

APR 2011

Via Federal Express
No. 7969 3525 5901

March 31, 2011

John Kieling
Program Manager
Permits Management Program
New Mexico Environment Department
Hazardous Waste Bureau
2905 Rodeo Park Drive East, Bldg. 1
Santa Fe, New Mexico 87505-6303

**Re: Financial Assurance for Western Refining Southwest, Inc.,
Gallup Refinery, EPA ID #NMD000333211 , HWB-WRG-MISC and
Bloomfield Refinery, EPA ID #NMD089416416, HWB-WRB-MISC**

Dear Mr. Kieling:

This letter and attachments provide financial assurance for facilities at Western Refining Southwest, Inc. (Western), Gallup and Bloomfield Refineries in the form of two surety bonds guaranteeing performance and corresponding standby trusts. These bonds and trusts are in the possession of NMED. The Gallup Refinery is a crude oil refinery owned and operated by Western Refining Southwest, Inc., formerly known as Giant Industries Arizona, Inc., and formerly doing business as Giant Refining Company Ciniza Refinery. The Bloomfield Refinery is a crude oil refinery owned by San Juan Refining Company, a New Mexico corporation and operated by Western Refining Southwest, Inc., formerly known as Giant Industries Arizona, Inc., an Arizona corporation. Financial Assurance is provided in accordance with 40 CFR 264.143(c) and 264.145(c) for Gallup and 265.143(c) for Bloomfield.

2011 Cost Estimates

The Gallup Refinery submitted to NMED a 2011 Financial Assurance Cost Estimate dated March 30, 2011. The total estimated cost is \$1,394,252 consisting of \$1,269,067 for closure activities and \$125,185 for post-closure activities. The Bloomfield Refinery submitted to NMED a 2011 Financial Assurance Cost Estimate dated January 21, 2011. The total estimated cost is \$1,045,191 for closure activities.

Performance Bonds

The performance bonds for the Gallup and Bloomfield Refineries have an effective date of May 24, 2010, and subject to annual renewal on May 24, 2011. The total closure/post-closure estimate amount in the Gallup Refinery performance bond is \$2,874,786 consisting of \$2,518,786 for closure costs and \$356,000 for post closure costs. The Bloomfield Refinery performance bond total closure/post-closure estimate amount is \$2,184,216 for closure costs. Both performance bonds far exceed the 2011 cost estimates discussed above.

Western proposes a reduction of the both performance bond amounts to match the 2011 cost estimates. These reductions amount to substantial savings in annual premiums. The bond amounts must be reduced at renewal, Western requests NMED approval of the 2011 estimates and bond reductions by May 1, 2011.

Enclosed are the following documents:

- Response to the NMED Second Notice of Disapproval letter dated March 8, 2011, and
- Hazardous Waste Facility Liability Endorsement and Certificate of Insurance.

If you have any questions, please call me at (915) 534-1480.

Sincerely,



Leslie Ann Allen
Senior Vice President
Health, Safety, Environment and Regulatory Affairs

Response to the NMED Second Notice of Disapproval letter dated March 8, 2011

Comment 1 In the cover letter, Western cites regulations that refer to a surety bond. Western is using a performance bond as provided at 40 CFR 264.143(c) and 264.145(c) for Gallup and 265.143 (c) for Bloomfield. Ensure the next submittal references the correct regulatory citations.

Response: The comment is acknowledged.

Comment 2 Hazardous Waste Facility Certification of Liability Insurance:

The wording of the Hazardous Waste Facility Certification of Liability Insurance (HWFCLI) does not contain the same wording found at 40 CFR 264.151(j). Western must revise the HWFLI as indicated below in the March 2011 submittal.

- a. Number 2, item (b) of the HWFCLI states "[t]he Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for such payment made by the Insurer." The term "any" is missing from the sentence. In accordance with 40 CFR 264.151(j), the sentence must state "[t]he Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for **any** such payment made by the Insurer." Revise the HWFCLI to include the word any in the sentence.

