

**GW - \_\_\_\_\_001\_\_\_\_\_**

**FACILITY  
CLOSURE  
PLANS**

**2009 - Present**

## Chavez, Carl J, EMNRD

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**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, February 03, 2010 3:01 PM  
**To:** 'Schmaltz, Randy'  
**Cc:** 'Allen.Hains@wnr.com'; Sanchez, Daniel J., EMNRD; Jones, William V., EMNRD; VonGonten, Glenn, EMNRD; Monzeglio, Hope, NMENV  
**Subject:** Bloomfield Refinery Discharge Permit (GW-001) & UIC Class I Disposal Well UICI-009  
Remaining Issues for Resolution of Discharge Permit Renewals for Refinery & Disposal Well

Randy:

I think we can forego the phone call. The November 9, 2009 press release for the Bloomfield Refinery idling does appear to help to alleviate fractures from growing from the disposal well. Western's conclusion from Annual Reports and Fall-Off Tests (FOT) to continue operations of the UIC Class I well at the permitted maximum allowable surface pressure of 1150 psig.

FOT Issues:

First, the OCD alerted Western in a prior e-mail that the bottom hole gauges for the 2009 FOT should have been installed at least 48 hours before cessation of injection instead of two hours before shut-off.

OCD notices that fracture half-lengths were on the order of 3,000 ft, which is greater than the ½ mile that the UIC Class II Disposal Well was originally designed for. The well later became a UIC Class I Well and the AOR that OCD requires is 1 mile unless the operator can demonstrate an AOR less than 1 mile from actual formation hydrogeologic properties, etc. The OCD is aware of at least one well located at just greater than ½ mile from the Class I well, which lacks cement across the Mesa Verde Group.

Well bore diagrams with cement evaluation were not provided by Western as required by the OCD in the June 24, 2009 e-mail with path forward based on formation pressure issues.

Western proposes to fracture the lower interval, install a filtration system, and stimulate the well again in the FOT report.

The operator did not provide the EPA 40 CFR 146.6(a)(2) formula and calculations to determine the radius of endangering influence from the injection well to ensure that it has not surpassed the 1-mile AOR.

UIC Class I Disposal Well Renewal Issues:

Based on the fracture ½ lengths from the FOT and lack of depressurization (~19 psig) during the 12 day fall-off, the OCD has alerted the operator that the formation appears to be overpressured at the permitted maximum injection pressure of 1150 psig. The OCD with the assistance of the EPA who evaluated the 2009 FOT, indicated that fractures would continue to grow under the existing OCD permit.

Western has attempted to stimulate the well a couple of times to improve the injection flow rate and lower the injection pressure, which helped, but after reviewing the annual report when operations were idled during the month of December 2009, the flow rate decreased by about 50% to 36 gpm from about 90 gpm at an average injection pressure of 957 psig, which indicates even at a 50% reduction in flow, the pressure is still near 1000 psig (close to the permit pressure). Western added a filtration system in December of 2009 and in the annual report for 2009 wants to continue under the discharge permit as it exists. This may work during the idling of the plant? The operator acknowledges that it would still be required to comply with the discharge permit and run annual FOTs. The annual FOTs may continue to show overpressurization of the formation with negative skin and increased fracture ½ lengths?

Path Forward:

OCD requires ASAP the injection flow rate vs. pressure vs. time plot for the entire history of well operations for UIC Class I Disposal Well by COB next week. OCD will use this to derive the maximum allowable surface injection pressure for the UIC Class I Disposal Well discharge permit renewal. However, the pressure will likely be significantly less; however, the proposed work below may solve the problem. If the operator is displeased with the allowable pressure, it may seek an

OCD hearing to divulge the technical basis for allowing the existing permit pressure to remain. The operator may want to perform another Step-Rate Test to determine if a higher pressure may be allowed?

Western will need to proceed with the recommendations made in the 2009 FOT Report, of which, the filtration system has already been installed.

I hope this helps us move forward in an acceptable manner to resolve the complex issues. Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM  
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Website: <http://www.emnrd.state.nm.us/ocd/index.htm>  
(Pollution Prevention Guidance is under "Publications")

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**From:** Schmaltz, Randy [mailto:[Randy.Schmaltz@wnr.com](mailto:Randy.Schmaltz@wnr.com)]  
**Sent:** Wednesday, February 03, 2010 12:52 PM  
**To:** Chavez, Carl J, EMNRD  
**Subject:** RE: UICI-009 Class I Disposal Well Phone Call

Carl,

I just got your email, unfortunately I will not be available this afternoon I have a Doctors appointment that I've got to make. I would like to include Allen Hains in our discussions so please propose times you are available tomorrow.

Thanks  
Randy

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**From:** Chavez, Carl J, EMNRD [mailto:[CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)]  
**Sent:** Wednesday, February 03, 2010 11:12 AM  
**To:** Schmaltz, Randy  
**Subject:** UICI-009 Class I Disposal Well Phone Call

Randy:

Hey. I'm planning to call you this afternoon about 1:15 p.m. to discuss the well. Your assistance and institutional knowledge may expedite the review process for the well.

I want to discuss the path forward correspondence and things OCD needs to evaluate Western's request for 100 gpm injection rate, etc.

Thanks.

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## Chavez, Carl J, EMNRD

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**From:** Chavez, Carl J, EMNRD  
**Sent:** Tuesday, February 02, 2010 8:47 AM  
**To:** 'Schmaltz, Randy'  
**Cc:** VonGonten, Glenn, EMNRD; Monzeglio, Hope, NMENV  
**Subject:** FW: Western Refining SW- Bloomfield Refinery (GW-001) Press Release 11/9/2009 "Idling of Facility" Meeting  
**Attachments:** Ed Riege 1-18-10.pdf

Randy:

Good morning. Please find below and attached some information post 1/13/2010 meeting in Santa Fe regarding the idling of the Bloomfield Refinery.

