineries basically the spring of next year.

Evan Calio - *Morgan Stanley - Analyst*

Great. So it is a run rate in the back half of the year and you are saying ratably, so $50 million-plus a year is a reasonable number to think about?

George Damiris - *HollyFrontier Corporation - EVP & COO*

That's right.

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

On a run rate basis, yes.

Evan Calio - *Morgan Stanley - Analyst*

Yes, annualized, right. My second question is on Woods Cross, the expansion. I think you mentioned it's slated now in January. Update there on that process.

And on the product placement side with the Woods Cross, which markets do you place an additional product in? There is a big increase in gasoline and diesel production. Any potential issues as you see it there for placing those barrels. Thanks.

George Damiris - *HollyFrontier Corporation - EVP & COO*

We don't anticipate any and most of those barrels directionally will go south on UNEV to Vegas. The northern markets that we took up to serve are not growing at any appreciable rate. We anticipate putting some of those increased volumes from the expansion up there, but the bulk of it will go south to Vegas.

Evan Calio - *Morgan Stanley - Analyst*

And the start-up. Is it a month delay? Is that what that is? Is it late 4Q to January?

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Yes, it's a marginal delay. The Christmas holidays is a poor time to be starting up a plant. (laughter) And so we have elected the first part of January in order to have mobilized appropriate manpower and contractors to get that done.

Evan Calio - *Morgan Stanley - Analyst*

Great, so it won't be under your Christmas tree then, I guess. (laughter)

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Unfortunately not. But we have to be realistic about staffing and the kind of people that we need to show up to get this done.

Evan Calio - *Morgan Stanley - Analyst*

Appreciate it, thanks, guys.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Thanks, Evan.

Operator

Neil Mehta.

Neil Mehta - *Goldman Sachs - Analyst*

Good morning, guys.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Hi, Neil.

Neil Mehta - *Goldman Sachs - Analyst*

Good morning. Congrats, third-quarter in a row here of strong operations. It's good to see. In terms of your views on the product markets, you started to explore this. I wanted you to flesh it out a little bit more, the view that gasoline could potentially be strong here as we go into 2016, but just a little bit weaker. What do you think is underpinning that? Is that a function of demand, supply? What are the biggest risks of that view?

Mike Jennings - *HollyFrontier Corporation - President & CEO*

It's obviously a global commodity and the big drivers to my mind are flat price driving US gasoline demand. And the US is the biggest gasoline consumer in the world so it matters. India and China, gasoline demand will also matter in terms of percentage growth.

I think that European distillates and distillate margins generally will be negatively affected, which will affect European throughputs and their ability to export more gasoline to the United States. Thus higher gasoline margins probably in the United States. That European refinery generally in the Med first and then Northern Europe as a balancing to global light oil supplies an important dynamic.

Finally, the Caribbean refineries, Venezuela in particular, running very poorly. Have traditionally been big manufacturers and big exporters of gasoline and so we have to add that to the mix. But the combination of those factors really lead to a constructive outlook in terms of US gasoline margins.

Neil Mehta - *Goldman Sachs - Analyst*

That's great. And then on HEP, obviously you guys did El Dorado dropdown here. Two questions there. The stock has actually held in really well, HEP. But in your view are the capital markets open to finance additional dropdowns? And then timing on Woods Cross, if you could remind us, I think that's the next one to go down.

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

Neil, as it relates to the capital markets, HEP has held in well. There was a short period of time where it did not and that was frustrating to a Company like HEP with as many fixed contracts and minimum volume commitments as we have there. I think the market has started to differentiate some.

Right now we don't have an immediate need for capital at HEP. As we said on our call there yesterday, we do have a long-term target of 50% debt to equity. And so, at some point, we'd like for those markets to be more constructive. I think it would not come as a surprise to anybody on this call the debt market -- I would not say is totally closed, but it's not as open as it has been.

We really enjoy wonderful flexibility at HEP because of HFC's sponsorship and flexibility to take units if necessary. Obviously the preference is to take cash at some point, particularly on these newly constructed units because of the tax basis. But even if you have to take units in a period of time when those markets are closed, they don't stay closed forever. We know they won't. And so we will be opportunistic when those markets are open.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

And I don't know that we will be the first out the door, but in terms of the value proposition, as Doug highlighted, it is very steady and visible and growing cash flows, not commodity influenced. I think it's a really attractive value proposition. It does not have the mid 20%s to high 30%s annual growth rate, but it does carry a 7% yield in a very strong nearly double-digits growth rate. We believe that value proposition will become very clear and that we will be able to really raise MLP capital, not necessarily tomorrow, but certainly on a timeline that affords us to continue the strategy.

