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 October 31, 1994

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 incorporation or organization)	(I.R.S. Employer 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 December 9, 1994.

HOLLY CORPORATION

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOLLY CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in Thousands Except Per Share Amounts)

	Unaudited October 31, 1994	July 31, 1994
ASSETS		
Current assets		
Cash and cash equivalents	$ 16,403	$ 3,297
Accounts receivable: Trade	35,218	45,259
Crude oil	40,906	49,021
	76,124	94,280
Inventories: Crude oil and refined products	31,416	37,949
Materials and supplies	6,028	6,046
	37,444	43,995
Income taxes receivable	-	697

Prepayments and other	10,601	9,340
Total current assets	140,572	151,609
Properties, plants and equipment, at cost	239,917	236,185
Less accumulated depreciation, depletion and amortization	109,999	107,223
	129,918	128,962
Other assets	6,059	1,243
	$276,549	$281,814
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 90,137	$112,084
Accrued liabilities	13,865	14,945
Income taxes payable	4,382	736
Current maturities of long-term debt	5,608	5,608
Total current liabilities	113,992	133,373
Deferred income taxes	16,395	14,829
Long-term debt, less current maturities	68,840	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	72,082	59,942
	78,301	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	77,322	64,772
	$276,549	$281,814

See accompanying notes.

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

	Unaudited Three Months Ended October 31,	
	1994	1993
Revenues		
Net sales	$ 160,600	$ 135,327
Miscellaneous	124	191
	160,724	135,518
Costs and expenses		
Cost of sales	139,247	112,757
General and administrative	3,355	2,934
Depreciation, depletion and amortization	3,523	2,744
Exploration expenses, including dry holes	466	1,026
Miscellaneous	28	30
	146,619	119,491
Income from operations	14,105	16,027
Other		
Interest income	181	98
Interest expense	(2,120)	(2,290)
	(1,939)	(2,192)
Income before income taxes and cumulative effect of change in accounting for turnarounds	12,166	13,835
Income tax provision		
Current	4,501	4,806

Deferred	413	756
	4,914	5,562
Income before cumulative effect of change in accounting method	7,252	8,273
Cumulative effect to August 1, 1994 of change in accounting for turnarounds, net of taxes	5,703	-
Net income	$ 12,955	$ 8,273
Income per common share		
Income before cumulative effect of change in accounting method	$ .88	$ 1.00
Cumulative effect to August 1, 1994 of change in accounting for turnarounds, net of taxes	.69	-
Net income	$ 1.57	$ 1.00
Cash dividends paid per share	$ .10	$ .075
Average number of shares of common stock outstanding (in thousands)	8,254	8,254

See accompanying notes.

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

	Unaudited Three Months Ended October 31,	
	1994	1993
Cash flows from operating activities		
Net income	$ 12,955	$ 8,273
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	3,523	2,744
Deferred income taxes	413	756
Dry hole costs and leasehold impairment	2	628
Cumulative effect to August 1, 1994 of change in accounting for turnarounds	(5,703)	-
Changes in other assets and liabilities		
Decrease in accounts receivable	18,156	2,228
(Increase) decrease in inventories	6,551	(954)
Decrease in income taxes receivable	697	-
(Increase) decrease in prepayments and other	253	(258)
Decrease in accounts payable	(21,947)	(3,797)
Increase (decrease) in accrued liabilities	1,625	(2,642)
Increase (decrease) in income taxes payable	3,656	(1,801)
Other, net	(2,514)	483
Net cash provided by operating activities	17,667	5,660
Cash flows from financing activities		
Cash dividends	(825)	(619)
Net cash used for financing activities	(825)	(619)
Cash flows from investing activities		
Additions to properties, plants and equipment	(3,736)	(6,755)
Net cash used for investment activities	(3,736)	(6,755)

Cash and cash equivalents		
Increase (decrease) for the period	13,106	(1,714)
Beginning of year	3,297	6,631
	-------	-------
End of period	$16,403	$ 4,917
	=======	=======
Supplemental disclosure of cash flow information		
Cash paid during period for		
Interest	$ 290	$ 350
Income taxes	$ 100	$ 6,560

See accompanying notes.

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) necessary to present fairly the Company's consolidated financial position as of October 31, 1994, the consolidated results of operations for the three months ended October 31, 1994 and 1993, and consolidated cash flows for the three months ended October 31, 1994 and 1993.

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 three 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 first quarter of fiscal 1995 by $920,000 or $.11 per common share. If the accounting change for turnaround costs had been retroactively applied, pro forma net income for the first quarter of fiscal 1994 would not have changed from 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.

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 an approximate cost of $1 to $2 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 of an additional $5 to $10 million over the next several years.

