

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
- - - EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1995

OR

- - - TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-3876

HOLLY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 75-1056913

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

100 Crescent Court, Suite 1600
Dallas, Texas 75201-6927

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (214) 871-3555

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes X No
--- ---

8,253,514 shares of Common Stock, par value \$.01 per share, were outstanding on
March 10, 1995.

HOLLY CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements	
HOLLY CORPORATION	
CONSOLIDATED BALANCE SHEET	
(Dollars in Thousands Except Per Share Amounts)	

	Unaudited January 31, 1995 -----	July 31, 1994 -----
ASSETS -----		
Current assets		
Cash and cash equivalents	\$ 13,006	\$ 3,297
Accounts receivable: Trade	35,025	45,259
Crude oil	45,874	49,021
	-----	-----
	80,899	94,280
Inventories: Crude oil and refined products	33,622	37,949
Materials and supplies	6,080	6,046
	-----	-----
	39,702	43,995
Income taxes receivable	2,843	697
Prepayments and other	9,027	9,340
	-----	-----
Total current assets	145,477	151,609
Properties, plants and equipment, at cost	242,109	236,185
Less accumulated depreciation, depletion and amortization	112,520	107,223

	-----	-----
	129,589	128,962
Other assets	5,232	1,243
	-----	-----
	\$280,298	\$281,814
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities		
Accounts payable	\$ 99,556	\$112,084
Accrued liabilities	11,294	14,945
Income taxes payable	625	736
Current maturities of long-term debt	5,608	5,608
	-----	-----
Total current liabilities	117,083	133,373
Deferred income taxes	16,893	14,829
Long-term debt, less current maturities	68,832	68,840
Contingencies		
Stockholders' equity		
Preferred stock, \$1.00 par value - 1,000,000 shares authorized; none issued	-	-
Common stock, \$.01 par value - 20,000,000 shares authorized; 8,650,282 shares issued	87	87
Additional capital	6,132	6,132
Retained earnings	72,250	59,942
	-----	-----
	78,469	66,161
Common stock held in treasury, at cost - 396,768 shares	(569)	(569)
Deferred charge - amount due from ESOP	(410)	(820)
	-----	-----
Total stockholders' equity	77,490	64,772
	-----	-----
	\$280,298	\$281,814
	=====	=====

See accompanying notes.

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HOLLY CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(Dollars in Thousands Except Per Share Amounts)

	Unaudited Three Months Ended January 31,		Unaudited Six Months Ended January 31,	
	1995	1994	1995	1994
	-----	-----	-----	-----
Revenues				
Net sales	\$ 146,263	\$ 120,583	\$ 306,863	\$ 255,910
Miscellaneous	699	106	823	297
	-----	-----	-----	-----
	146,962	120,689	307,686	256,207
Costs and expenses				
Cost of sales	135,403	104,793	274,650	217,550
General and administrative	3,315	2,945	6,670	5,879
Depreciation, depletion and amortization	3,877	2,623	7,400	5,367
Exploration expenses, including dry holes	804	884	1,270	1,910
Miscellaneous	54	105	82	135
	-----	-----	-----	-----
	143,453	111,350	290,072	230,841
Income from operations	3,509	9,339	17,614	25,366
Other				
Interest income	262	55	443	153
Interest expense	(2,122)	(2,260)	(4,242)	(4,550)
	-----	-----	-----	-----
	(1,860)	(2,205)	(3,799)	(4,397)
	-----	-----	-----	-----
Income before income taxes and cumulative effect of change in accounting for turnarounds	1,649	7,134	13,815	20,969
Income tax provision				
Current	54	2,292	4,555	7,098
Deferred	612	576	1,025	1,332
	-----	-----	-----	-----
	666	2,868	5,580	8,430
	-----	-----	-----	-----

Income before cumulative effect of change in accounting method	983	4,266	8,235	12,539
Cumulative effect to August 1, 1994 of change in accounting for turnarounds, net of taxes	-	-	5,703	-
Net income	\$ 983	\$ 4,266	\$ 13,938	\$ 12,539
Income per common share				
Income before cumulative effect of change in accounting method	\$.12	\$.52	\$ 1.00	\$ 1.52
Cumulative effect to August 1, 1994 of change in accounting for turnarounds, net of taxes	-	-	.69	-
Net income	\$.12	\$.52	\$ 1.69	\$ 1.52
Cash dividends paid per share	\$.10	\$.075	\$.20	\$.15
Average number of shares of common stock outstanding (in thousands)	8,254	8,254	8,254	8,254

See accompanying notes.

