

GW - _____ 028 _____

**FINANCIAL
ASSURANCE**

2010 - Present



SUSANA MARTINEZ
Governor

JOHN A. SANCHEZ
Lieutenant Governor

**NEW MEXICO
ENVIRONMENT DEPARTMENT**

Hazardous Waste Bureau

2905 Rodeo Park Drive East, Building 1
Santa Fe, New Mexico 87505-6303
Phone (505) 476-6000 Fax (505) 476-6030
www.nmenv.state.nm.us



DAVE MARTIN
Secretary

BUTCH TONGATE
Deputy Secretary

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 24, 2012

Johnny Lackey
Senior Environmental Manager
Navajo Refining Company, L.L.C.
501 East Main Street, P.O. Box 159
Artesia, New Mexico 88211-0159

Doug Aron
Chief Financial Officer &
Executive Vice-President
HollyFrontier Corporation
100 Crescent Court, Suite 1600
Dallas, Texas 75201-6927

**RE: FINANCIAL ASSURANCE
LIABILITY COVERAGE, CLOSURE AND POST-CLOSURE CARE COSTS
NAVAJO REFINING COMPANY, ARTESIA REFINERY
EPA ID # NMD048918817
HWB-NRC-MISC**

Dear Messrs. Lackey and Aron:

The New Mexico Environment Department (NMED) has completed its review of the Navajo Refining Company's Artesia Refinery (the Permittee) financial assurance submittal dated March 26, 2012. The Permittee has met the requirements to submit financial assurance information for 2012.

Comment 1

The numbers used in the Chief Financial Officer's (CFO) letter are identical to the company's audited financial statements with the exception of tangible net worth, which is higher in the CFO's letter (\$3,452,913,000) than that calculated from the company's audited financial statements (\$3,340,435,000). We note that the Special Report from the company's Certified Public Accountant (CPA) does not provide any additional information regarding this discrepancy. Comment 3 from NMED's June 7, 2011 Notice of Disapproval (NOD) required the Permittee to provide an explanation for the same discrepancy. The Permittee must include a breakdown of their calculation of tangible net worth in the Special Report from the

Messrs. Lackey and Aron
Navajo Refining Company
May 24, 2012
Page 2 of 2

company's independent CPA in all future submittals where the tangible net worth in the CFO's letter are greater than the calculated value of company's audited financial statements.

If you have any questions, please contact Leona Tsinnajinnie of my staff at 505-476-6057.

Sincerely,



John E. Kieling
Chief
Hazardous Waste Bureau

JEK:lt

cc: D. Cobrain, NMED HWB
L. Tsinnajinnie, NMED HWB
C. Chavez, OCD
R. Combs, NRC

File: NRC 2012 Reading and HWB-NRC-MISC



SUSANA MARTINEZ
Governor

JOHN A. SANCHEZ
Lieutenant Governor

**NEW MEXICO
ENVIRONMENT DEPARTMENT**

Hazardous Waste Bureau

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DAVE MARTIN
Secretary

BUTCH TONGATE
Acting Deputy Secretary

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 2, 2011

Darrell Moore
Environmental Manager for Water & Waste
Navajo Refining Company
501 East Main Street, P.O. Box 159
Artesia, New Mexico 88211-0159

Bruce R. Shaw
Chief Financial Officer
Holly Corporation
100 Crescent Court, Suite 1600
Dallas, Texas 75201-6927

RE: **FINANCIAL ASSURANCE
LIABILITY COVERAGE, CLOSURE AND POST-CLOSURE CARE COSTS
NAVAJO REFINING COMPANY, ARTESIA REFINERY
EPA ID # NMD048918817
HWB-NRC-MISC**

Dear Messr. Moore and Shaw:

The New Mexico Environment Department (NMED) has completed its review of the Navajo Refining Company's Artesia Refinery (the Permittee) financial assurance submittal dated March 25, 2011 and the Permittee's response to the NMED's June 25, 2011 Notice of Disapproval (NOD). The Permittee has complied with the requirements to submit financial assurance information for 2011.

Messrs. Moore and Shaw
Navajo Refining Company
September 2, 2011
Page 2 of 2

If you have any questions, please contact Leona Tsinnajinnie of my staff at 505-476-6057.

