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Deputy Secretary

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 14, 2019

Mr. Robert S. Hanks
Environmental Superintendent
Western Refining Southwest, Inc.,
Gallup Refinery
92 Giant Crossing Road
Gallup, New Mexico 87301

Mr. Gregory McCartney
Project Manager
Western Refining Southwest, Inc.,
Bloomfield Terminal
P.O. Box 159
Bloomfield, New Mexico 87413

**RE: DISAPPROVAL
2019 FINANCIAL ASSURANCE COST ESTIMATES
WESTERN REFINING SOUTHWEST, INC. - GALLUP REFINERY AND
BLOOMFIELD TERMINAL
EPA ID # NMD000333211
EPA ID # NMD089416416
HWB-WRG-MISC
HWB-WRB-MISC**

Dear Messrs. Hanks and McCartney:

The New Mexico Environment Department (NMED) has received the Western Refining, Southwest, Inc. (Western) cost estimate for the Gallup Refinery and Bloomfield Terminal submittals dated January 28 and 29, 2019 and received on February 4, 2019. Western has not met the requirements for submitting the cost estimate information for 2019. NMED hereby issues this disapproval with the following comments:

Comment 1 (Gallup)

The "Cost/Sample" column lists a 10% of analysis "Cost Per year" for the Level 4 Data Packet in Tables 1A (2019) and 1A (AFTER 2019) Facility-Wide Groundwater Monitoring Annual Cost

Estimate; however, Gallup does not indicate how the cost for analysis was calculated. In the Notes Section of the table, define the calculation for “10% of analysis” for the Cost per Year to ensure transparency. Verify that all of the Cost/Sample rates for the analyses in the table are used to calculate the 10% of analysis.

Comment 2 (Bloomfield)

The January 21, 2019 letter submitted on behalf of Western by DiSorbo states that “[t]he analytical rates and labor rates are revised to current rates and thus an annual inflation factor has not been applied to the Facility-Wide Monitoring Costs.” Explain the following:

- a. Bloomfield states that “[t]he costs reflect the requirements of the Facility-Wide Groundwater Monitoring Plan [(FWGWMP, dated June 2018)] incorporating revisions required by the New Mexico Environment Department [(NMED)] in correspondence dated August 18, 2017, which approved with modifications the 2015, 2016, and 2017 River Terrace Corrective Measures Bioventing System Annual Reports and June 13, 2018 correspondence (Disapproval River Terrace Voluntary Corrective Measures Bioventing/Air Sparging System Annual Report, March 2018).” NMED has not approved the most recently submitted FWGWMP; therefore, changes to the cost estimates for the FWGWMP must be adjusted for inflation using the correct annual inflation factor. Furthermore, it is not clear how the rates in the tables have been adjusted to current rates. None of the rates have changed since the last submittal, only the operation and maintenance costs have changed, and this appears to be based on the collection and analysis of fewer samples at the River Terrace and the FWGWMP. Explain why the annual inflation factor is not applicable to the cost estimate, if the rates have not been changed.
- b. Page 4 of Table 1 (Financial Assurance Cost Estimate) defines an inflation factor of 1.00% with an explanation that “no inflation factor applied”. The information is misleading and should not be included in the table. Remove all references to the “inflation factor,” if Bloomfield can demonstrate that one is not applicable to the 2019 cost estimate.

Comment 3 (Bloomfield)

The January 21, 2019 Third Party Letter submitted by Disorbo provides a 2018 implicit price deflator (IPD) of 110.679 divided by a 2017 IPD of 108.824 for an inflation factor of 1.02%. The 2017 IPD is from the fourth quarter while the 2018 IPD is from the third quarter. January 10, 2018’s cost estimate IPDs were both from the third quarter of 2016 and 2017. IPDs from past submittals have been from the same quarter. For example, the January 27, 2017’s cost estimate’s utilized IPDs from the third quarter for 2015 and 2016 and the January 25, 2016’s

cost estimate IPDs were from the fourth quarter of 2013 and 2014. IPDs from the same quarter must be used to calculate the inflation factor. Revise the cost estimates for 2019.

Comment 4 (Bloomfield)

Table 2 (Final Closure Cost Estimate North and South Aeration Lagoons May 14, 2012) uses an inflation factor of 0.01% but the Note 7 on the table reports an inflation factor of 1.01%. Explain why 0.01% is used on the table. Furthermore, Bloomfield reports that the adjusted cost estimate for the North and South Aeration Lagoons were included in the DiSorbo letter, but Table 2 did not report these adjustments. Provide adjustments on table 2 in the revised submittal and in all future submittals.

Comment 5 (Bloomfield)

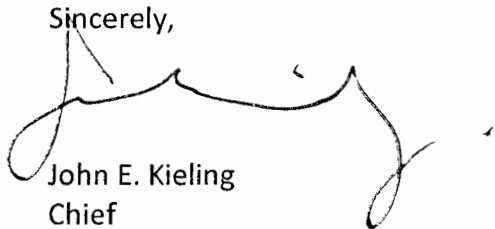
It would facilitate NMED's review if all of the tables included subtotal rows beneath each itemized segment of grouped costs. For example, Table 2A (Investigation & Confirmation Sampling cost Estimate Marathon Petroleum Company-Bloomfield Refinery North and South Aeration Lagoons) has a subtotal row under "Waste Characterization Samples." Provide subtotal rows for the following tables: Table 1A (River Terrace Sampling Cost Estimate), Table 1B (Bloomfield Terminal River Terrace Confirmation Sampling Cost Estimate), Table 1C (Facility-Wide Groundwater Monitoring Cost Estimate), Table 1D (Bloomfield Terminal Facility-Wide Confirmation Groundwater Monitoring Cost Estimate), Table 1E (San Juan River Sampling Cost Estimate), and Table 2 (Final Closure Cost Estimate Marathon Petroleum Company- Bloomfield Refinery North and South Aeration Lagoons). In addition, Table 2 (Final Closure Cost Estimate Marathon Petroleum Company-Bloomfield Refinery North and South Aeration Lagoons May 14, 2012) does not have a subtotal row under "Professional Services." Revise each table identified above to include subtotal rows and include subtotals in future submittals.

Messrs. Hanks and McCartney
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Western must incorporate Comments 1 through 5 from this disapproval letter for the revised submittal. The revised 2019 financial assurance demonstration must be submitted to NMED no later than **October 11, 2019**.

If you have any questions, please contact Vanessa Colón of my staff at 505-476-6058.

Sincerely,

A handwritten signature in black ink, appearing to read "John E. Kieling". The signature is fluid and cursive, with a large initial "J" and "K".

John E. Kieling
Chief
Hazardous Waste Bureau

cc: D. Cobrain, NMED HWB
K. Van Horn, NMED HWB
L. Tsinnajinnie, NMED HWB
V. Colón, NMED HWB
L. King, EPA Region 6
J. Moore, Western Refining, Gallup Refinery
K. Robinson, Western Refining, Bloomfield Terminal

File: WRB AND WRG 2019 Readings
HWB-WRB-MISC, HWB-WRG-MISC