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HOLLY CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in Thousands)

	Unaudited Six Months Ended January 31,	
	1995	1994
Cash flows from operating activities		
Net income	\$ 13,938	\$ 12,539
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	7,400	5,367
Deferred income taxes	1,025	1,332
Dry hole costs and leasehold impairment	374	956
Cumulative effect to August 1, 1994 of change in accounting for turnarounds	(5,703)	-
Changes in other assets and liabilities		
Decrease in accounts receivable	13,381	7,037
(Increase) decrease in inventories	4,293	(1,402)
Increase in income taxes receivable	(2,125)	-
(Increase) decrease in prepayments and other	1,893	(1,691)
Decrease in accounts payable	(12,528)	(285)
Decrease in accrued liabilities	(1,060)	(4,891)
Decrease in income taxes payable	(111)	(6,377)
Other, net	(2,765)	556
Net cash provided by operating activities	18,012	13,141
Cash flows from financing activities		
Reduction in long-term debt	(8)	(8)
Cash dividends	(1,651)	(1,238)
Net cash used for financing activities	(1,659)	(1,246)
Cash flows from investing activities		
Additions to properties, plants and equipment	(6,644)	(12,986)
Net cash used for investment activities	(6,644)	(12,986)
Cash and cash equivalents		
Increase (decrease) for the period	9,709	(1,091)
Beginning of year	3,297	6,631
End of period	\$13,006	\$ 5,540

Supplemental disclosure of cash flow information

Cash paid during period for

Interest	\$ 4,242	\$ 4,416
Income taxes	\$ 6,744	\$ 13,407

See accompanying notes.

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HOLLY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note A - Presentation of Financial Statements

In the opinion of the Company, the accompanying consolidated financial statements, which have not been audited by independent accountants (except for the consolidated balance sheet as of July 31, 1994), reflect all adjustments (consisting only of normal recurring adjustments, except for the accounting change as described in Note B below) necessary to present fairly the Company's consolidated financial position as of January 31, 1995, the consolidated results of operations for the three and six months ended January 31, 1995 and 1994, and consolidated cash flows for the six months ended January 31, 1995 and 1994.

Certain notes and other information have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1994.

References herein to the "Company" are for convenience of presentation and may include obligations, commitments or contingencies that pertain solely to one or more affiliates of the Company. Results of operations for the first six months of fiscal 1995 are not necessarily indicative of the results to be expected for the full year.

Note B - Accounting Change

Effective August 1, 1994, the Company changed its method of accounting for turnaround costs. Turnarounds consist of preventive maintenance on major processing units as well as the shutdown and restart of all units, and generally are scheduled at two to three year intervals. Previously, the Company estimated the costs of the next scheduled turnaround and ratably accrued the related expenses prior to the actual turnaround. To provide for a better matching of turnaround costs with revenues, the Company changed its accounting method for turnaround costs to one that results in the amortization of costs incurred over the period until the next scheduled turnaround. The cumulative effect of this accounting change through the 1994 fiscal year was an increase in net income in the current year of \$5,703,000, or \$.69 per common share. Excluding the cumulative effect, the change increased net income for the second quarter of fiscal 1995 by \$102,000 or \$.01 per common share and increased net income for the six months ended January 31, 1995 by \$1,022,000 or \$.12 per common share. If the accounting change for turnaround costs had been retroactively applied, pro forma net income for both the quarter and the six months ended January 31, 1994 would have increased by \$1,058,000 or \$.13 per share over what was originally reported and net income for the full 1994 fiscal year would have increased by \$1,266,000 or \$.15 per share to pro forma net income amounts for the 1994 fiscal year of \$21,983,000 or \$2.66 per share.

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HOLLY CORPORATION

Notes to Consolidated Financial Statements (Continued)

Note C - Contingencies

In July 1993, the United States Department of Justice ("DOJ"), acting on behalf of the Environmental Protection Agency ("EPA"), filed a complaint in the United States District Court for the District of New Mexico alleging that the Company's subsidiary, Navajo Refining Company, beginning in September 1990 and continuing through the present, had violated and continues to violate the Resource Conservation and Recovery Act ("RCRA") and implementing regulations of the EPA by treating, storing and disposing of certain hazardous wastes without compliance with regulatory requirements. The complaint seeks a court order directing Navajo to comply with certain regulatory standards and civil penalties for the alleged non-compliance.

As previously disclosed, Navajo has answered the complaint, denying all the allegations of legal liability and asserting affirmative defenses. Only limited discovery has been conducted. The Company and Navajo have been contesting the Government's case as necessary and appropriate, while contemporaneously exploring the prospects for negotiated settlement.