Sincerely,

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

John E. Kieling
Acting Chief
Hazardous Waste Bureau

JEK:lt

cc: D. Cobrain, NMED HWB
L. Tsinnajinnie, NMED HWB
C. Chavez, OCD
J. Lackey, NRC

File: NRC 2011 Reading and HWB-NRC-MISC



SUSANA MARTINEZ
Governor

JOHN A. SANCHEZ
Lieutenant Governor

NEW MEXICO
ENVIRONMENT DEPARTMENT

Hazardous Waste Bureau

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Santa Fe, New Mexico 87505-6303
Phone (505) 476-6000 Fax (505) 476-6030
www.nmenv.state.nm.us



DAVE MARTIN
Secretary

RAJ SOLOMON, P.E.
Deputy Secretary

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 7, 2011

Darrell Moore
Environmental Manager for Water & Waste
Navajo Refining Company
501 East Main Street, P.O. Box 159
Artesia, New Mexico 88211-0159

Bruce R. Shaw
Chief Financial Officer
Holly Corporation
100 Crescent Court, Suite 1600
Dallas, Texas 75201-6927

RE: **NOTICE OF DISAPPROVAL
FINANCIAL ASSURANCE SUBMITTAL
NAVAJO REFINING COMPANY, ARTESIA REFINERY
EPA ID# NMD048918817
HWB-NRC-MISC**

Dear Messrs. Moore and Shaw:

The New Mexico Environment Department (NMED) has completed its review of Navajo Refining Company's Artesia Refinery (the Permittee) financial assurance submittal dated March 25, 2011. NMED hereby issues this Notice of Disapproval (NOD). The Permittee must address the deficiencies identified below.

Comment 1

The wording of the Corporate Guarantee for Closure or Post-Closure does not comply with the regulatory requirements stipulated in 40 CFR 264.151(h)(1). In Recital 4, the reference to "closure" was omitted in the phrase "fails to perform [closure and] post-closure care of the above facility in accordance with..." Revise the Corporate Guarantee text accordingly to include the term closure.

Messrs. Moore and Shaw
Navajo Refining Company
June 7, 2011
Page 2 of 2

Comment 2

The wording of the Guarantee for Liability Coverage does not comply with the regulatory requirements stipulated at 40 CFR 264.151(h) (2). Specifically, Recital 2 under the EPA ID number states the guarantee is: "for closure or post-closure care." However, this Guarantee is for liability coverage; not closure or post-closure care. The Permittee must revise the Guarantee for Liability Coverage to state "Guarantee is for liability coverage."

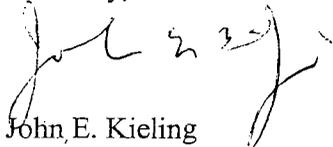
Comment 3

The numbers used in the CFO's letter are identical to the company's audited financial statements for FY2010, with one exception. The tangible net worth calculation presented in the CFO's letter is higher (\$1,158,060,000) than calculated from the audited financial statements: net worth (\$1,288,139,000) minus intangible assets (\$241,349,000) equals \$1,046,790,000. We note that the Special Report from the company's independent CPA does not provide any additional information explaining the discrepancy. The Permittee must provide an explanation for this discrepancy in the response letter or correct the networth calculation.

The Permittee must address all comments contained in this NOD in a response letter. The Permittee must submit a revised Corporate Guarantee and a Guarantee for Liability Coverage with the changes described above submit to NMED on or before July 20, 2011. The revised letters must be submitted with a response letter that details where all revisions have been made, cross-referencing NMED's numbered comments and include a response to Comment 3.

If you have any questions, please contact Hope Petrie of my staff at 505-476-6045.

Sincerely,



John E. Kieling
Acting Chief
Hazardous Waste Bureau

JEK:hp

cc: D. Cobrain, NMED HWB
H. Petrie, NMED HWB
L. Tsinnajinnie, NMED HWB
C. Chavez, OCD
J. Lackey, NRC
HWB-NRC-MISC, NRC 2011 Reading File



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Bill Brancard
Acting Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



January 18, 2011

Navajo Refining Company, LLC
100 Crescent Court #1600
Dallas, TX 75230

Re: \$650,000 Waste Management Facility Bond
Navajo Refining Company, LLC, Principal
Liberty Mutual Insurance Company, Surety
Bond No. 022-029-522

Dear Sir:

The New Mexico Oil Conservation Division hereby approves the above-captioned Waste Management Facility Bond.

