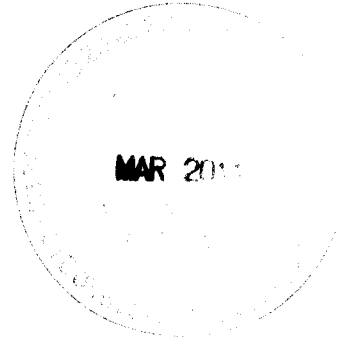


CERTIFIED MAIL # 7010 0290 0002 7735 4773

March 30, 2011

James Bearzi, Bureau Chief  
New Mexico Environmental Department  
Hazardous Waste Bureau  
2905 Rodeo Park Drive East, Building 1  
Santa Fe, New Mexico 87505-6303




Re: 2011 Financial Assurance Cost Estimate  
Western Refining Southwest, Inc. – Gallup Refinery  
EPA ID# NMD000333211

Dear Mr. Bearzi:

Western Refining Southwest, Inc. – Gallup Refinery submits the referenced Financial Assurance Cost Estimate. The estimate was prepared for Western by RPS, a third party environmental engineering company. This cost estimate includes costs to address post-closure care of the Land Treatment Unit (LTU) pursuant to the post-Closure Care Permit dated August 2000 and activities specified in the Complaint and Consent Agreement and Final Order dated August 26, 2009 for implementation of a remedy for Aeration lagoons AL-1 and AL-2. The cost estimate was prepared in accordance with 40 CFR 264.101 and substantially in compliance with the requirements of 40 CFR 264.142 and 264.144.

If you have any questions or would like to discuss the Financial Assurance Cost Estimate, please contact me at (505) 722-0217.

Sincerely,  
  
Ed Riege

Environmental Manager  
Western Refining Southwest, Inc.  
Gallup Refinery

cc: Allen Hains



404 Camp Craft Rd., Austin, Texas 78746, USA  
T +1 512 347 7588 F +1 512 347 8243 W www.rpsgroup.com

March 29, 2011

Mr. Ed Riege  
Environmental Manager  
Western Refining Southwest, Inc.  
Route 3 Box 7  
Gallup, NM 87301

**Re:** Western Refining Southwest, Inc. - Gallup Refinery  
Financial Assurance Cost Estimate

Dear Mr. Riege:

This cost estimate includes costs to address those activities specified in the Complaint and Consent Agreement and Final Order (CAFO) (dated August 26, 2009) for implementation of a remedy for Aeration Lagoons AL-1 and AL-2 and post-closure care of the Land Treatment Unit (LTU) pursuant to the Post-Closure Care Permit (dated August 2000). The cost estimate was prepared in accordance with 40 CFR 264.101 and substantially in compliance with the requirements of 40 CFR 264.142 and 264.144.

Annual adjustments were made to the estimated cost (\$1,257,000) approved by EPA in November 2009 for the Aeration Lagoons. This includes an annual inflation factor of 0.96% based on the 2010 Implicit Price Deflator (IPD) of 110.662 divided by the 2009 IPD 109.615, as taken from the Bureau of Economic Analysis' Table 1.1.9 D-4. The current total estimated cost is \$1,269,067.

The revised cost estimate for post-closure care of the LTU is explained in the enclosed detailed cost estimate table. As a significant portion of the work has been completed since issuance of the permit in 2000, the new cost estimate is revised to accurately reflect the activities that are required going forward. The estimate cost is \$125,185.

The total estimated cost is \$1,394,252 for addressing the Aeration Lagoons pursuant to the CAFO and post-closure care of the LTU. If there are any questions, please contact me at (512) 347-7588.