It appears that the OCD may move forward with the discharge permit renewal? If so, the OCD will send you a draft discharge permit to review on or before March 5, 2010. A couple of pending issues: 1) the format of the discharge permit that Glenn von Gonten spoke about during the meeting to make some changes to the general format; and 2) the UIC Class I Disposal Well (UICI-009) issues under a separate Discharge Permit that are important for ongoing remediation at the facility.

Regarding Item 2 above, I will be contacting you today to discuss and request additional information and/or to confirm that we received the following information as the OCD continues to evaluate the Fall-Off Test (FOT) for your well:

- 1) OCD notices that Western installed the bottom hole monitoring gauges a couple of hours before shutting off the injection for the FOT, but the gauges should have been installed a couple of days before shut-off. Please make a note in next season's FOT, to install the gauges as specified above. OCD is continuing to evaluate the fall-off test results with Fake Software
- 2) OCD Path Forward on well.
- 3) OCD needs to obtain the injection rate/pressure vs. time plot for this well. This is available usually in the form of a chart that shows injection pressure and injection flow rate in order to assess injection rates (60 – 100 gpm) requested by Western at the 1/13/2010 meeting. While the OCD can evaluate whether it is acceptable to continue injection at the associated injection pressure, the OCD to improve well performance, filter wastes, etc., will likely require Western to proceed with its recommendations in the FOT report dated November 2, 2009 (William M. Cobb & Associates, Inc.). A work schedule for implementing the additional work to improve well performance will likely be requested and required before next season's FOT to confirm that the work improved well performance to handle the capacity of waste injected before decreasing the volume of injection into the well.
- 4) Determine whether the existing permitted maximum injection pressure was established based on a SRT from Western to increase the injection pressure and/or determine that the permit pressure is consistent with the standard calculation for max. allowable injection pressure of  $0.2 \times \text{Depth}$  to uppermost Perforation.
- 5) Wellbore diagrams of any well within the 1 mile AOR that penetrated the top of the disposal interval. OCD needs to verify that the interval was cemented. OCD seems to recall a well just outside of the 0.5 mile AOR? The OCD path forward also prescribed an AOR algorithm for the well.

Thank you in advance for your cooperation. Please contact me if you have questions. Thank you.

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**From:** Chavez, Carl J, EMNRD  
**Sent:** Friday, January 22, 2010 2:37 PM

**To:** Sanchez, Daniel J., EMNRD

**Cc:** Perrin, Charlie, EMNRD; VonGonten, Glenn, EMNRD; Monzeglio, Hope, NMENV; Cobrain, Dave, NMENV; Powell, Brandon, EMNRD

**Subject:** Western Refining SW- Bloomfield Refinery (GW-001) Press Release 11/9/2009 "Idling of Facility" Meeting

Daniel:

Here's an update from the meeting of 1/13/2010 in Santa Fe w/ subsequent resolution of issues between the agencies (NMED/OCD) included. The OCD may have a path forward for discharge permit renewal based on this communiqué and per your direction. The NMED has been copied and requested to chime in if they wish to comment on this refinery update based on the November 9, 2009 Press Release from Western Refining Southwest, Inc.

Disclaimer: *My interpretation of what I heard along with my notes compared with other listeners may be different.*

Please contact me if you have questions. Thank you.

**From:** Chavez, Carl J, EMNRD

**Sent:** Thursday, January 07, 2010 9:11 AM

**To:** Schmaltz, Randy; Hains, Allen; Monzeglio, Hope, NMENV; Cobrain, Dave, NMENV; Chavez, Carl J, EMNRD; VonGonten, Glenn, EMNRD

**Subject:** Bloomfield Refinery (GW-001) Meeting Subsequent to November 9, 2009 Press Release

**When:** Wednesday, January 13, 2010 1:15 PM-4:15 PM (GMT-07:00) Mountain Time (US & Canada).

**Where:** Oil Conservation Division (OCD) Conference Room 3rd Floor (Wendell Chino Bldg. 1220 South St. Francis Dr., Santa Fe NM 87505)

Attendees: Western Refinery (Allen Hains, Randy Schmaltz, Cindy Hurtado & Kelly Robinson) & Agencies (Dave Cobrain, Hope Monzeglio, Glenn von Gonten & Carl Chavez)

### Agenda

OCD and HWB need to understand what changes will occur at Western Refining Southwest's Bloomfield Refinery based on its November 9, 2009 Press Release before we can officially respond. Meeting was held without any Attorney representation.

#### Western Refining:

##### Refinery Operations Update

The refinery has significant capital investment and wants to keep operable units intact in the event the economic situation changes and Western decides to begin refining again. The US lost 3 refineries in NE and could get crude charge from offshore facilities in the future too. In addition, see "UIC Class I Disposal Well" section below. Western has retained Randy Schmaltz, Cindy Hurtado and Kelly Robinson to handle the environmental aspects of RCRA for NMED and the OCD Discharge Permit requirements. Western wants the discharge permit renewed even though there will be an indefinite suspension of operations at the facility.

Bloomfield will continue to receive crude oil through various pipelines or from crude transportation trucks for AST storage, retrieval, transmittal to Gallup Refinery and/or dispensing of product. ASTs that won't be used, will need to be opened and cleaned in accordance with RCRA (API 653- in touch w/ Art Volmer NMED about RCRA requirements) and/or any OCD permit requirements. From recollection, Allen Hains indicated the following tanks would continue to be used: Tks 13, 14 & 28 (all crude oil); Tanks 3 & 4 (Gasoline), Tks 32 & 32 (diesel); Tks 37 & 38 (remediation/recovery well waste water); and Tks API Separator recovery tanks. Western will continue to need the raw water ponds for storing pumped makeup, fire water, etc. from the river. Western has a Tank Crew that is looking into the tank issues. The API Separator would continue to be used for the barrier wall recovery well remediation system (see Section on UIC Class I Disposal Well). Western needs water for their boilers for steam into the benzene strippers, pumps, crude oil recovery, etc.

Currently, the Bloomfield Refinery is transmitting crude oil (primarily sweet) that would normally go into the Bloomfield Refinery (crude oil charge rate ~ 18,000 bbls./day) to the Gallup Refinery (crude oil charge rate ~ 24,000 bbls./day)- see attached pdf file from Ed Riege.