Sincerely,

DAVID K. BROOKS
Assistant General Counsel

DKB/dp

cc: Liberty Mutual Insurance Company
175 Berkley Street
Boston, MA 02116



Energy, Minerals and Natural Resources Department
Oil Conservation Division
Surety Bond For Waste Management Facilities
(File with Oil Conservation Division, 1220 S. Saint Francis, Santa Fe, New Mexico 87505)

BOND NO. 022-029-522
(For Surety Company Use)

KNOW ALL MEN BY THESE PRESENTS:

That Navajo Refining Company, L.L.C., (an individual, partnership, or a corporation organized in the State of Delaware, with its principal office in the City of Dallas, State of Texas, and authorized to do business in the State of New Mexico), as PRINCIPAL, and Liberty Mutual Insurance Company a corporation organized and existing under the laws of the State of Massachusetts and authorized to do business in the State of New Mexico as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (the "Division") pursuant to NMSA 1978, Section 70-2-12 as amended, in the sum of Six Hundred Fifty Thousand & NO/100----- (\$650,000.00) Dollars for the payment of which PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally.

The conditions of this obligation are such that: Navajo Refining Company, L.L.C. is to maintain the performance bond until released by the Oil Conservation Division of the Energy, Minerals and Natural Resources Department.

WHEREAS, the above PRINCIPAL has heretofore or may hereafter enter into a 30 year post closure ground water monitoring program required by the Oil Conservation Division Discharge Permit GW-028 in SE/4 of Section 1, E/2 of Section 8, W/2 of Section 9, N/2 of Section 12, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico.

NOW, THEREFORE, this \$ 650,000.00 performance bond is conditioned upon substantial compliance with all applicable statutes of the State of New Mexico and all rules and orders of the Oil Conservation Commission and the Division. Upon clean-up of the facility site to standards of the Division, the Division will release this bond; otherwise, the principal amount of the bond is to be forfeited to the State of New Mexico.

Signed and sealed this 7th day of January, 2011.

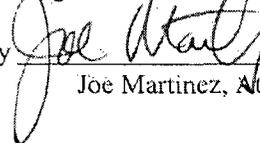
Navajo Refining Company, L.L.C.
 PRINCIPAL

Liberty Mutual Insurance Company
 SURETY

100 Crescent Court, #1600, Dallas, TX 75230
 Mailing Address

175 Berkley Street, Boston, MA 02116
 Mailing Address

By 
 Signature David Lamp Title President

By 
 Signature Joe Martinez Title Attorney-in-Fact

Note: If Principal is a corporation, affix corporate seal here.

Note: If corporate surety, affix corporate seal here.

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2____, by

My commission expires:

_____ Date

_____ Notary Public

ACKNOWLEDGMENT FORM FOR A CORPORATION, INCORPORATED ASSOCIATION OR PARTNERSHIP

STATE OF Texas)
)SS.
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me this 7th day of January, 2011, by

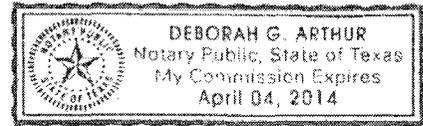
David L Lamp as (title) President

of Navajo Refining Company, L.L.C., a corporation,
incorporated association, or partnership. limited liability company.

My commission expires:

April 4, 2014
_____ Date

_____ Notary Public



THIS POWER OF ATTORNEY IS NOT VALID UNLESS IT IS PRINTED ON RED BACKGROUND.

This Power of Attorney limits the acts of those named herein, and they have no authority to bind the Company except in the manner and to the extent herein stated.

LIBERTY MUTUAL INSURANCE COMPANY
BOSTON, MASSACHUSETTS
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS: That Liberty Mutual Insurance Company (the "Company"), a Massachusetts stock insurance company, pursuant to and by authority of the By-law and Authorization hereinafter set forth, does hereby name, constitute and appoint

DONALD R. GIBSON, SANDRA PARKER, MELISSA HADDICK, TERRI L. MORRISON, TANNIS MATTSON, GINA A. RODRIGUEZ, JOE MARTINEZ, MARY PENA, AMY FOWLER, ALL OF THE CITY OF HOUSTON, STATE OF TEXAS

, each individually if there be more than one named, its true and lawful attorney-in-fact to make, execute, seal, acknowledge and deliver, for and on its behalf as surety and as its act and deed, any and all undertakings, bonds, recognizances and other surety obligations in the penal sum not exceeding TWENTY FIVE MILLION AND 00/100 DOLLARS (\$ 25,000,000.00) each, and the execution of such undertakings, bonds, recognizances and other surety obligations, in pursuance of these presents, shall be as binding upon the Company as if they had been duly signed by the president and attested by the secretary of the Company in their own proper persons.