Neil Mehta - *Goldman Sachs - Analyst*

Yes, sometimes simple is better. Thanks, guys.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Thanks, Neil.

Operator

Faisal Khan, Citigroup.

Faisal Khan - *Citigroup - Analyst*

Good morning, it's Faisal from Citi. A couple of questions. First, have you guys changed at all how much pipeline capacity you have moving crude into your refineries over the last year or so, given all the new capacity coming online?

George Damiris - *HollyFrontier Corporation - EVP & COO*

No. The capacity that has come on has largely gone to the Gulf Coast. Right?

Faisal Khan - *Citigroup - Analyst*

Sure.

George Damiris - *HollyFrontier Corporation - EVP & COO*

With the exception, I suppose, of some of the Rockies pipes coming into Cushing. But those do not serve directly our refineries. So, no, we have not had a need.

Faisal Khan - *Citigroup - Analyst*

Okay. And then second question to follow up on that, is that given the wacky environment we are in right now where there is excess pipeline capacity out of some of these producing basins, and we're seeing basis sometimes be negative between some locations. How are you guys managing your guys' pipeline capacity or crude purchases because of those wacky differentials?

George Damiris - *HollyFrontier Corporation - EVP & COO*

I think, in all honestly, it does not affect us too much because it is all based on refining value for those crudes at our refineries. Even though, like we said earlier, Midland being over Cushing does not help, especially in the fourth quarter. But it was still attractive enough for us to take those barrels out of the Permian to Cushing to run at our El Dorado refinery, especially.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

It is obvious we have to be competitive on price. And if people are going to price that barrel in the outlying regions to ignore some cost of their pipeline tariff, the differential will shrink for a while. That is the zone that we have been in for the last three to six months.

We think through time that there will be a transportation basis differential between locations. But it's going to be narrow until US production starts to grow again.

Faisal Khan - *Citigroup - Analyst*

Sure, I think that makes sense.

George Damiris - *HollyFrontier Corporation - EVP & COO*

The third quarter was an anomaly, I think, for the Midland-Cushing spread. You had two big pipelines that were line filling and that also increased demand for the crude. I think you've seen it revert back to more normal levels so far in the fourth quarter.

Faisal Khan - *Citigroup - Analyst*

Okay, that makes sense. And going back to your comment on asphalt, what were the asphalt margins in the quarter? I know it's a relatively small part of your product yield, but what kind of margins do you see you see in the third quarter for asphalt?

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

We might have to come back to you on that one, Faisal. I am sure we can get there but let's not hold up the call. We'll get to you (multiple speakers)

Faisal Khan - *Citigroup - Analyst*

Sure, I appreciate that. Thanks a lot.

Operator

Edward Westlake, Credit Suisse.

Johannes Van Der Tuin - *Credit Suisse - Analyst*

Hi, it's Johannes here jumping in, so apologies for the subterfuge. Quick question going to turnarounds. There was quite a bit of outage due to planned maintenance and a little bit of unplanned in pad two over this last four months or so.

I was wondering what affect do you think that had on regional product prices and basis differentials? What are you seeing, not just for your own turnarounds going into next year, but in your neighborhood as well?

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Johannes, the unplanned turnarounds seem to be concentrated in Chicago, principally. So the Northern Midwest, which is obviously connected to our market but not directly.

When that happens, typically we and others will try to jump in and fill that void, particularly explore pipeline deliveries. And thus you see some pretty extreme volatility in that Northern Midwest market when you get the unplanned events.

We participate to some degree in that, but it is small as a fraction of our overall business. We obviously serve principally the group three market which is concentrated around Tulsa, Oklahoma and extends to neighboring states.

Johannes Van Der Tuin - *Credit Suisse - Analyst*

Sure.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

The utilization in the Midwest probably comes back up. There was a big turnaround at a plant in Minnesota during the third quarter. And there has been continuing bobbles, I guess, in the Chicagoland area and connected refineries.