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 first quarter ended October 31, 1994 was $13.0 million (which included a $5.7 million accounting change in that quarter for the cumulative effect of a change in accounting for turnarounds relating to prior periods), as compared to $8.3 million for the first quarter of the prior year.

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 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 first quarter of fiscal 1995 by $.9 million. If the accounting change for turnaround costs had been retroactively applied, pro forma net income for the first quarter of fiscal 1994 would not have changed from what was originally reported and net income for the full 1994 fiscal year would have 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, net income decreased in the current year's first quarter as compared to the same period of fiscal 1994. Refinery margins, although significantly improved over the poor margins experienced in the prior year's fourth quarter, were less than in the first quarter of the prior year as crude oil costs were higher while product prices were lower in the current year's first quarter as compared to the prior year's first quarter. Almost offsetting the lower margins in the fiscal 1995 first quarter was an increase of 22% in sales volumes over volumes in the prior year's first quarter, which had been reduced by a major maintenance turnaround of Navajo Refining Company's New Mexico facilities in the fall of 1993. Revenues increased in the quarter ended October 31, 1994 over the prior year's comparable period as the result of the greater sales volumes, partially offset by the decrease in product prices.

Financial Condition

Cash flows from operations during the three months ended October 31, 1994 exceeded capital expenditures and dividends paid, resulting in a net increase of cash and cash equivalents of $13.1 million. Working capital increased during the three months by $8.3 million to $26.6 million at October 31, 1994. The Company's long-term debt now represents 49.1% of total capitalization as compared to 53.5% at July 31, 1994. At October 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.

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

Net cash provided by operating activities amounted to $17.7 million in the first three months of fiscal 1995, as compared to $5.7 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, primarily inventory and income taxes. The change in the method of accounting for turnaround costs did not have any effect on cash provided from operations.

Cash flows used for investing activities were $3.7 million in the first three months of fiscal 1995, as compared to $6.8 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 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 $.8 million in the first three months of fiscal 1995, as compared to $.6 million in the same period of the prior year, all of which were for dividends. The next principal payment of $5.6 million on the Company's Senior Notes is due in June 1995.

While the Company believes it is well positioned to meet present and future competitive pressures, certain recent developments 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 addition, Williams Energy Ventures, a unit of the Williams Companies, Inc., has announced the possibility of its involvement in the construction of a complex 50,000 BPD refinery near Phoenix, Arizona. While Williams has made it clear that the project is only tentative, its consummation could cause more product to be present in several of the Company's markets, particularly Tucson and Phoenix, Arizona. Williams has stated that, if the project were undertaken, it would take approximately 30 months to complete construction.

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

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 an approximate cost of $1 to $2 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 of an additional $5 to $10 million over the next several years. 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.

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 4. Submission of Matters to a Vote of Securities Holders

At the annual meeting of stockholders of December 8, 1994, all eight of the management's nominees for directors as listed in the proxy statement were elected.

SCHEDULE OF VOTES CAST FOR EACH DIRECTOR

	Total Shares Voted "For"	Total Shares Voted "Withheld"
W. John Glancy	7,180,352	61,064
Marcus R. Hickerson	7,181,120	60,296
A. J. Losee	7,181,120	60,296
Thomas K. Matthews, II	7,179,244	62,172
Robert G. McKenzie	7,181,128	60,288
Lamar Norsworthy	7,180,960	60,456
E. I. Parsons	7,181,128	60,288
Jack P. Reid	7,181,120	60,296

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: December 14, 1994

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
18	-	Letter from Ernst & Young LLP, dated December 8, 1994 regarding change in accounting method
27	-	Financial Data Schedule

EXHIBIT 18

December 8, 1994

Mr. Henry Teichholz
Vice President, Treasurer, and
 Controller
Holly Corporation
100 Crescent Court
Suite 1600
Dallas, Texas 75201

Dear Mr. Teichholz:

Note B of Notes to Consolidated Financial Statements of Holly Corporation included in its Form 10-Q for the three months ended October 31, 1994 describes a change in the method of accounting for turnaround costs, from the method of accruing expected expenses up to the date of turnaround to the method of amortizing turnaround costs incurred over the period until the next turnaround. You have advised us that you believe that the change is to a preferable method in your circumstances because it provides better matching of turnaround costs with revenues.

We concluded that the change in the method of accounting for turnaround costs is to an acceptable alternative method which, based on your business judgment to make this change for the reason cited above, is preferable in your circumstances. We have not conducted an audit in accordance with generally accepted auditing standards of any financial statements of the Company as of any date or for any period subsequent to July 31, 1994, and therefore we do not express any opinion on any financial statements of Holly Corporation subsequent to that date.

/s/ ERNST & YOUNG LLP

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