That this power is made and executed pursuant to and by authority of the following By-law and Authorization:

ARTICLE XIII - Execution of Contracts: Section 5. Surety Bonds and Undertakings.

Any officer of the Company authorized for that purpose in writing by the chairman or the president, and subject to such limitations as the chairman or the president may prescribe, shall appoint such attorneys-in-fact, as may be necessary to act in behalf of the Company to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations. Such attorneys-in-fact, subject to the limitations set forth in their respective powers of attorney, shall have full power to bind the Company by their signature and execution of any such instruments and to attach thereto the seal of the Company. When so executed such instruments shall be as binding as if signed by the president and attested by the secretary.

By the following instrument the chairman or the president has authorized the officer or other official named therein to appoint attorneys-in-fact:

Pursuant to Article XIII, Section 5 of the By-Laws, Garnet W. Elliott, Assistant Secretary of Liberty Mutual Insurance Company, is hereby authorized to appoint such attorneys-in-fact as may be necessary to act in behalf of the Company to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations:

That the By-law and the Authorization set forth above are true copies thereof and are now in full force and effect.

IN WITNESS WHEREOF, this Power of Attorney has been subscribed by an authorized officer or official of the Company and the corporate seal of Liberty Mutual Insurance Company has been affixed thereto in Plymouth Meeting, Pennsylvania this 4th day of November, 2009.

LIBERTY MUTUAL INSURANCE COMPANY

By Garnet W. Elliott
Garnet W. Elliott, Assistant Secretary



COMMONWEALTH OF PENNSYLVANIA ss
COUNTY OF MONTGOMERY

On this 4th day of November, 2009, before me, a Notary Public, personally came Garnet W. Elliott, to me known, and acknowledged that he is an Assistant Secretary of Liberty Mutual Insurance Company; that he knows the seal of said corporation; and that he executed the above Power of Attorney and affixed the corporate seal of Liberty Mutual Insurance Company thereto with the authority and at the direction of said corporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my notarial seal at Plymouth Meeting, Pennsylvania, on the day and year first above written.



COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Teresa Pastella, Notary Public
Plymouth Meeting, Montgomery County
My Commission Expires March 28, 2013
Member, Pennsylvania Association of Notaries

By Teresa Pastella
Teresa Pastella, Notary Public

CERTIFICATE

I, the undersigned, Assistant Secretary of Liberty Mutual Insurance Company, do hereby certify that the original power of attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this certificate; and I do further certify that the officer or official who executed the said power of attorney is an Assistant Secretary specially authorized by the chairman or the president to appoint attorneys-in-fact as provided in Article XIII, Section 5 of the By-laws of Liberty Mutual Insurance Company.

This certificate and the above power of attorney may be signed by facsimile or mechanically reproduced signatures under and by authority of the following vote of the board of directors of Liberty Mutual Insurance Company at a meeting duly called and held on the 12th day of March, 1980.

VOTED that the facsimile or mechanically reproduced signature of any assistant secretary of the company, wherever appearing upon a certified copy of any power of attorney issued by the company in connection with surety bonds, shall be valid and binding upon the company with the same force and effect as though manually affixed.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said company, this 7th day of January, 2011.



By David M. Carey
David M. Carey, Assistant Secretary

Not valid for mortgage, note, loan, letter of credit, bank deposit, currency rate, interest rate or residual value guarantees.

To confirm the validity of this Power of Attorney call 1-610-832-8240 between 9:00 am and 4:30 pm EST on any business day.

State of Texas

County of Harris

On January 7, 2011 before me, Tannis Mattson, Notary Public
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Joe Martiney
NAME(S) OF SIGNER(S)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.
Tannis Mattson
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- INDIVIDUAL
- CORPORATE OFFICER
- _____ TITLE(S)
- PARTNER(S) LIMITED
- ATTORNEY-IN-FACT GENERAL
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

Surety Bond # 022-029-522
TITLE OR TYPE OF DOCUMENT

4 pages
NUMBER OF PAGES

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)
Liberty Mutual Insurance Company

January 7, 2011
DATE OF DOCUMENT

N/A
SIGNER(S) OTHER THAN NAMED ABOVE

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Tuesday, January 04, 2011 2:08 PM
To: 'christopher.moss@ctcplc.com'
Cc: Brooks, David K., EMNRD; Lackey, Johnny; 'Moore, Darrell'; VonGonten, Glenn, EMNRD
Subject: RE: FW: Navajo Refinery in Artesia (GW-028) Financial Assurance

Mr. Moss:

The information is available at OCD online at
<http://ocdimage.emnrd.state.nm.us/imaging/AEOrderFileView.aspx?appNo=pENV000GW00029>

(enter "Order Type" as "GW" and "Order Number" as "28" and go to any "Permits, Renewals & Mods" thumbnail to view the discharge permit with information that you are requesting).

