



CERTIFIED MAIL # 7010 1670 0001 3141 0101

March 7, 2012

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: 2012 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



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March 6, 2012

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 for 2010 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. The 2010 total estimated cost was \$1,269,067. Applying the inflation factor for 2011 of 1.0213 [Implicit price deflator for 2011/implicit price deflator for 2010 (updated 2/29/2012) = 113.361/110.992 = 1.0213] to the 2010 estimate of \$1,269,067 yields an updated estimate of \$1,296,098.

A revised cost estimate for post-closure care of the LTU was prepared for 2010, reflecting the significant amount of work that had been completed since issuance of the permit in 2000. The estimated cost for 2010 was \$125,185 (see enclosed table). Applying the inflation factor 2.13% for 2011, the new adjusted cost estimate is \$127,851.

The current total estimated cost is \$1,423,949 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/cks

Enclosure

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 ³	2010 Estimated Costs
MONITORING								
Sample by Zone								
ZOI	4 samples at \$1,450	3	\$17,400	4 samples at \$709 ¹	2	\$5,672	0	\$5,672
Treatment Zone	4 samples at \$1,450	3	\$17,400	4 samples at \$709 ¹	2	\$5,672	0	\$5,672
Chinle Slope Wash	1 sample at \$1,650	8	\$13,200	1 sample at \$834 ²	2	\$1,668	0	\$1,668
Sonsela	4 samples at \$1,650	8	\$52,800	4 samples at \$834 ²	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
COVER ESTABLISHMENT								
Filed Technician	\$10,000		\$10,000	completed		\$0		\$0
Microtox	\$300 per test	9	\$2,700	completed		\$0		\$0
Soil Amendments	352,000 ft ² at 0.02ft ²		\$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
Routine Inspection, Maintenance & Repair								
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
Prepare Certification								
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
TOTAL			\$371,756					\$125,185

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=1.87%, 2005=2.37%, 2006=3.03%, 2007=2.94%, 2008=3.95%, 2009=2.18%, 2010=0.96%; cumulative adjustment of 25.04%