In this regard, a tentative resolution of a substantial portion of the litigation has been reached. Under this approach, the Company would close the existing evaporation ponds of its wastewater management system, at a cost which will likely not exceed \$1 million, to be expended over a several year period (a reserve of \$2 million was recorded in fiscal 1993, principally to provide for the cost of closing existing ponds). Under the tentative resolution, the Company would implement one of several alternatives to the existing wastewater treatment system. Depending upon which approach is utilized, the Company could incur capitalizable costs which were previously reported to be anticipated in the \$5 to \$10 million range over the next several years, now appear to be less.

Assuming the Company consummates the settlement discussed above, the remaining aspect of the litigation would be the civil penalty which the Government seeks. While the amount of any such civil penalty cannot presently be ascertained, based upon the advice of counsel, it is not believed that any such penalty would have a materially adverse impact on the Company's financial position.

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations

Results of Operations

Net income for the second quarter ended January 31, 1995 was \$1.0 million as compared to \$4.3 million for the second quarter of the prior year. For the six months ended January 31, 1995, net income was \$13.9 million, (which included a \$5.7 million accounting change in the first quarter for the cumulative effect of a change in accounting for turnarounds relating to prior periods), as compared to \$12.5 million for the six months in the same period of fiscal 1994.

HOLLY CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations (Continued)

Effective August 1, 1994, the Company changed its method of accounting for turnaround costs. Turnarounds consist of preventive maintenance on major processing units as well as the shutdown and restart of all units, and generally are scheduled at two to three year intervals. Previously, the Company estimated the costs of the next scheduled turnaround and ratably accrued the related expenses prior to the actual turnaround. To provide for a better matching of turnaround costs with revenues, the Company changed its accounting method for turnaround costs to one that results in the amortization of costs incurred over the period until the next scheduled turnaround. The amortization of turnaround costs is recorded in depreciation, depletion and amortization expense, whereas previously the expenses accrued prior to the turnaround were recorded in cost of sales as an operating expense. The increase in the current year in depreciation expense is primarily the result of this change in accounting. The cumulative effect of this accounting change through the 1994 fiscal year was an increase in net income in the current year of \$5.7 million. Excluding the cumulative effect, the change increased net income for the second quarter of fiscal 1995 by \$.1 million and increased net income for the six months ended January 31, 1995 by \$1.0 million. If the accounting change for turnaround costs had been retroactively applied, pro forma net income for both the quarter and the six months ended January 31, 1994 would have increased by \$1.1 million over what was originally reported and net income for the full 1994 fiscal year would have been increased by \$1.3 million to pro forma net income for the 1994 fiscal year of \$22.0 million.

Excluding the effects of the change in accounting for turnarounds, the decreases in net income in the second quarter and six months ended January 31, 1995, as compared to the prior year periods, are due primarily to reduced refinery margins, offset partially by the effect of increases in volumes sold. Refinery margins for both periods in the current year were less than in the comparable prior year periods as crude oil costs increased at a greater rate than product prices. Refinery margins were especially poor in the latter part of the current year's second quarter as product prices fell from the first quarter levels without corresponding decreases in crude oil costs. Margins at the Montana refinery were particularly weak for both the three-and six-month periods as compared to the prior year. Refinery margins have recently shown some improvement from the low levels of the second quarter of fiscal 1995. Revenues for both the quarter and six months ended January 31, 1995 were higher due to sales volumes increases in the current year periods of 9% and 15%, respectively, from the prior year and due to higher product prices. The prior year's sales volumes were reduced as a result of a major maintenance turnaround at Navajo Refining Company's New Mexico facilities in the September to November 1993 period.

HOLLY CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Financial Condition

Cash flows from operations during the six months ended January 31, 1995 exceeded capital expenditures and dividends paid, resulting in a net increase of cash and cash equivalents of \$9.7 million. Working capital increased during the six months by \$10.2 million to \$28.4 million at January 31, 1995. The Company's long-term debt now represents 49.0% of total capitalization as compared to 53.5% at July 31, 1994. At January 31, 1994, the Company had \$25 million of borrowing capacity under the Credit Agreement which can be used for short term working capital needs. The Company believes that these sources of funds, together with future cash flows from operations, should provide sufficient resources, financial strength and flexibility for the Company to satisfy its liquidity needs, capital requirements, and debt service obligations and to permit the payment of dividends for at least the next few years.

Net cash provided by operating activities amounted to \$18.0 million in the first six months of fiscal 1995, as compared to \$13.1 million in the same period of the prior year. The principal reason for the increase in cash provided from operations was changes in working capital accounts; this factor was partially offset by the reduction in income before the accounting change. The change in the method of accounting for turnaround costs had no effect on cash provided from operations.