## Discharge Permit Renewal

The refinery has significant capital investment and wants to keep operable units intact in the event the economic situation changes and Western decides to begin refining again. OCD had mentioned permit renewal with inactive status, but Western indicated that it wants active status due to the business connotation and they provided an explanation of why they feel the facility would still be active. There would be air quality trading issues where the refinery would lose and may never get back its ability to trade or purchase air quality units if it became inactive. There is a \$30M air quality issue that also is responsible for idling of the facility.

## Future of Operations

The refinery is not for sale and the capital investments that are there are much needed by the refinery and for competition with its competitors. Continue to operate the facility under an OCD discharge permit renewal under active status. Continue to shut-down and clean units in accordance with RCRA and OCD requirements and for possible reactivation the units must be clean similar to a turn-around on the facility.

## UIC Class I Disposal Well

Western still needs to run its waste water treatment system for the ongoing barrier wall recovery well remediation system with disposal into their UIC Class I OCD permitted disposal well. The refinery would like to be able to inject at a maximum flow rate of at least 100 gpm to allow the refinery access to makeup water for applicable operating units, fire fighting water in case of an emergency, etc. The OCD-Environmental along w/ Engineering Bureaus are currently evaluating the 2009 Fall-Off Test (FOT) Report and running the data through the OCD's Fakete Software to evaluate scenarios and make a determination for a path forward based on the FOT. One problem with the data review is that the operator installed down hole gauges a couple of hours before shut-off of the system, but should have installed the gauges a couple of days before shut-off. OCD is still attempting to evaluate the FOT data and 19 psig pressure drop over 12 days to determine if the well is still useable and under the requested 100 gpm above. The well has passed MITs w/ no indication that fluids are migrating out of the injection interval, the FOT is qualitative in nature; but representative of the ability of the injection zone to receive liquid wastes within the scope of permit conditions; and while the formation may be pressured up, the disposal well may still be useable under the proposed conditions. In the FOT Report, Western is proposing to frac the lower injection interval and install a better pre-filtration system before injection to improve the performance of the well. Western views the pressured formation to be characteristic of formations in the San Juan Basin. The OCD Bureaus are moving forward to resolve this issue and while the disposal well is under a separate OCD discharge permit, it is relied upon for the waste water treatment system and barrier wall recovery well remediation system and for any makeup or fire water, etc., from the river that must be disposed.

Discussed well with Will Jones (OCD Engineering Bureau) subsequent to Western requesting to continue using the disposal well and not PAing it under facility idling conditions (see explanation in above paragraph). The OCD Bureaus are using an ancillary software package to evaluate the 2009 FOT to help resolve the path forward for the disposal well. The issue appears to be an over pressured formation and not a well failure or migration into USDW problem; consequently, the issue of termination of the well does not appear to be the solution at this time; however, the OCD Bureaus are still evaluating the data and all relevant UIC issues to resolve the issue.

## Landfill Issues

The agencies held a telephone conference call on 1/21/2010 to determine whether the landfill issues should be handled under RCRA and NMED, OCD and/or both. NMED addressed the OCD's main concern of dilution attenuation factor (DAF) as the DAF would be required under RCRA and site circumstances to be one (1), which is most conservative in the ability of mixed waste to leach down to the water table. Any deviation would require a proposal that complies with RCRA, and which OCD regarded to be acceptable. Therefore, for the purposes of writing the OCD Discharge Permit, OCD would simply prohibit any disposal at the facility; continue to evaluate waste disposal request or requirements under the discharge permit, and work with NMED wherever necessary to facilitate a RCRA SWMU investigation and remediation of the landfills, and any associated ponds, etc. The discharge permit renewal could go forward with respect to this issue(s).

Western will need to address some issues with waste in the event of restarting the facility as landfilling will be prohibited. Western can work to address any restart issues based on the new OCD discharge permit requirement.

The agencies and Western discussed OCD's concerns about allowing landfill investigation and remediation to be handled under RCRA as they would prefer. A discussion of the dilution attenuation factor was discussed so Western would be aware of the OCD's concern and the agencies later resolved this issue in a telephone call on 1/21/2010. See top paragraph under this section above. In addition, restoration of facility for future land use was discussed under RCRA.

## Ground Water Remediation and Monitoring

Western has dedicated personnel (Randy Schmaltz, Cindy Hurtado and Kelly Robinson) dedicated to meeting the RCRA and OCD requirements of permits and/or Compliance Orders.

## Miscellaneous

OCD will require a closure report to address the environmental remediation and monitoring aspects of the facility and complete closure with decommissioning of the facility in the OCD discharge permit renewal. The agencies think that the closure report with itemized cost estimates should be descriptive enough for NMED to assess financial assurance on the environmental remediation and monitoring aspects of the facility and the OCD decommissioning and closure of the facility. The closure plan will also help Western to identify a phased or logical approach to facility closure under the OCD discharge permit, if Western decides to completely close the facility. Western warned the agencies that any excessive financial assurance could affect jobs and requested that the agencies be reasonable about it. The agencies don't want to bankrupt a viable business in NM by asking for unreasonable financial assurance for the facility. The facility currently has zero \$ in financial assurance from NMED and OCD.

While the press release mentioned a possible "Biofuels" operation at the facility, it is off the table until the economy improves. Western indicated there were still some technical issues with biofuels, i.e., the fuel sets up or could lockup an engine under cold conditions. Also, the \$1 tax credit per gallon expired and an act of Congress is needed to revive the credit to help entrepreneurs in biofuels move forward with clean renewable energy.

Regarding the H2S Contingency Plan and where Western wanted to use a humongous emergency plan developed for the Federal government, the OCD warned Western that an H2S Contingency Plan that addresses OCD H2S Regulations is required, and if the emergency plan addresses the NM H2S Regulations ok, but if not, not ok. Western seemed to think it addressed NM OCD H2S Regulations.