I'm not sure that we can plan other people's unplanned outages. What we can say is our objective is to be operating full whenever we have economic incentive to do that, and realizing lost opportunity of less than 4% which puts us in the top quartile. And our Mid-Con plants are hitting that.

It is nice to be up when others are down. We made good money, had good captures during the quarter. What happens going forward? Really we have to focus on our own kitchen and make sure that we are operating and to the extent others aren't, obviously the margins would be a little better.

Johannes Van Der Tuin - *Credit Suisse - Analyst*

Okay. And then other than what you've already announced in terms of secondary units that are going to go have some maintenance next year, there is nothing else to announce or be scheduled? Correct?

George Damiris - *HollyFrontier Corporation - EVP & COO*

Just to be clear, what we talked about on this call was fourth quarter activity.

Johannes Van Der Tuin - *Credit Suisse - Analyst*

Yes, correct. I'm aware that.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

We did call out that we'll be turning around the Tulsa cat cracker in the second quarter of next year. That will be an opportunity to put some upgrades into that cat, which will improve the yields out of it pretty dramatically. But obviously there will be down time anytime you have a cat cracker outage. Similar instance in Cheyenne.

Johannes Van Der Tuin - *Credit Suisse - Analyst*

Okay. It seems with your larger projects, whether that be the naphtha fractionator or Woods Cross which will come in early January. A lot of the self-help that you are planning has been coming in over the last few months and will be into the fourth quarter and maybe the very first part of next year. Incrementally beyond that, how much more should we expect?

George Damiris - *HollyFrontier Corporation - EVP & COO*

I think we put that in two buckets at the Analyst Day; I'm referring to your self-help reference. We called out the larger capital. And you nailed it, it was the Woods Cross expansion that's going to come on in January and that El Dorado naphtha frac that came on just recently.

And then the second bucket is what we are calling our opportunity capital. We basically called out $200 million of EBITDA there. And I think, as we discussed earlier in the call, thinking about that ratably at about $50 million of EBITDA each year from 2015 to 2018.

Johannes Van Der Tuin - *Credit Suisse - Analyst*

Okay, that's all. Thank you very much.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Thanks, Johannes.

Doug Aron - *HollyFrontier Corporation - EVP & CFO*

Before we take our next question, going back to the asphalt question, I am showing we have it by region so at Navajo about $3 million of EBITDA in that Southwest region, which was up about $1.5 million over the second quarter. And the Rockies, pretty small there, about $0.5 million of EBITDA, down $300,000 or $400,000 from the second quarter. Really the big gains were made in the Mid-Continent in Q3 where we showed about $5.5 million of EBITDA from asphalt compared to about $1.8 million, nearly $2 million in the second quarter.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Thanks, Doug.

Craig Biery - *HollyFrontier Corporation - IR*

Next question please, Brandon.

Operator

Phil Gresh, JPMorgan.

Phil Gresh - *JPMorgan - Analyst*

Good morning. A couple of quick ones, one is on the working capital. I know you had some negative working capital impacts in the first half. It looks like also, if I looked at my CFO number for the third quarter, there was also some in the third quarter likely due to lower crude prices. Wondering, is there any expected benefit from a volumetric perspective that we should expect in the fourth quarter? Or is this the new level of working capital?

Mike Jennings - *HollyFrontier Corporation - President & CEO*

I think you hit the nail on the head. The crude price makes a difference. What I would tell you in the fourth quarter is pipelines are moving. Particularly Canadian pipes are moving a little faster which means maybe not quite as much inventory in the line. But generally speaking, there has not been any material change in the amount of inventory that we are holding. You shouldn't necessarily call this the new normal. I think it's a little dependent on price and the speed of pipelines. But overall, our strategy is the same.

George Damiris - *HollyFrontier Corporation - EVP & COO*

It is mostly a price factor. The fourth quarter of the year we tend to come in by 1 million barrels out of 18 or so. But otherwise the needs of our system are typically in transit barrels, what I will call safety stock outside the plants and in the intermediate tanks.

And then obviously our minimums are more in the province systems but those are very consistent over time. So the big swings in working capital are typically crude price-induced.

Phil Gresh - *JPMorgan - Analyst*

Got it, okay. Second question. Just one more project question with the Woods Cross start up and with the timing of it. When would you expect to hit the full run rate of capacity on that as we look through and think about the quarters in 2016? Do you have a view on the timing of hitting capacity as well as hitting the run rate EBITDA relative to that capacity?

