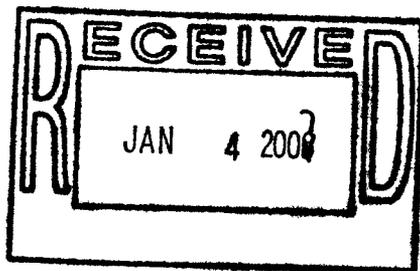


Greco



GIANT

Giant Refining Company
Route 3, Box 7
Gallup, NM 87301

December 29, 2006

Carl Chavez, Environmental Engineer
Oil Conservation Division
1220 S. Saint Francis Street
Santa Fe, NM 87505

Hope Monzeglio
Environmental Engineer
New Mexico Environment Department
Hazardous Waste Bureau
2905 Rodeo Park Drive East, BLDG 1
Santa Fe, NM 87505

RE: Plan for Correction of Leakage from the New API Separator at the Giant Refining Company's Ciniza Refinery

Dear Carl and Hope:

In your email of November 16, 2006 you requested that Giant Refining - Ciniza Refinery (Giant) provide a plan for fixing leakage in the new API separator (NAPIS). Giant has evaluated alternatives for correcting the leakage and has determined that the following plan provides the most reliable and cost-effective solution for resolution of the leakage.

At least one other refinery has had similar problems with a leaking API separator (APIS). A Gulf-Coast refinery in Louisiana is located in an area with a high water table that promoted cracking in the concrete bays of their APIS. The coastal refinery successfully installed stainless steel liner inserts in their APIS. The liner inserts serve as the primary containment. They also repaired the cracks in the concrete bays and coated the entire inside with a non-permeable coating. Repaired as such, the concrete bays serve as the secondary containment. The insert liners were installed in 1999. The refinery has not experienced any leakage from their APIS since the insert liner system was installed. The insert liners were

fabricated and installed by Siemens Water Technologies Corporation, a division of the Siemens Corporation which owns US Filter, the manufacturer of Giant's NAPIS and the Gulf Coast refinery's APIS.

In conjunction with the insert liner system, Giant will seal the cracks in the concrete bays. Giant will also coat the inside of the bays with an impermeable flexible coating system suitable for bridging cracks. When repaired, the concrete bays will effectively serve as the secondary containment. Giant will select a coating that is designed for coating concrete in concrete tanks exposed to oily water solutions.

Because the insert liner system in the other refinery's APIS has proven to be successful without any leakage, Giant is confident such a liner system will be successful in the NAPIS. However for additional security, a leak detection system can be installed. We will include the interstitial leak detection system. In this way, we can be sure there will be no leakage from the liners.

We have contacted Siemens Water Technology Corporation for purposes of budgetary information for design fabrication and installation of stainless steel insert liner system in Giant's NAPIS. We have included some information on the insert liner system with this plan.

We also include a schedule for installation of the liner system.

Giant is working with Dr. William Kingsley of Precision Engineering to determine the appropriate locations for the two monitoring wells near the new API. Giant will forward the proposed monitoring well locations to OCD and NMED when they have been determined. Giant anticipates this can be accomplished by February 28, 2007.

Giant Refining - Ciniza Refinery is committed to implementing a permanent solution to the leakage and continuing a mutually agreeable working relationship with the OCD and NMED in this and other environmental matters.

If you have any questions regarding the plan presented in this letter, please feel free to contact me at (505) 722-0227 or at jlieb@giant.com.