NMED wants to see what happens to the hydrology and hydrogeology when the facility is idled. The river terrace remediation project and where wells where pumps are needed to pump water from the river terrace to the treatment system was discussed. An air sparge system was discussed to replace the existing remediation system. The pumps dewater and allow the soil vapor extraction system to remediate soils along the river terrace. Dig and haul may be an option, but Western needs to evaluate this. Increase sampling to ensure NPDES regulations are not violated?

## **Oil Conservation Division & New Mexico Environment Department:**

We will respond based on what Western is planning to do.

The agencies held a telephone conference call on 1/21/2010 to discuss and resolve any issues based on the 1/13/2010 meeting. The agencies will definitely move forward on the discharge permit renewal in March of 2010 or before with previous remediation and monitoring requirements and

## Miscellaneous

The Gallup Refinery is taking the crude charge from the Bloomfield Refinery (please see Ed Riege's attached pdf file with information) and concerns about the Gallup Refinery being able to handle the crude charge from Bloomfield.

Carl J. Chavez, CHMM  
New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau

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Western has dedicated personnel (Randy Schmaltz, Cindy Hurtado and Kelly Robinson) dedicated to meeting the RCRA and OCD requirements of permits and/or Compliance Orders.

## Miscellaneous

OCD will require a closure report to address the environmental remediation and monitoring aspects of the facility and complete closure with decommissioning of the facility in the OCD discharge permit renewal. The agencies think that the closure report with itemized cost estimates should be descriptive enough for NMED to assess financial assurance on the environmental remediation and monitoring aspects of the facility and the OCD decommissioning and closure of the facility. The closure plan will also help Western to identify a phased or logical approach to facility closure under the OCD discharge permit, if Western decides to completely close the facility. Western warned the agencies that any excessive financial assurance could affect jobs and requested that the agencies be reasonable about it. The agencies don't want to bankrupt a viable business in NM by asking for unreasonable financial assurance for the facility. The facility currently has zero \$ in financial assurance from NMED and OCD.

While the press release mentioned a possible "Biofuels" operation at the facility, it is off the table until the economy improves. Western indicated there were still some technical issues with biofuels, i.e., the fuel sets up or could lockup an engine under cold conditions. Also, the \$1 tax credit per gallon expired and an act of Congress is needed to revive the credit to help entrepreneurs in biofuels move forward with clean renewable energy.

Regarding the H2S Contingency Plan and where Western wanted to use a humongous emergency plan developed for the Federal government, the OCD warned Western that an H2S Contingency Plan that addresses OCD H2S Regulations is required, and if the emergency plan addresses the NM H2S Regulations ok, but if not, not ok. Western seemed to think it addressed NM OCD H2S Regulations.

NMED wants to see what happens to the hydrology and hydrogeology when the facility is idled. The river terrace remediation project and where wells where pumps are needed to pump water from the river terrace to the treatment system was discussed. An air sparge system was discussed to replace the existing remediation system. The pumps dewater and allow the soil vapor extraction system to remediate soils along the river terrace. Dig and haul may be an option, but Western needs to evaluate this. Increase sampling to ensure NPDES regulations are not violated?

## **Oil Conservation Division & New Mexico Environment Department:**

We will respond based on what Western is planning to do.

The agencies held a telephone conference call on 1/21/2010 to discuss and resolve any issues based on the 1/13/2010 meeting. The agencies will definitely move forward on the discharge permit renewal in March of 2010 or before with previous remediation and monitoring requirements and

## Miscellaneous

The Gallup Refinery is taking the crude charge from the Bloomfield Refinery (please see Ed Riege's attached pdf file with information) and concerns about the Gallup Refinery being able to handle the crude charge from Bloomfield.

Carl J. Chavez, CHMM  
New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau  
1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
Office: (505) 476-3490  
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E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)  
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>  
(Pollution Prevention Guidance is under "Publications")

## Chavez, Carl J, EMNRD

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**From:** Riege, Ed [Ed.Riege@wnr.com]  
**Sent:** Monday, January 18, 2010 3:51 PM  
**To:** Chavez, Carl J, EMNRD; VonGonten, Glenn, EMNRD  
**Cc:** Allen, Ann; Turri, Mark; Rajen, Gaurav  
**Subject:** Crude Charge Rate Effect On Wastewater Flows

Dear Carl

Thanks for the conference call last Tuesday. It is a pleasure to clarify the charge rates and flow rates numbers' issue as you requested during the call.

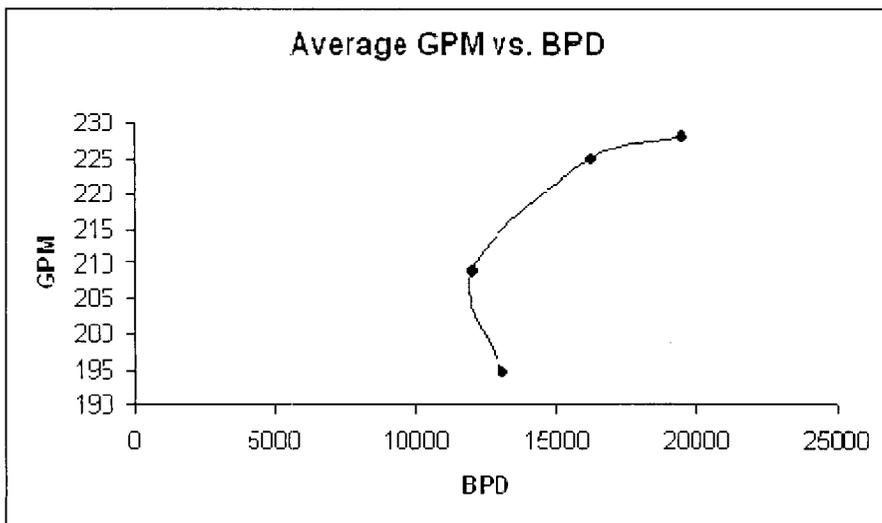
As crude charge rates change, desalter effluent does increase, at 12000 barrels/day (BPD) the Desalter effluent is 15 GPM, and at 24,000 BPD it is 30 GPM – this rate is set as 4.5% of the crude charge rate. This effluent is used to wash the crude free of salts, so although it is directly related to crude charge rate it is not equivalent to crude charge rate.