- b. Number 2, Item (c) of the HWFCLI states "[w]hen requested by the U.S. EPA, the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements." The term "a Regional Administrator of the" is missing from the sentence. In accordance with 40 CFR 265.151(j), this sentence must state "[w]hen requested by **a Regional Administrator of the** U.S. Environmental Protection Agency (EPA), the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements." Revise the HWFCLI accordingly.

- c. Number 2, item (d) of the HWFCLI states "[c]ancellation of the insurance, whether by the Insurer or the Insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Secretary of the New Mexico Environment Department." This sentence included the word or and is missing the term "a parent corporation providing insurance coverage for its subsidiary, or by a firm having an insurable interest in and obtaining liability insurance on behalf of the owner or operator of the hazardous waste management facility." In accordance with 40 CFR 265.151(j), this sentence must state "[c]ancellation of the insurance, whether by the insurer, the insured, **a parent corporation providing insurance coverage for its subsidiary, or by a firm having an insurable interest in and obtaining liability insurance on behalf of the owner or operator of the hazardous waste management facility**, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Secretary of the New Mexico Environment Department." Revise the HWFCLI accordingly.

Response: The Hazardous Waste facility Certification of Liability Insurance has been re-issued and attached to this response. The wording is identical to the wording specified in 40 CFR 264.151(a)(1).

Comment 3 Cost Estimates for the Land Treatment Unit:

In the March 2011 submittal, include updated detailed written cost estimates, in current dollars, of the cost for post-closure care of the Land Treatment Unit. Refer and comply with the cost estimate for post-closure found at 40 CFR 264.144.

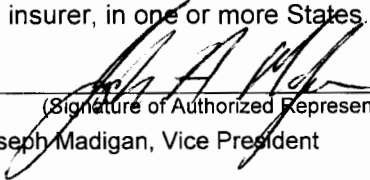
Response: The Gallup Refinery submitted to NMED a 2011 Financial Assurance Cost Estimate dated March 30, 2011.

**Hazardous Waste Facility Liability Endorsement
And Certificate of Insurance**

HAZARDOUS WASTE FACILITY CERTIFICATE OF LIABILITY INSURANCE

1. Indian Harbor Insurance Company, (the "Insurer") of Seaview House, 70 Seaview Avenue, Stamford, CT 06902-6040, hereby certifies that it has issued liability insurance covering bodily injury and property damage to Western Refining, Inc., (the "insured") of 123 W. Mills Avenue, El Paso, TX 79901 in connection with the insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at EPA ID#NMD000333211 and NMD089416416, Gallup Refinery, Gallup, NM 87301 and Bloomfield Refinery, #50 County Road 4990 (Sullivan Road), Bloomfield, NM 87413 for sudden and nonsudden accidental occurrences. The limits of liability are \$1,000,000 "each occurrence" and \$2,000,000 "annual aggregate", exclusive of legal defense costs. The coverage is provided under policy number PEC002717601 issued on September 1, 2010. The effective date of said policy is September 1, 2010.
2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:
 - (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.
 - (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.147(f).
 - (c) Whenever requested by a Regional Administrator of the U.S. Environmental Protection Agency (EPA), the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.
 - (d) Cancellation of the insurance, whether by the Insurer, the Insured, a parent corporation providing insurance coverage for its subsidiary, or by a firm having an insurable interest in and obtaining liability insurance on behalf of the owner or operator of the hazardous waste management facility, will be effective only upon written notice and only after the expiration of 60 days after a copy of such written notice is received by the Regional Administrator (s) of the EPA Region(s) in which the facility(ies) is(are) located.
 - (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is(are) located.

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j) as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.



(Signature of Authorized Representative of Insurer)
Joseph Madigan, Vice President Authorized Representative of Indian Harbor Insurance Company

Date: 3/30/11

c/o XL Insurance
505 Eagleview Boulevard
P.O. Box 636
Exton, PA 19341-0636