Sincerely,

**RPS**

Scott T. Crouch, P.G.  
Senior Consultant

STC/sab  
enclosures

cc: Allen Hains – Western Refining El Paso

**WESTERN REFINING - GALLUP, NEW MEXICO REFINERY  
LAND TREATMENT UNIT DETAILED COST ESTIMATE**

Activity	Cost Estimate in 2000 Part B Permit Application			Updated 2010 Cost Estimate				
	Material	Cost Frequency (over 30)	Estimated Cost	Material	Frequency (remaining 20 years)	Revised Costs	Inflation Adjustment <sup>3</sup>	2010 Estimated Costs
<b>MONITORING</b>								
Sample by Zone								
ZOI	4 samples at \$1,450	3	\$17,400	4 samples at \$709 <sup>1</sup>	2	\$5,672	0	\$5,672
Treatment Zone	4 samples at \$1,450	3	\$17,400	4 samples at \$709 <sup>1</sup>	2	\$5,672	0	\$5,672
Chinle Slope Wash	1 sample at \$1,650	8	\$13,200	1 sample at \$834 <sup>2</sup>	2	\$1,668	0	\$1,668
Sonsela	4 samples at \$1,650	8	\$52,800	4 samples at \$834 <sup>2</sup>	2	\$6,672	0	\$6,672
Sample QC	25% of \$100,800		\$25,200	25% of \$19,684		\$4,921	0	\$4,921
Mobilization/labor								
ZOI & Treatment Zone	3 events at \$1,000/event		\$3,000	2 events at \$1,000/event		\$2,000	\$500.80	\$2,501
Chinle Slope Wash & Sonsela	8 events at \$2,000/event		\$16,000	2 events at \$2,000/event		\$4,000	\$1,001.60	\$5,002
<b>COVER ESTABLISHMENT</b>								
Filed Technician	\$10,000		\$10,000	completed		\$0		\$0
Microtox	\$300 per test	9	\$2,700	completed		\$0		\$0
Soil Amendments	352,000 ft <sup>2</sup> at 0.02/ft <sup>2</sup>		\$7,040	completed		\$0		\$0
Establish Vegetative Cover								
Top Soil	7.8 acres at \$2,000/acre		\$15,600	completed		\$0		\$0
Level LTU	7.8 acres at \$950/acre		\$7,410	completed		\$0		\$0
Plant Seed	7.8 acres at \$750/acre		\$5,850	completed		\$0		\$0
Water	1140 Mgal. At \$1/Mgal		\$1,140	completed		\$0		\$0
<b>Routine Inspection, Maintenance &amp; Repair</b>								
Site Inspection	Weekly inspection		\$6,000	Weekly inspection (remaining 20 years)		\$4,000	\$1,001.60	\$5,002
Security Device	\$100 annually		\$3,000	\$100 annually		\$2,000	\$500.80	\$2,501
Runon/Runoff	\$1,000 annually to maintain perimeter berm		\$30,000	\$1,000 annually to maintain perimeter berm		\$20,000	\$5,008.00	\$25,008
<b>Prepare Certification</b>								
Certify LTU Closure	120 hours at \$125/hour		\$15,000	120 hours at \$125/hour		\$15,000	\$3,756.00	\$18,756
Notice in Deed	6 hours at \$150/hour		\$900	6 hours at \$150/hour		\$900	\$225.36	\$1,125
Certify Final Closure	120 hours at \$125/hour		\$15,000	120 hours at \$125/hour		\$15,000	\$3,756.00	\$18,756
Notice in Deed	6 hours at \$150/hour		\$900	6 hours at \$150/hour		\$900	\$225.36	\$1,125
Total Task			\$265,540					\$104,381
Gallup Overhead		10%	\$26,554					\$10,402
Contingency		10%	\$26,554					\$10,402
<b>TOTAL</b>			<b>\$371,756</b>					<b>\$125,185</b>

Mgal. = million gallons

ZOI = Zone of Incorporation

1 - 8260 @ \$120, 8270 @ \$280, 8015 @ \$80, metals @\$229

2 - 8260 @ \$120, 8270 @ \$280, 8015 @ \$80, metals @\$229, pH @ \$35, cation/anions @ \$90

3- Inflation adjustment for costs in the original 2000 estimate. Annual inflation adjustment for years 2001 through 2010 based on implicit price deflator of US Gross National Product of most recent year divided by previous year; 2001=2.06%, 2002=2.17%, 2003=1.3%, 2004=1.67%, 2005=2.37%, 2006=3.03%, 2007=2.94%, 2008=3.95%, 2009=2.18%, 2010=0.96%; cumulative adjustment of 25.04%