Other major sources (cooling tower blow downs for example) do not change as significantly. Their water usage is set based on capacity, water quality, atmospheric conditions, etc. It does not go up linearly with increased crude charge. As water evaporates and solids build up, fresh water has to be brought in. As more cooling is needed, efficiencies may change – but not linearly.

Perhaps a car engine's analogy would help – if a traveler wanted to drive the same distance at varying speeds, twice as fast for instance, the engine fuel, power, cooling and lubricating requirements will be more demanding but will not double. Similarly, our water consumers--- pumps, heat exchangers, etc. --- will run at greater capacity but not double their requirements.

You will notice from the data below, that although charge rate has increased substantially over these past months from 13,084 BPD to 19,382 BPD, average flow rates have increased from 195 GPM to 228 GPM. Although charge rate increased by 48%, total average flow rate increased by 16%.

| Month     | Average | Maximum | Minimum | Average daily crude charge rate |
|-----------|---------|---------|---------|---------------------------------|
| September | 195 GPM | 340 GPM | 142 GPM | <b>13,084 BPD</b>               |
| October   | 209 GPM | 259 GPM | 174 GPM | <b>11,996 BPD</b>               |
| November  | 225 GPM | 287 GPM | 224 GPM | <b>16,172 BPD</b>               |
| December  | 228 GPM | 320 GPM | 162 GPM | <b>19,382 BPD</b>               |



I hope this helps.

Ed

Ed Riege  
Environmental Manager

Western Refining  
Gallup Refinery  
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Email Security.

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## Chavez, Carl J, EMNRD

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**Subject:** Bloomfield Refinery (GW-001) Meeting Subsequent to November 9, 2009 Press Release  
**Location:** Oil Conservation Division (OCD) Conference Room 3rd Floor (Wendell Chino Bldg. 1220 South St. Francis Dr., Santa Fe NM 87505)

**Start:** Wed 1/13/2010 1:15 PM  
**End:** Wed 1/13/2010 4:15 PM

**Recurrence:** (none)

**Meeting Status:** Meeting organizer

**Organizer:** Chavez, Carl J, EMNRD  
**Required Attendees:** Schmaltz, Randy; Hains, Allen; Monzeglio, Hope, NMENV; Cobrain, Dave, NMENV; Chavez, Carl J, EMNRD; VonGonten, Glenn, EMNRD

Please find below the agenda for the upcoming meeting. Please contact me at 505-476-3490 if you have questions. Thanks.

### Agenda

OCD and HWB need to understand what changes will occur at Western Refining Southwest's Bloomfield Refinery based on its November 9, 2009 Press Release before we can officially respond.

#### Western Refining:

Refinery Operations Update

Discharge Permit Renewal

Future of Operations

UIC Class I Disposal Well

Landfill Issues

Ground Water Remediation and Monitoring

Miscellaneous

#### Oil Conservation Division & New Mexico Environment Department:

We will respond based on what Western is planning to do.

Miscellaneous

## Chavez, Carl J, EMNRD

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**From:** Chavez, Carl J, EMNRD  
**Sent:** Tuesday, December 15, 2009 9:23 AM  
**To:** VonGonten, Glenn, EMNRD  
**Cc:** Macquesten, Gail, EMNRD; Monzeglio, Hope, NMENV; Cobrain, Dave, NMENV  
**Subject:** Bloomfield Refinery Discharge Permit (GW-001) Section 24 idling of Refinery & WQCC Closure Regulations

Glenn:

Re: Western Refining SW decision to idle the Bloomfield Refinery

The permit expired on June 7, 2009. An OCD inspection was conducted on August 10, 2009 with a meeting to discuss the OCD draft discharge permit renewal. Issues with the landfill closure and RCRA investigations of the landfills surfaced and delayed the WQCC public notice process for the renewal. There is also a UIC Class I Disposal Well Discharge Permit that expired on November 4, 2008 and is in the permit renewal process with well issues with an OCD "Path Forward" in progress. OCD is currently reviewing the Fall-Off Test for the well conducted in October of 2009 to determine whether the well should continue to operate or whether another replacement well is needed. The Fall-Off Test is being reviewed by the Environmental Bureau, Engineering Bureau and will likely involve the Environmental Engineering Concurrence from the EPA Region 6 UIC Program before finalizing any conclusions. However, the well could also be plugged and abandoned under the discharge permit closure requirements depending on whether Western requests closure of the discharge permit for the well?

Subsequent to various meetings to discuss the landfill closure issues, Western issued a public news release dated November 9, 2009 that stated: *"Western will continue to operate the Bloomfield products terminal and will supply the Four Corners with refined products by utilizing new pipeline connection and exchange supply agreements. The Company will also maintain its marketing assets, and through the long-term exchange agreement, will supply barrels to Bloomfield in exchange for barrels produced at the El Paso refinery. The Company is evaluating alternative uses for the Bloomfield refinery including the possibility of biofuels production. The decision to idle the Bloomfield refinery was a difficult, but necessary decision to ensure that Western remains well positioned for the future, despite the weak industry dynamics. Western appreciates the dedication of our employees and is committed to treating them fairly and with respect as we work through this transition,"*

OCD was contacted on November 10, 2009 by Allen Haines and Randy Schmaltz to preliminarily discuss any issues associated with the above announcement. It was decided to have a meeting after they knew more about the announcement and what was going to happen sometime between Thanksgiving and Christmas Holidays. Subsequent to Western Refining Southwest's telephone communications related to closure and a meeting to discuss the issues, on Wednesday, December 9, 2009, OCD received a call from Allen Haines and Randy Schmaltz (Western Refining SW) indicating that they were not ready to meet before Christmas and we tentatively agreed to a meeting in the second week of January 2010 to discuss Western's announced closure of the facility. Western agreed to send out a draft agenda for NMED and OCD to consider and so the agencies could add agenda items for the meeting. At the time of the phone call, it was thought that Attorneys from Western and OCD would not be needed?