Sincerely,



Jim Lieb
Environmental Engineer

\Attachments: Liner info
Schedule

\Cc: Ed Rios
Stan Fisher
Carl Shook
Ed Riege
Loren Pritzel
Don Riley
Jim Hallock
Steve Morris
Tom Urbas
Bill Chojnacky

Schedule

New API Separator Repair Project

Giant Refining- Ciniza Refinery

All dates are 2007

Submit RFE for SS Liner System and concrete bay repair:	January 10
Anticipated date of RFE approval by corporate:	January 25
Submit Purchase Order to Siemens Water Technologies (SWT):	January 31
Equipment G.A. Drawings (by SWT):	April 30
Equipment Release for Fabrication/Procurement ((by SWT):	May 30
Major Suborders Issued (by SWT):	May 30
Equipment Ready for Shipment (by SWT):	July 30
Site Mobilization (by SWT and concrete coating contractor):	August 30
Installation Completed (by SWT):	November 30

SIEMENS

SIEMENS WATER TECHNOLOGIES

WATER AND WASTEWATER

TREATMENT EQUIPMENT

BUDGET PROPOSAL 42400

TO DESIGN AND FURNISH

WASTEWATER TREATMENT EQUIPMENT

FOR

**GIANT INDUSTRIES INC.
CINZA REFINERY
JAMESTOWN, NM**

DECEMBER 21, 2006

PROJECT SUMMARY

Background

The existing API Separator has been operational for approximately two years. The installation incorporates four shaft chain & scraper collectors, oil roll skimmers, skimming pipes and FRP vapor covers. All existing equipment was supplied by Siemens Water Technologies Corp. (formerly USFilter/Envirex Products).

Work Scope

Siemens proposes to supply & install the tank liner and refurbished equipment in two existing API tanks and one existing recovered oil sump as follows:

Responsibility Matrix

Siemens:

- Design - Prepare & submit general arrangement drawings for the installation of the tank liner and modifications to the existing equipment.
 - Submit WPS & PQR for approval.
 - Submit Safety Plan for approval.
 - Submit project schedule for approval.
- Supply - Tank liner material and new equipment items.
- Install - Mobilize construction forces.
 - Provide equipment removal as necessary for liner installation.
 - Verify field measurements (to determine critical interfaces for tank liner)
 - Install liner & mechanisms including all labor, supervision, equipment and consumables to complete the work.
 - Mechanical test (Dry Run) of the installed equipment.

SIEMENS

Siemens Water Technologies Corp.
1901 South Prairie Ave.
Waukesha, WI USA 53189

Giant Industries :

Shut Down & Start Up of API Separators for each phase of construction.
Confirm structural integrity of existing concrete tanks.
Remove existing vapor cover and isolate venting system from operating unit.
Drain, clean & gas free tanks prior to hot work.
Disconnect & reconnect pipe & wire before & after modifications.
Dismantle, clean & dispose of existing equipment & material designated by Siemens .
Install vapor covers.



Siemens Water Technologies Corp.
1901 South Prairie Ave.
Waukesha, WI USA 53189

SCOPE OF WORK

PROVIDED BY SIEMENS WATER TECHNOLOGIES

The following services and materials are included in Siemens Water Technologies Scope of Work.

Engineering & Services:

1. General arrangement and installation drawings for API Separator Tank and Oil Recovery Sump.
2. Installation of components and material supplied.
3. Checkout of installed package equipment.
4. Startup services and operator training.

Wastewater Treatment Unit Packages:

The following equipment items are included in quoted package.

API Separator Upgrade

1. Tank Liner
2. Liner Bearing, Track & Shaft Reinforcement Pads
3. Liner Structural Reinforcement
4. Collector Track Support Brackets
5. Floor Wear Strips
6. Replacement Parts for Existing API Collector & Skimmers
7. Vapor Cover Gasketing Material

INSTALLATION SERVICES

Installation Scope of Supply:

1. Remove existing equipment in areas where liner is to be provided.
2. Remove existing equipment anchor bolts below surface of concrete wall and seal holes with epoxy concrete.
3. Prepare existing concrete walls to be lined by removing unnecessary protrusions and cleaning.
4. Modify existing tank pipe penetrations.
5. Install shell, bottom, retention baffle and effluent weir wall liner (304ss) with corner angles (304ss). Liner will be installed in the API separator tank, sludge hopper, effluent chamber and oil recovery sump.
6. Install pipe wall sleeves (304ss) and closure plates (304ss) in existing concrete.
7. Install bearing plates (304ss) and shell stiffeners (304ss).
8. Install collector track angle supports (304ss).
9. Vacuum box test liner seams.
10. Install two (2) four shaft collector mechanism in API tank.
11. Install two (2) rotary drum oil skimmer in API tank.
12. Install two (2) pipe skimmer in API tank.
13. Dry run test installed collector mechanism and oil roll skimmer.