Cash flows used for investing activities were \$6.6 million in the first six months of fiscal 1995, as compared to \$13.0 million in the same period of the prior year, all of which amounts were for capital expenditures. The Company has adopted capital budgets totalling \$17 million for fiscal 1995, of which \$13 million is principally for refinery projects and \$4 million is for oil and gas exploration. The majority of the oil and gas budget relates to anticipated costs of completion and of production facilities for two offshore properties. While it is inherently difficult to anticipate what future regulatory requirements may necessitate, the Company believes that capital expenditures in the near future required for current refining and oil and gas operations should not substantially exceed the level of capital expenditures that has been required in the past few years.

Cash flows used for financing activities amounted to \$1.7 million in the first six months of fiscal 1995, as compared to \$1.2 million in the same period of the prior year; substantially all of these amounts were for dividends. The next principal payment of \$5.6 million on the Company's Senior Notes is due in June 1995.

HOLLY CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

While the Company believes it is well positioned to meet present and future competitive pressures, a previously reported development should be noted. In December 1993, Diamond Shamrock, Inc., an independent refiner and retailer headquartered in San Antonio, Texas, announced its intention to build a 400-mile 10-inch pipeline, with initial capacity of 32,000 BPD of refined products, from its McKee refinery near Dumas, Texas to El Paso, Texas. Such a pipeline, which Diamond Shamrock has stated it anticipates to complete in the spring of 1995, could substantially increase the supply of product in the Company's markets.

In January 1995, Williams Energy Ventures, a unit of the Williams Companies, Inc., announced the cancellation of their investment in a complex 50,000 BPD refinery near Phoenix, Arizona, which had been previously reported.

In July 1993, the United States Department of Justice ("DOJ"), acting on behalf of the Environmental Protection Agency ("EPA"), filed a complaint in the United States District Court for the District of New Mexico alleging that the Company's subsidiary, Navajo Refining Company, beginning in September 1990 and continuing through the present, had violated and continues to violate the Resource Conservation and Recovery Act ("RCRA") and implementing regulations of the EPA by treating, storing and disposing of certain hazardous wastes without compliance with regulatory requirements. The complaint seeks a court order directing Navajo to comply with certain regulatory standards and civil penalties for the alleged non-compliance.

As previously disclosed, Navajo has answered the complaint, denying all the allegations of legal liability and asserting affirmative defenses. Since

near the outset of this matter, the Company and the Government have been pursuing settlement discussions. It now appears that the parties have reached a tentative resolution that would resolve some if not all of the litigation. Under this resolution, the Company would close the existing evaporation ponds of its wastewater management system, at a cost which will likely not exceed \$1 million, to be expended over a several year period (a reserve of \$2 million was recorded in fiscal 1993, principally to provide for the cost of closing existing ponds). Under the tentative resolution, the Company would implement one of several alternatives to the existing wastewater treatment system. Depending upon which approach is utilized, the Company could incur costs which were previously reported to be anticipated in the \$5 to \$10 million range over the next several years, now appear to be less. The costs to implement an alternative wastewater treatment system would be capitalized and amortized over the future useful life of the resulting asset in accordance with generally accepted accounting principles.

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HOLLY CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Assuming the Company consummates the settlement discussed above, the remaining aspect of the litigation would be the civil penalty which the Government seeks. While the amount of any such civil penalty cannot presently be ascertained, based upon the advice of counsel, it is not believed that any such penalty would have a materially adverse impact on the Company's financial position or operations.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In July 1993, the United States Department of Justice, acting on behalf of the EPA, filed a complaint in the United States District Court for the District of New Mexico alleging that the Company's subsidiary, Navajo Refining Company, beginning in September 1990 and continuing until the present, had violated and continues to violate the Resource Conservation and Recovery Act (RCRA) and implementing regulations of the EPA by treating, storing and disposing of certain hazardous wastes without necessary authorization and without compliance with regulatory requirements. The complaint seeks a court order directing Navajo to comply with these regulatory standards and civil penalties for the alleged non-compliance. Navajo has answered the complaint, denying all the allegations of legal liability and asserting affirmative defenses. Only limited discovery has been conducted. While the Company and Navajo have been contesting the Government's case as necessary and appropriate, the parties have been exploring the possibility of a negotiated resolution since near the onset of this matter. For additional discussion, please see Management's Discussion and Analysis of Financial Condition and Results of Operations and Note C to the Consolidated Financial Statements.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits: See Index to Exhibits on page 13.
- (b) Reports on Form 8-K: None.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOLLY CORPORATION

(Registrant)

Date: March 17, 1995

By /S/Henry A. Teichholz

Henry A. Teichholz
Vice President, Treasurer
and Controller
(Duly Authorized Principal
Financial and Accounting
Officer)

HOLLY CORPORATION

INDEX TO EXHIBITS

(Exhibits are numbered to correspond to the exhibit table in Item 601 of Regulation S-K)

Exhibit Number -----		Description -----
27	-	Financial Data Schedule

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