George Damiris - *HollyFrontier Corporation - EVP & COO*

I think a reasonable expectation with the January start-up that some time in the second quarter. Give us a quarter to line out the units and make sure every thing operates correctly. So sometime late second quarter, third quarter you will see the full effect.

Phil Gresh - *JPMorgan - Analyst*

Okay. And then last question on those Mid-Con capture rates. You gave us those asphalt numbers, which was very helpful. It sounds like a good part of that step-up 3Q versus 2Q was due to that. Are you basically saying that you would expect capture rates 4Q to be, all else equal, a bit lower than 3Q, similar 2Q, 3Q is in between that is a reasonable run rate moving forward before adding in the self-help?

George Damiris - *HollyFrontier Corporation - EVP & COO*

Again, that is solely the asphalt impact on capture rates. It should be seasonally weaker in the fourth and first quarters. Just because, again, seasonally asphalt prices and demand slacken versus the second and third quarter. But you'll have the benefit of the Midland to Cushing differential going back to more normal levels. It should help us as far as capture rate goes in the fourth quarter versus the third quarter.

Phil Gresh - *JPMorgan - Analyst*

Sure, okay. All right, thanks a lot.

George Damiris - *HollyFrontier Corporation - EVP & COO*

Sure.

Operator

[Vicus Giorvetti], Macquarie Securities.

Matt Lair - *Macquarie Research Equities - Analyst*

Hi guys, this is Matt Lair actually stepping in for Vicus. I wanted to get your thoughts on US spring turnarounds. We know pad two had a large turnaround season this fall, especially on the distillation units. But how do you see the spring shaping up for turnarounds in your region and the greater US in general? We've seen consultant forecasts look a bit live, which is surprising, so it's given the high runs we've seen this year.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Matt, I don't think that this is going to be a particularly heavy spring. The things that I've been reading and they are probably the same press clippings that are available to people on the call, reflect a normal turnaround basis in the spring of 2016. That is compared to probably a pretty heavy turnaround activity in our pad two and particularly group three markets in the third quarter of 2015. So, you know, possibly directionally lighter.

But I will tell you that these things tend to get pushed around and I know that some turnarounds have been pushed. Particularly trying to take advantage of higher Mid-Con margins in the third quarter and whether those turnarounds got through all the maintenance that they would have otherwise done and whether they have some left to do. Thus in the spring we really don't have insight into that.

Matt Lair - *Macquarie Research Equities - Analyst*

Okay, thank you. Secondly, real quick. We know there is an octane shortage in gasoline markets this past spring and summer. Is that a situation that you view it as transient? Or do you think it's more structural as we head into the spring and summer and even beyond that?

Mike Jennings - *HollyFrontier Corporation - President & CEO*

Well, there is a lot of prediction in all of that, but I will give you what I think I know. First, the naphtha-rich crude that we are getting out of the tight rock and the condensate tends to mean that we can make less octane, because you have got now more light Naphtha proportionally in the crude slate. Okay? So you are directionally headed toward a sub-grade barrel or sub-octane barrel based upon the crude you're running.

Second, you've got less incentive to run your reformer because natural gas is so cheap as a source of hydrogen. So running that reformer to make octane you need an economic premium in order to do it or the market will be under-supplied.

The final factor, and you may have read about this recently, but with the low flat price of crude and the low price at the pump of gasoline, you've got consumer behavior of people buying up to the premium gasoline whose engines don't necessarily require it. It is a consumer preference issue creating a pull on the octane pool which we have not experienced certainly through the last four or five years. You can see that article in the press if you research it. I thought that was very interesting and something that had not come to mind is that the consumers are actually creating some octane shortfall and less premium.

Matt Lair - *Macquarie Research Equities - Analyst*

Thanks for your comments.

Mike Jennings - *HollyFrontier Corporation - President & CEO*

You bet.

Operator

At this time we have no further questions in queue. Mr. Biery, would you like to have any closing remarks?

Craig Biery - *HollyFrontier Corporation - IR*

Thanks, everyone, we appreciate you taking the time to join us on today's call. If you have any follow-up questions, as always reach out to Investor Relations. Otherwise we look forward to sharing our fourth-quarter results with you in February.

Operator

This does conclude today's teleconference. Please disconnect your lines at this time and have a wonderful day.