Installation Notes:

1. All tanks will be drained and cleaned by the Buyer to allow installation work to commence immediately after crew mobilization. Buyer will be responsible for existing vapor cover removal/installation and disposal of all hazardous materials.
2. Two mobilizations to jobsite are included.
3. Temporary contractor office is not included.
4. Clear and accessible jobsite is required with level road up to the tank foundations and adequate lay-down area immediately adjacent to the tank foundations for storage of materials and equipment.
5. Area around API erection site will be drained and include sufficient to support light to medium equipment prior to installation crew mobilization. Area around erection site is to include rough gravel surface as a minimum.
6. Work will be performed at a single shift, 5-day, 10-hour/day schedule exclusive of overtime. Liner installation will require (10) straight days at 10-hour/day per API.
7. Electrical power for small tools (120V, 1PH, 100 amp; 460V, 3PH, 200 amp) and plant water is to be provided by Buyer within 50 feet of the jobsite.
8. Facility access for emergency medical assistance in the event of jobsite injury will be provided by Buyer.
9. The installation work is to be performed by highly skilled labor qualified for the specific tasks outlined. Non-Union labor is provided. The proposed installation pricing is based on the assumption that there will be no interference from any other contractors, unions or other entities on site while performing the installation work.
10. A maximum of two hour on-site contractor safety training by Buyer is included for each construction personnel if necessary.
11. We have estimated based on the use of half-face organic respirators for PPE if required. Monitoring of the area is included where the work will be performed to insure a safe atmosphere based on the respiratory protection used and for the work being performed.

SIEMENS

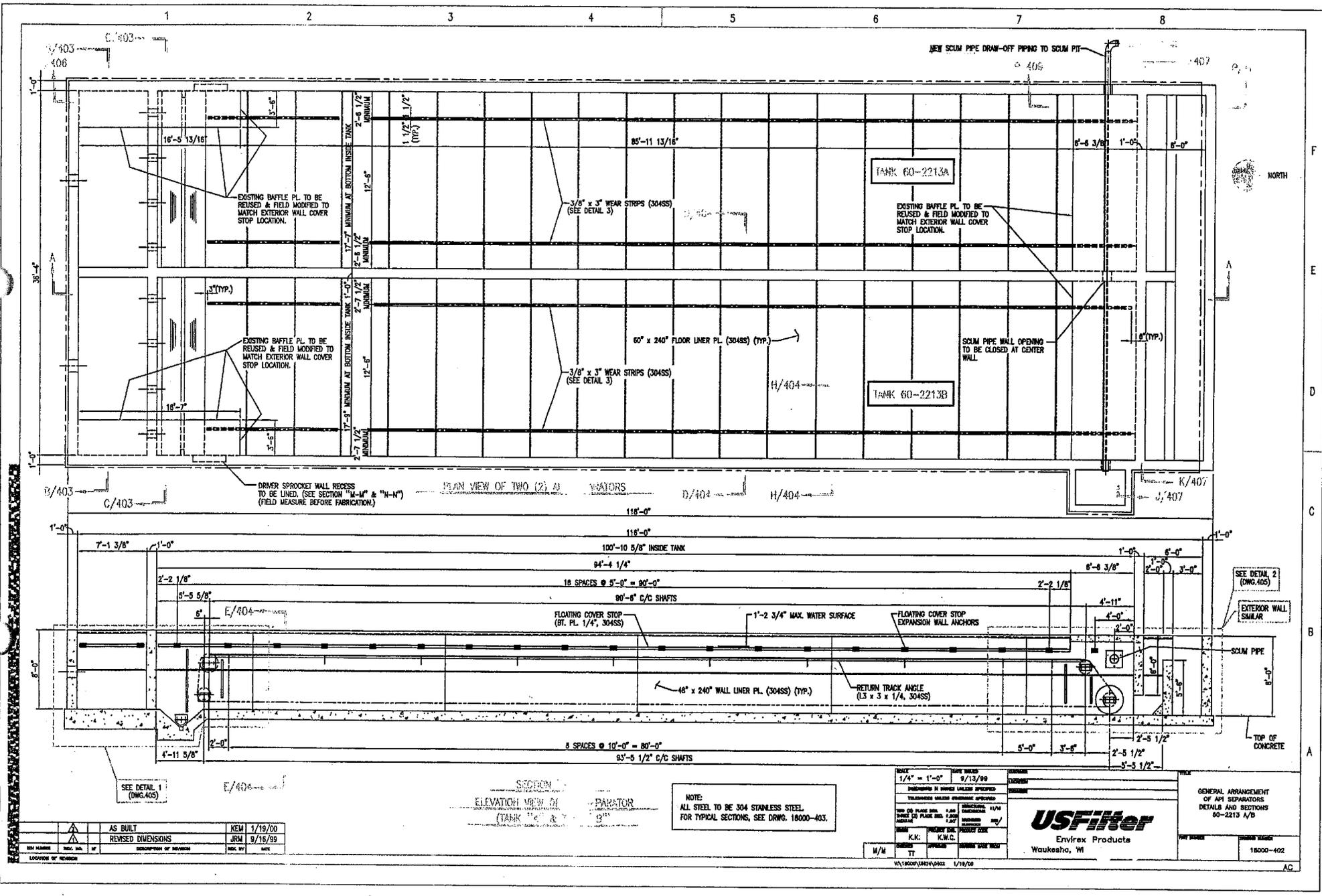
Siemens Water Technologies Corp.
1901 South Prairie Ave.
Waukesha, WI USA 53189