The current status at the refinery (~ the week of December 1, 2009) is that certain units are being shut down and fluids removed similar to a refinery "Turn-Around" to facilitate restart when and if it ever occurs. Consequently, crude oil is currently being routed to the Gallup Refinery (GW-032) FCC and waste water treatment systems. The Gallup Refinery is in the process of installing a new waste water treatment system by 2010. The Gallup Refinery has also requested a "Major Modification" to their OCD Discharge Permit to allow a discharge condition under NPDES and application with the EPA. OCD mailed out an "Administratively Incomplete" determination of the application dated November 20, 2009.

I have conducted a query of the discharge permit and WQCC regulations related to "closure" and "post-closure" that should be considered in discussions with the refinery. Please find below information under OCD and WQCC Regulations related to closure for consideration in the upcoming meeting.

**The Discharge Permit GW-001 closure provisions to consider are as follows:**

Section 24. Closure. The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure permit will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.

**The 20.6.2 NMAC Closure Provisions to consider are as follows:**

**20.6.2.7(C). “abatement plan”** means a description of any operational, monitoring, contingency and closure requirements and conditions for the prevention, investigation and abatement of water pollution, and includes Stage 1, Stage 2, or Stage 1 and 2 of the abatement plan, as approved by the secretary;

**20.6.2.7(C). “discharge plan”** means a description of any operational, monitoring, contingency, and closure requirements and conditions for any discharge of effluent or leachate which may move directly or indirectly into ground water;

**20.6.2.3107(A)(11).** A closure plan to prevent the exceedance of standards of Section 20.6.2.3103 NMAC or the presence of a toxic pollutant in ground water after the cessation of operation which includes: a description of closure measures; maintenance and monitoring plans, post-closure maintenance and monitoring plans, financial assurance, and other measures necessary to prevent and/or abate such contamination. The obligation to implement the closure plan as well as the requirements of the closure plan, if any is required, survives the termination or expiration of the permit. A closure plan for any underground injection control well must also incorporate the applicable requirements of Sections 20.6.2.5005 and 20.6.2.5209 NMAC.

**20.6.2.4106 (E).** The purpose of Stage 2 of the abatement plan shall be to select and design, if necessary, an abatement option that, when implemented, will result in attainment of the abatement standards and requirements set forth in Section 20.6.2.4103 NMAC, including **post-closure maintenance activities**. Stage 2 of the abatement plan should include, at a minimum, the following information:

- (1) Brief description of the current situation at the site;
- (2) Development and assessment of abatement options;
- (3) Description, justification and design, if necessary, of preferred abatement option;
- (4) Modification, if necessary, of the monitoring program approved pursuant to Stage 1 of the abatement plan, including the designation of pre and post abatement-completion sampling stations and sampling frequencies to be used to demonstrate compliance with the standards and requirements set forth in Section 20.6.2.4103 NMAC;
- (5) Site maintenance activities, if needed, proposed to be performed after termination of abatement activities;
- (6) A schedule for the duration of abatement activities, including the submission of summary quarterly progress reports;
- (7) A public notification proposal designed to satisfy the requirements of Subsections B and C of Sections 20.6.2.4108 and 20.6.2.4108 NMAC; and
- (8) Any additional information that may be reasonably required to select, describe, justify and design an effective abatement option.

**20.6.2.5004(B). PROHIBITED UNDERGROUND INJECTION CONTROL ACTIVITIES AND WELLS:** Closure of prohibited underground injection control wells shall be in accordance with Section 20.6.2.5005 NMAC and Section 20.6.2.5209 NMAC.

**20.6.2.5005 PRE-CLOSURE NOTIFICATION AND CLOSURE REQUIREMENTS:**

**A.** Any person proposing to close a Class I, III, IV or V underground injection control well must submit pre-closure notification to the department at least 30 days prior to closure. Pre-closure notification must include the following information:

- (1) Name of facility
- (2) Address of facility
- (3) Name of Owner/Operator
- (4) Address of Owner/Operator
- (5) Contact Person
- (6) Phone Number
- (7) Type of Well(s)
- (8) Number of Well(s)
- (9) Well Construction (e.g. drywell, improved sinkhole, septic tank, leachfield, cesspool, other...)
- (10) Type of Discharge 20.6.2 NMAC 34
- (11) Average Flow (gallons per day)

(12) Year of Well Construction

(13) Proposed Well Closure Activities (e.g. sample fluids/sediment, appropriate disposal of remaining fluids/sediments, remove well and any contaminated soil, clean out well, install permanent plug, conversion to other type well, ground water and vadose zone investigation, other)

(14) Proposed Date of Well Closure

(15) Name of Preparer

(16) Date

**B. Proposed well closure activities must be approved by the department prior to implementation.**

#### **20.6.2.5209 PLUGGING AND ABANDONMENT FOR CLASS I NON-HAZARDOUS WASTE INJECTION WELLS AND CLASS III WELLS:**

**A.** The discharger shall submit as part of the discharge permit application, a plan for plugging and abandonment of a Class I non-hazardous waste injection well or a Class III well that meets the requirements of Subsection C of Section 20.6.2.3109 and Subsection C of Section 20.6.2.5101 NMAC and 20.6.2.5005 NMAC for protection of ground water. If requested, a revised or updated abandonment plan shall be submitted for approval prior to closure. The obligation to implement the plugging and abandonment plan as well as the requirements of the plan survives the termination or expiration of the permit.

**B.** Prior to abandonment of a well used in a Class I non-hazardous waste injection well or Class III well operation, the well shall be plugged in a manner which will not allow the movement of fluids through the well bore out of the injection zone or between other zones of ground water. Cement plugs shall be used unless a comparable method has been approved by the secretary for the plugging of Class III wells at that site.

**C.** Prior to placement of the plugs, the well to be abandoned shall be in a state of static equilibrium with the mud weight equalized top to bottom, either by circulating the mud in the well at least once or by a comparable method approved by the secretary.

