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CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 20, 2014

Leslie Ann Allen, Senior Vice President
Gary Dalke, Chief Financial Officer
Western Refining Southwest, Inc.
123 W. Mills Avenue, Suite 200
El Paso, Texas 79901

**RE: DISAPPROVAL
FINANCIAL ASSURANCE FOR WESTERN REFINING
SOUTHWEST INC., GALLUP AND BLOOMFIELD REFINERIES
EPA ID# NMD000333211
EPA ID # NMD089416416
HWB-WRG-MISC
HWB-WRB-MISC**

Dear Ms. Allen and Mr. Dalke:

The New Mexico Environment Department (NMED) has received the Western Refining, Southwest, Inc. (Western's) March 31, 2014 financial assurance submittal and hereby issues this Disapproval. Western must address the following comments.

Comment 1

There appears to be a typographical error in the Chief Financial Officer (CFO) Letter. The CFO Letter uses a rounded cost estimate (\$4,291,000) rather than the actual cost estimate (\$4,291,334) calculated from the "Total closure/post-closure cost estimates" from Bloomfield (\$1,059,842) and Gallup (\$3,231,492) Refineries. According to the CFO Letter, the total closure/post-closure cost estimate for the two facilities is \$4,291,334; however, Line 1 of the Alternative I section of the CFO Letter reports \$4,291,000. Provide an explanation for using the rounded \$4,291,000

value in the Alternative I Financial Test or provide a revised Alternative I Financial Test with the correct information.

Comment 2

There are some discrepancies with information reported in the CFO Letter and Western's 10-K report. Address the comments below:

- a. Line 4 in the CFO Letter reports the "Net worth" as \$2,570,587,000 and Line 3 reports the "Tangible net worth" as \$2,451,169,000, suggesting an intangible asset value of \$119,418,000. However, Western's 10-K reports "Goodwill" (an intangible asset) as \$1,297,043,000 and other "Intangible assets" as \$78,098,000, for a total intangible asset value of approximately \$1.4 billion, much greater than the \$119 million indicated in the CFO Letter. The "Intangible asset" value represented in the company's 10-K filing is used to calculate a "Tangible net worth" of \$1.195 billion for Western Refining, Inc., which is different from the \$2.451 billion reported in the CFO Letter.
- b. Western's FY2013 10-K report indicates the "Net income" of \$299,554,000 and "Depreciation and amortization" of \$117,848,000 for a sum of \$417,402,000. In the CFO Letter, a higher sum is reported as \$423,943,000.

The Certified Public Accountant (CPA) Report does not explain how the value reported in the CFO letter was calculated but states that they "recomputed from, or reconciled to, the consolidated financial statements" without providing a description of the underlying figures in their calculation. Explain these discrepancies between the CFO Letter and Western's 10-K report and provide replacement pages, as applicable.

Comment 3

Although Western's "Net income" meets the Alternative I Financial Test, the resulting ratio calculated by Line 16 is only 0.14. The minimum threshold for this ratio calculated in Line 16 under Alternative I is 0.10. Western did not pass Alternative II due to an insufficient bond rating of "B1" from Moody's and "B+" from Standard & Poor's. Western must continue to submit a semi-annual review to NMED within 30 days after the second Form 10-Q is filed to demonstrate that Alternative I continues to pass the Financial Test per Comment 2 of NMED's May 24, 2013 compliance letter. Should Western fail to pass Alternative I at any time during the year, Western will be required to put in place an alternate financial assurance mechanism.

Comment 4

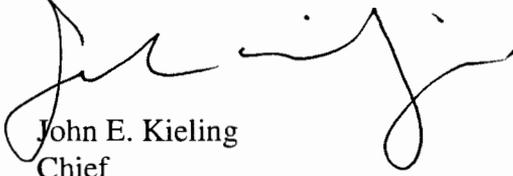
For future Financial Assurance submissions for the Financial Test or corporate guarantee, Western must include a copy of the CPA's audit report (Report on Examination) as an attachment to the CFO Letter to facilitate the review of the submittal.

Western Refining Southwest, Inc.
November 20, 2014
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Western must address all requirements within this letter and submit the revised financial assurance submittal to NMED by **January 30, 2015**.

If you have any questions, please contact Leona Tsinnajinnie of my staff at 505-476-6057.

Sincerely,



John E. Kieling
Chief
Hazardous Waste Bureau

JEK:lt

cc: D. Cobrain, NMED HWB
N. Dhawan, NMED HWB
K. Van Horn, NMED HWB
L. Tsinnajinnie, NMED HWB
L. King, EPA Region 6 (6PD-N)
A. Hains, Western Refining, El Paso, Texas
E. Riege, Western Refining, Gallup, NM
R. Schmaltz, Western Refining, Bloomfield, NM

File: WRB 2014 and WRG 2014 Readings
HWB-WRB-MISC, HWB-WRG-MISC