Also, the dollar amount of the bond was sent to the Navajo Refining Company (NRC) and the OCD amount of the bond was set at \$650,000.

Please contact me if you need further assistance. The deadline is 30 days from the date the OCD sent the amount to the NRC. From recollection, OCD is expecting it by January 7, 2011. 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
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

CC: OCD Online File "Financial Assurance"

-----Original Message-----

From: christopher.moss@ctcplc.com [mailto:christopher.moss@ctcplc.com]
Sent: Monday, January 03, 2011 10:11 AM
To: Chavez, Carl J, EMNRD
Cc: Brooks, David K., EMNRD
Subject: Re: FW: Navajo Refinery in Artesia (GW-028)

Mr. Chavez,

I am the risk manager for Navajo Refining Co.

Could you provide the details for the identity of the monitoring program so that we can complete the bond? Attached is a copy of the bond for the Lovington facility, and we were told the language would be similar. I'm looking for the permit #, etc similar to the details found in the Lovington bond that reads "30 Year Post Closure ground water monitoring program. Permit # Gw-014 in SW/4 of Section 31, Township 16 South, Range 37 East; the SE/4 of Section 36, Township 16 South, Range 36 East; the NW/4 of Section 6, Township 17 South, Range 37 East; and the NE/4 of Section 1, Township 17 South, Range 36 East, NMPM, Lea County, New Mexico"

Also, is there an online file "Bond/Financial Assurance" thumbnail at OCD Online for Artesia similar to the one below for Lovington?

Thank you and best regards,

Chris Moss, ARM AIC

Charles Taylor Risk Consulting
(a Charles Taylor Consulting Company)
8144 Walnut Hill Lane, Suite 1650
Dallas, TX 75231 USA

Tel: +1 972-447-2053
Fax: +1 972-248-1729
Cell: +1 214-850-2401

christopher.moss@ctcplc.com
www.charlestaylorconsulting.com

(See attached file: 20100127084540919.pdf)

"Jelmini, David"
<Dave.Jelmini@hollycorp.com>
To
"christopher.moss@ctcplc.com"
12/07/2010 01:46 PM <christopher.moss@ctcplc.com>
cc
"Harrison, John"
<John.Harrison@hollycorp.com>
Subject
FW: Navajo Refinery in Artesia
(GW-028)

Chris, can you work with John Harrison to obtain the necessary bond – this is the same as last year with Lovington.

David Jelmini
Holly Corporation
VP, Environmental Health & Safety
985 West 500 South
West Bountiful, Utah 84087
Office: 801-294-4569 Cell: 801-554-6036
Fax: 214-242-5068
dave.jelmini@hollycorp.com

----- Message from "Chavez, Carl J, EMNRD" <CarlJ.Chavez@state.nm.us> on Tue, 7 Dec 2010 12:23:49 -0600 -----

To: "Harrison, John" <John.Harrison@hollycorp.com>

cc: "Moore, Darrell" <Darrell.Moore@hollycorp.com>, "Jelmini, David"
<Dave.Jelmini@hollycorp.com>, "Brooks, David K., EMNRD"
<david.brooks@state.nm.us>, "VonGonten, Glenn, EMNRD"
<Glenn.VonGonten@state.nm.us>

Sub RE: Navajo Refinery in Artesia (GW-028)
jec
t:

Mr. Harrison:

Good morning.

The OCD requests a bond amount of \$650,000.00 with a financial instrument similar to the Lovington Refinery (GW-014).

It is important to note that the financial instrument should not expire, and/or perhaps could be acceptable with an automatic expire and restart, but OCD does not want to be in a position of retaining an expired financial instrument for the facility. Please remit to the OCD (me) the original or original duplicate copy of the financial instrument for the OCD's records.

Please contact Mr. David Brooks (OCD Attorney) at (505) 476-3450 if you have questions on the financial instrument. 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
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

From: Harrison, John [mailto:John.Harrison@hollycorp.com]
Sent: Monday, December 06, 2010 12:18 PM
To: Chavez, Carl J, EMNRD
Cc: Moore, Darrell; Jelmini, David; Brooks, David K., EMNRD; VonGonten, Glenn, EMNRD
Subject: RE: Navajo Refinery in Artesia, NM

Carl,

I've attached our cost estimate. Let us know what additional info you need to calculate the bond amount.