12. No delays are anticipated in obtaining work permits (hot work, etc.) from the site.
13. Work in the tanks includes confined space entry protocol and full time dedicated hole watch & fire watch personnel – separate positions - not combined.

**Diagrams of API Separator are of the Gulf Coast refinery
application**

**Some materials of construction may be different for Giant's
application**

Sizes are different



PLAN VIEW OF TWO (2) API SEPARATORS

SECTION ELEVATION VIEW OF SEPARATOR (TANK 60-2213A & B)

NOTE:
ALL STEEL TO BE 304 STAINLESS STEEL.
FOR TYPICAL SECTIONS, SEE DRWG. 18000-403.

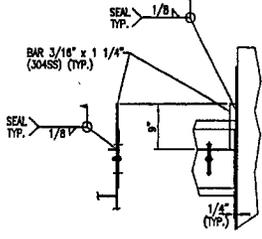
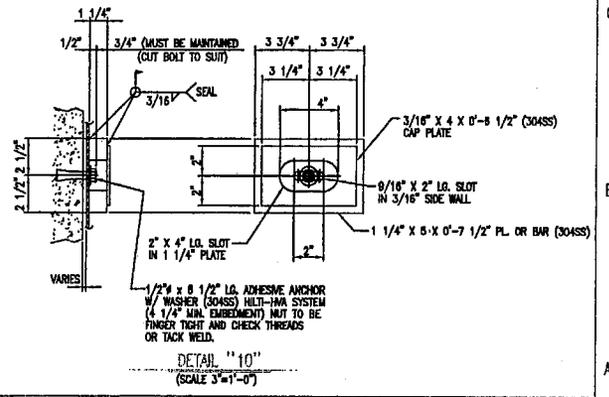
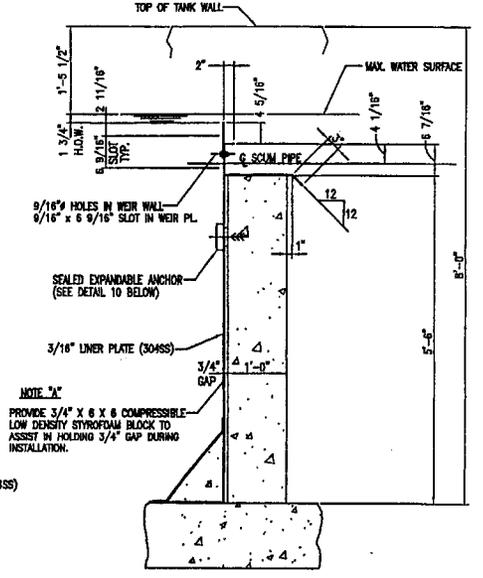
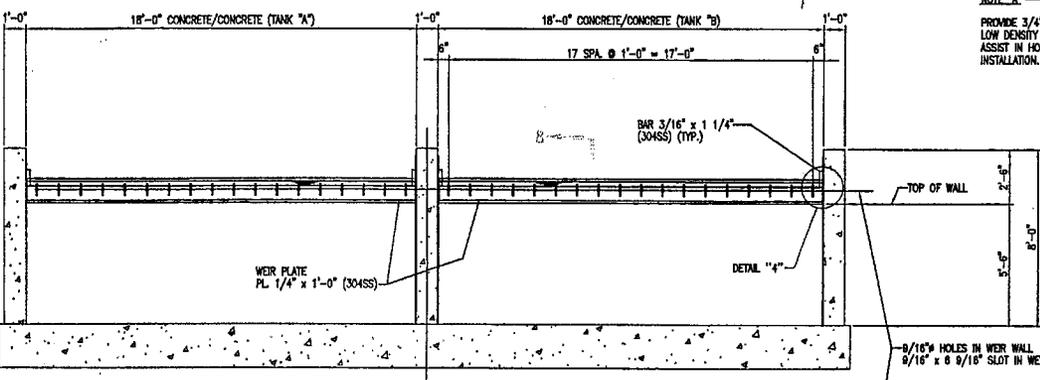
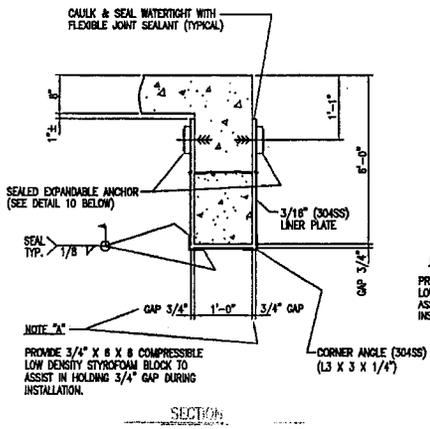
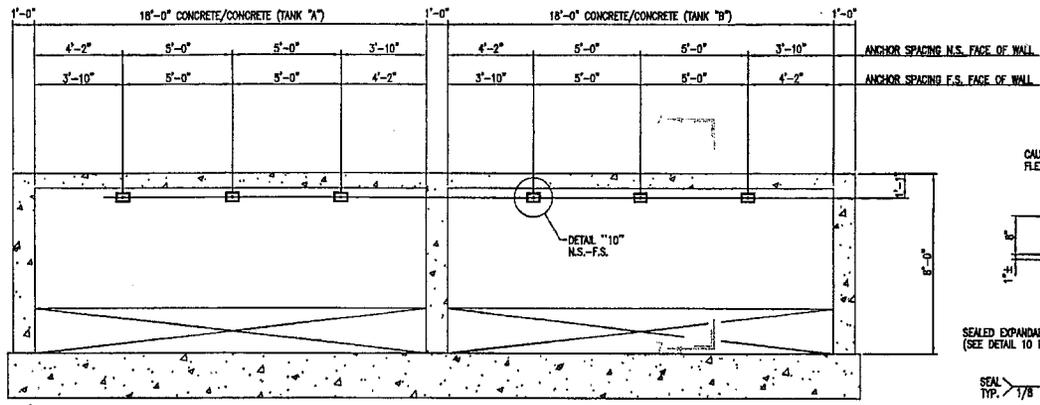
REV	DESCRIPTION	DATE
1	AS BUILT	1/19/00
2	REVISED DIMENSIONS	JRM 9/16/99

DATE	1/4" = 1'-0"	DATE	9/13/99
DESIGNED BY	TT	CHECKED BY	TT
DRAWN BY	TT	DATE	1/19/00



GENERAL ARRANGEMENT OF API SEPARATORS DETAILS AND SECTIONS 60-2213 A/B

18000-402



NOTE:
ALL STEEL TO BE 304 STAINLESS STEEL.
ALL EXISTING ANCHORS TO BE CUT FLUSH.
FOR TYPICAL SECTIONS, SEE DRWG. 18000-403.

REV. NUMBER	REV. NO.	BY	DESCRIPTION OF REVISION	DATE
▲			AS BUILT	KEM 1/19/00
▲			REVISED NOTES & DIMENSIONS	KEM 9/27/99
▲			REVISED SECTION "B"	JRM 9/18/99

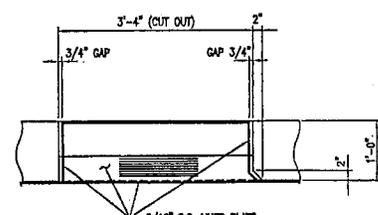
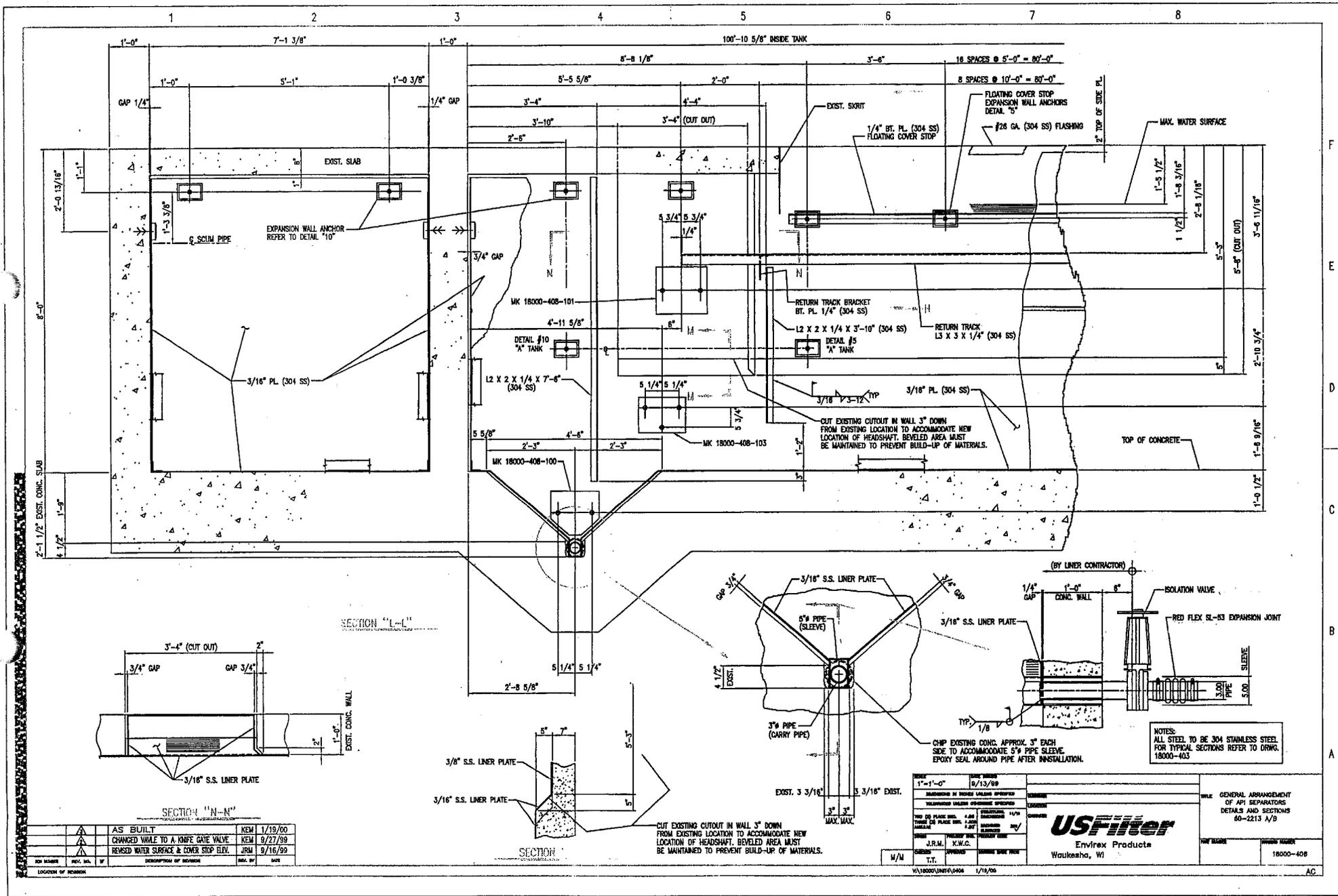
SCALE 1"=1'-0"	DATE DRAWN 9/13/99	DESIGNER JRM	CHECKER JRM
MANUFACTURED BY VOLVOVASCAR (MILWAUKEE) CORPORATION		MANUFACTURED BY VOLVOVASCAR (MILWAUKEE) CORPORATION	
THIS IS A PLATE FOR THE MATERIAL IS PLATE 304 MATERIAL IS PLATE 304	QUANTITY 1.00	REVISIONS 1.00	DATE 9/13/99
DATE 9/13/99	BY JRM	DATE 9/13/99	BY JRM
DATE 9/13/99	BY JRM	DATE 9/13/99	BY JRM

USFilter
Envirex Products
Waukesha, WI

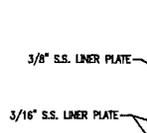
GENERAL ARRANGEMENT
OF API SEPARATORS
SECTIONS AND DETAILS
80-2513 A/B

DRAWING NUMBER
18000-407

SCALE
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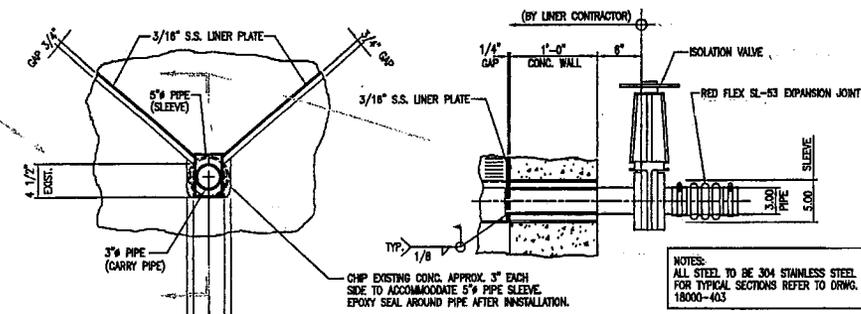


SECTION "L-L"



SECTION "M-M"

CUT EXISTING CUTOUT IN WALL 3\"/>



NOTES:
ALL STEEL TO BE 304 STAINLESS STEEL.
FOR TYPICAL SECTIONS REFER TO DRWG. 18000-403

REV. NO.	DESCRIPTION OF REVISION	DATE
1	AS BUILT	KEM 1/19/00
2	CHANGED WAVE TO A KNIFE GATE VALVE	KEM 9/27/99
3	REVISED WATER SURFACE & COVER STOP ELEV.	JRM 9/16/99

NO.	DATE	BY	CHKD.
1	1-1-00	JRM	KEM
2	9-13-99	JRM	KEM

<p>Envirex Products Waukesha, WI</p>	<p>GENERAL ARRANGEMENT OF API SEPARATORS DETAILS AND SECTIONS 60-2213 A/B</p> <p>PROJECT NO. 18000-408</p>
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W/ M T.T. 1/19/00