**D.** Placement of the plugs shall be accomplished by one of the following:

(1) The Balance Method; or

(2) The Dump Bailer Method; or

(3) The Two-Plug Method; or

(4) An equivalent method with the approval of the secretary.

**E.** The following shall be considered by the secretary in determining the adequacy of a plugging and abandonment plan.

(1) The type and number of plugs to be used;

(2) The placement of each plug, including the elevation of the top and bottom;

(3) The type, grade and quantity of cementing slurry to be used;

(4) The method of placement of the plugs;

(5) The procedure to be used to plug and abandon the well; and

(6) Such other factors that may affect the adequacy of the plan.

**F.** The discharger shall retain all records concerning the nature and composition of injected fluids until five years after completion of any plugging and abandonment procedures.

Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM

New Mexico Energy, Minerals & Natural Resources Dept.

Oil Conservation Division, Environmental Bureau

1220 South St. Francis Dr., Santa Fe, New Mexico 87505

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Website: <http://www.emnrd.state.nm.us/ocd/index.htm>

(Pollution Prevention Guidance is under "Publications")

## Chavez, Carl J, EMNRD

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**Subject:** Western Refining SW- Bloomfield Refinery (GW-001) Landfill Closure & DP Renewal Meeting  
**Location:** Cancellation of Telephone Conference Call- WRSW will call Carl Chavez & Hope Monzeglio Offices for meeting

**Start:** Thu 11/12/2009 10:30 AM  
**End:** Thu 11/12/2009 12:00 PM  
**Show Time As:** Tentative

**Recurrence:** (none)

**Meeting Status:** Not yet responded

**Organizer:** Chavez, Carl J, EMNRD

**Required Attendees:** Schmaltz, Randy; Monzeglio, Hope, NMENV; Cobrain, Dave, NMENV; Fesmire, Mark, EMNRD; Sanchez, Daniel J., EMNRD; VonGonten, Glenn, EMNRD; Chavez, Carl J, EMNRD; Macquesten, Gail, EMNRD; Jones, Brad A., EMNRD; Hains, Allen

**CANCELLATION OF MEETING DUE TO RECENT NEWS OF BLOOMFIELD REFINERY CLOSURE. WILL WORK TO RESCHEDULE FACE-TO-FACE MEETING AFTER THANKSGIVING AND BEFORE CHRISTMAS W/ AGENDA PUT TOGETHER BY ALL PARTIES TO ADDRESS ISSUES AFTER WRSW KNOWS MORE ABOUT THE CLOSURE.....** WRSW will provide an update in the next 2-weeks based on events and more knowledge about where things are going at the refinery.

PLEASE THINK ABOUT ANY ISSUES THAT WILL NEED TO BE DISCUSSED BASED ON POSSIBLE OR CLOSURE OF FACILITY OR RECREATION INO BIOFUELS OR SOME OTHER FUNCTION.....? THANK YOU.

### LANDFILL CLOSURE FOLLOW-UP AGENDA from 10/20/2009 MEETING IN SANTA FE

1:30 p.m. Landfill Issues Meeting Introductions

#### Western Refining Southwest- Bloomfield Refinery Discharge Permit (GW-001)

- **Announcement of proposal to work with the agencies to close out the landfills- discussion of how it could be done with any issues... (concerns about compliance with EPA Order; immediately stop disposal in SWMU 16 & characterize waste (mixed?) in landfill- follow up by agencies; alternative waste mgt. of FCCU & sulfur waste disposal at nearby in-state and out-of-state landfills in progress; remedy for landfill waste at facility in progress with safety evaluation; removal preferred to alternative remedy; closure deadlines & permit language; closure under RCRA vs. OCD WQCC Standards; .....)** **Agencies discuss letter under development to address the above issues.....**
- References to refinery September 21, 2009 Letter "Draft OCD Discharge Permit Comments" (from Mr. Todd R. Doyle to Mr. Carl Chavez)

#### NMED- Hazardous Waste Bureau SWMUs 8, 9 and 16 Status of RCRA SWMU Investigations

- Group 2 Report- inactive landfill & landfill pond (SWMUs 8 & 9) currently under NMED review
- Group 4 Work Plan- active landfill (SWMU 16) tentative date for receipt of final work plan & completion of RCRA investigation

#### Oil Conservation Division

- **Status of Discharge Permit Renewal- pending follow-up correspondence from agencies based on issues for resolution during 10/20/09 meeting**
- **Discharge Permit Renewal- Landfill Closure Language Review of Applicable Section(s) (same as above)**

- Chronology of Events- basis for requesting closure of landfills in draft discharge permit renewal Supporting information (hand-out)
- Regulations (hand-out)

Open dialogue and discussion between parties on OCD landfill closure request

- Refinery Issues- issues listed above to be addressed in agency follow-up correspondence from meeting; UIC Class I Disposal Well issues & how it relates to post OCD 2009 facility inspection evaporation pond leak detection problem;
- OCD Issues- H2S Contingency Plan included in permit must address OCD H2S regulations; & OCD August 2009 facility post inspection items need to be addressed- resend inspection items to refinery, since they were never received

Path Forward?

- Post meeting telephone conference call ~ 2 weeks to discuss forthcoming agency correspondence and resolution of issues from above meeting
- Stop disposing wastes into SWMU 16
- Start characterizing waste & refinery has green light to begin removing waste from landfill(s) and disposing at OCD permitted facilities and/or facilities approved by the OCD
- **Is there consensus or agreement?**

Miscellaneous

2:30 p.m.

END

## Chavez, Carl J, EMNRD

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**From:** Cobrain, Dave, NMENV  
**Sent:** Monday, November 09, 2009 10:52 AM  
**To:** VonGonten, Glenn, EMNRD; Chavez, Carl J, EMNRD  
**Subject:** FW: Western to Close Bloomfield

FYI. This changes things a bit.

Main HWB Phone: 505-476-6000  
Direct Office Phone: 505-476-6055  
Fax: 505-476-6030 or 505-476-6060

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**From:** Bearzi, James, NMENV  
**Sent:** Monday, November 09, 2009 10:36 AM  
**To:** Cobrain, Dave, NMENV; Monzeglio, Hope, NMENV; Kieling, John, NMENV; De Saillan, Charles, NMENV  
**Cc:** Leavitt, Marcy, NMENV; Goldstein, Jon, NMENV; McElroy, Debra, NMENV; edelstein.david@epa.gov  
**Subject:** Western to Close Bloomfield

This from Western's website. I just spoke with one of their VPs about it.

### **Western Refining Reports Third Quarter 2009 Financial Results**

#### ***Announces Actions to Optimize Assets and Reduce Costs by Approximately \$50 Million Annually***

EL PASO, Texas--(BUSINESS WIRE)--Nov. 9, 2009-- Western Refining, Inc. (NYSE:WNR) today reported a net loss of \$4.8 million, or \$0.05 per diluted share, for the third quarter of 2009. The Company's net income was \$109.2 million, or \$1.60 per diluted share, for the same period in 2008.

The year-over-year decline in net income was primarily due to lower refined product margins driven by weakness in finished product prices relative to crude and feedstock costs. In addition, heavy and sour crude differentials remained tight which negatively impacted margins at the Yorktown refinery and, to a lesser extent, at the El Paso refinery. Yorktown also experienced lower coking margins.

In the quarter, Western generated cash flow from operations of approximately \$28.0 million, and year-to-date has generated cash flow from operations of \$148.6 million. The Company had no cash borrowings outstanding under its revolving credit facility as of September 30, 2009.

Paul Foster, Western's Chief Executive Officer, said, "Refining margins were depressed during the third quarter, historically a strong quarter for refiners, primarily due to the prolonged economic slowdown. Overall, margins declined substantially in the latter part of the quarter. However, we are pleased that fuel volumes and margins remained stable in our wholesale operations and that our retail unit had a strong quarter despite the challenging marketplace."

After a thorough evaluation of its Four Corners assets, Western has decided to consolidate the operations of its two Four Corners refineries into one at the Gallup refinery. This consolidation will eliminate certain operating costs of approximately \$25 million per year beginning in the first quarter of 2010 while maintaining the capability to process the same volumes of crude that have been recently processed at both Bloomfield and Gallup combined.

Western will continue to operate the Bloomfield products terminal and will supply the Four Corners with refined products by utilizing new pipeline connection and exchange supply agreements. The Company will also maintain its marketing assets, and through the long-term exchange agreement, will supply barrels to Bloomfield in exchange for barrels produced at the El Paso refinery. The Company is evaluating alternative uses for the Bloomfield refinery including the possibility of biofuels production.

As a result of the refinery consolidation, Western expects to take pre-tax charges against earnings in the fourth quarter of approximately \$55-\$65 million, the majority of which will be non-cash. These charges are primarily related to asset impairment and idling costs.

"The decision to idle the Bloomfield refinery was a difficult, but necessary decision to ensure that Western remains well positioned for the future, despite the weak industry dynamics. Western appreciates the dedication of our employees and is committed to treating them fairly and with respect as we work through this transition," Foster continued.

In addition to the refinery consolidation, the Company has also identified a number of additional cost savings initiatives that will generate approximately \$25 million in annualized savings. The majority of these actions are in the early stages of implementation and will be fully realized beginning in the first quarter of 2010.

In conclusion, Foster stated, "The market is certainly challenging, but we are continuing to take decisive actions to ensure we are running our operations in a reliable and cost effective manner which we believe will allow us to be profitable over the long run in a variety of market conditions."

### **Conference Call Information**

A conference call is scheduled for November 9, 2009, at 4:00 p.m. ET to discuss Western's financial results. The call can be accessed at Western's website, [www.wnr.com](http://www.wnr.com). The call can also be heard by dialing (888) 679-8037, passcode: 80237517. The audio replay will be available through November 16, 2009, by dialing (888) 286-8010, passcode: 77731622.

A copy of this press release, together with the reconciliations of certain non-GAAP financial measures contained herein, can be accessed on the investor relations menu on Western's website, [www.wnr.com](http://www.wnr.com).

### **Non-GAAP Financial Measures**

In a number of places in the press release, we have excluded the impact of the goodwill impairment loss on our results from operations for the second quarter of 2009. We have excluded this loss in order to analyze changes in our business from period to period, since the impairment loss is a non-recurring and non-cash loss.

### **About Western Refining**

Western Refining, Inc. is an independent refining and marketing company headquartered in El Paso, Texas. Western has a refinery in El Paso, two refineries in the Four Corners region of northern New Mexico and a refinery in Yorktown, Virginia. Western's asset portfolio also includes refined products terminals in Albuquerque, New Mexico and Flagstaff, Arizona, asphalt terminals in Phoenix and Tucson, Arizona, Albuquerque and El Paso, retail service stations and convenience stores in Arizona, Colorado and New Mexico, a fleet of crude oil and finished product truck transports, and wholesale petroleum products operations in Arizona, California, Colorado, Nevada, New Mexico, Texas and Utah. More information about the Company is available at [www.wnr.com](http://www.wnr.com).

### **Cautionary Statement on Forward-Looking Statements**

This press release contains forward-looking statements. The forward-looking statements contained herein include statements about, expected cost savings and pre-tax charges from operational initiatives the Company is pursuing in its Bloomfield refinery, other cost savings initiatives the Company is pursuing, and our expectations regarding its future profitability. These statements are subject to the general risks inherent in our business and reflect our current expectations regarding these matters. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, Western's business and operations involve numerous risks and uncertainties, many of which are beyond Western's control, which could result in Western's expectations not being realized or otherwise materially affect Western's financial condition, results of operations and cash flows. For additional information relating to the uncertainties affecting Western's business you are referred to our filings with the Securities and Exchange Commission. The forward-looking statements are only as of the date made, and Western does not undertake any obligation to (and expressly disclaims any obligation to) update any forward looking statements to reflect events or circumstances after the date such statements were made, or to reflect the occurrence of

unanticipated events.

James P. Bearzi  
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