Thanks

John Harrison
Credit Manager
Holly Corporation
214-871-3504

From: Chavez, Carl J, EMNRD [mailto:CarlJ.Chavez@state.nm.us]
Sent: Friday, December 03, 2010 5:51 PM
To: Harrison, John
Cc: Moore, Darrell; Jelmini, David; Brooks, David K., EMNRD; VonGonten, Glenn, EMNRD
Subject: RE: Navajo Refinery in Artesia, NM

John:

Similar to the Lovington Closure Plan, Navajo must submit a cost estimate for post monitoring, etc.

OCD will review to see if it looks accurate and reflective of the facility and will then derive a figure to NRC for the bond.

You may view Lovington's file "Bond/Financial Assurance" thumbnail at OCD Online ("GW-14") at <http://ocdimage.emnrd.state.nm.us/imaging/AEOrderFileView.aspx?appNo=pENV000GW00015>

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
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

From: Harrison, John [mailto:John.Harrison@hollycorp.com]
Sent: Friday, December 03, 2010 9:31 AM
To: Chavez, Carl J, EMNRD
Cc: Moore, Darrell; Jelmini, David
Subject: Navajo Refinery in Artesia, NM

Carl,

I spoke with you and David Brooks last year about a post closure bond for our Lovington, NM refinery. I understand we need to issue a similar bond for our Artesia, NM refinery by the end of this year. Can you let me know how the bond amount is calculated? I have been unable to find the formula on the OCD website. Attached is our overall cost estimate.

Appreciate your help.

John Harrison
Credit Manager
Holly Corporation
214-871-3504

CONFIDENTIALITY NOTICE: This e-mail, and any attachments, may contain information that is privileged, proprietary and/or confidential. If you received this message in error, please advise the sender immediately by reply e-mail and do not retain any paper or electronic copies of this message or any attachments. Unless expressly stated, nothing contained in this message should be construed as a digital or electronic signature or a commitment to a binding agreement.

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Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Tuesday, December 07, 2010 11:24 AM
To: 'Harrison, John'
Cc: Moore, Darrell; Jelmini, David; Brooks, David K., EMNRD; VonGonten, Glenn, EMNRD
Subject: RE: Navajo Refinery in Artesia (GW-028)

Mr. Harrison:

Good morning.

The OCD requests a bond amount of \$650,000.00 with a financial instrument similar to the Lovington Refinery (GW-014).

It is important to note that the financial instrument should not expire, and/or perhaps could be acceptable with an automatic expire and restart, but OCD does not want to be in a position of retaining an expired financial instrument for the facility. Please remit to the OCD (me) the original or original duplicate copy of the financial instrument for the OCD's records.

Please contact Mr. David Brooks (OCD Attorney) at (505) 476-3450 if you have questions on the financial instrument.
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
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/oecd/index.htm>
(Pollution Prevention Guidance is under "Publications")

From: Harrison, John [<mailto:John.Harrison@hollycorp.com>]
Sent: Monday, December 06, 2010 12:18 PM
To: Chavez, Carl J, EMNRD
Cc: Moore, Darrell; Jelmini, David; Brooks, David K., EMNRD; VonGonten, Glenn, EMNRD
Subject: RE: Navajo Refinery in Artesia, NM

Carl,

I've attached our cost estimate. Let us know what additional info you need to calculate the bond amount.

Thanks

John Harrison
Credit Manager
Holly Corporation
214-871-3504

From: Chavez, Carl J, EMNRD [<mailto:CarlJ.Chavez@state.nm.us>]
Sent: Friday, December 03, 2010 5:51 PM
To: Harrison, John
Cc: Moore, Darrell; Jelmini, David; Brooks, David K., EMNRD; VonGonten, Glenn, EMNRD
Subject: RE: Navajo Refinery in Artesia, NM

John:

Similar to the Lovington Closure Plan, Navajo must submit a cost estimate for post monitoring, etc.

OCD will review to see if it looks accurate and reflective of the facility and will then derive a figure to NRC for the bond.

You may view Lovington's file "Bond/Financial Assurance" thumbnail at OCD Online ("GW-14") at <http://ocdimage.emnrd.state.nm.us/imaging/AEOrderFileView.aspx?appNo=pENV000GW00015>.

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
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

From: Harrison, John [<mailto:John.Harrison@hollycorp.com>]
Sent: Friday, December 03, 2010 9:31 AM
To: Chavez, