

 ENTERED

ARTHUR ANDERSEN & Co.

717-17TH STREET, SUITE 1900  
DENVER, COLORADO 80202  
(303) 295-1900

July 11, 1986

Mr. David J. Younggren  
Vice President of Finance/  
Administration  
Gary Energy Corporation  
115 Inverness Drive, East  
Englewood, Colorado 80112-5116

Dear Mr. Younggren:

We understand from our prior discussions that the Environmental Protection Agency ("EPA") has asked that you provide a letter from us regarding Gary Energy Corporation's ("GEC") financial ability to cover the cost of certain "site closure activity." You have also indicated that you believe this cost will be approximately \$290,950.

In this regard, we have performed an examination of the December 31, 1985 financial statements of Gary Energy Corporation and Bloomfield Refining Company. Our report on this examination was dated April 4, 1986. The consolidated balance sheet included in that report as of December 31, 1985, indicated that current assets including cash, temporary investments, accounts receivable, inventories, etc., totaled \$29,800,907 and current liabilities including accounts payable, bank debt, and other, totaled \$17,195,460. Thus, the consolidated balance sheet showed working capital of \$12,605,447 of which \$5,193,494 represented pledged cash under the Company's bank loan agreement. We have not performed an examination of any financial statements subsequent to December 31, 1985. Consequently, we can express no opinion on any financial statements as of a more recent date.

We have, however, read the unaudited consolidated balance sheet for the respective entities as of March 31, 1986, and noted that current assets totaled \$25,999,021, and current liabilities totaled \$15,160,061 with resultant working capital of \$10,838,960 of which \$5,323,575 represented pledged cash under the Company's bank loan agreement as of that date. These amounts are unaudited and were not examined by us. Consequently, we can express no opinion on these amounts.

Thus, with regard to the Company's financial ability to cover an expenditure of \$290,950, we cannot specifically express an opinion; however, we believe that the magnitude of the consolidated working capital is certainly a factor that should be considered.

ARTHUR ANDERSEN & Co.

Mr. Younggren

- 2 -

July 11, 1986

It should be understood that we make no representations as to the sufficiency for your purposes of the procedures enumerated above in the preceding paragraph; also, those procedures would not necessarily reveal any change in the working capital since March 31, 1986. Further, we have addressed ourselves solely to the foregoing data as set forth in the Companies' audited financial statements.

This letter is solely for the information of, and assistance to, the Company in connection with the EPA investigation referred to above and is not to be used, circulated, quoted or otherwise referred to within or without the Company for any other purpose.

Very truly yours,

A handwritten signature in cursive script that reads "Arthur Andersen & Co." The signature is written in dark ink and is positioned to the right of the typed closing "Very truly yours,".

das/3279a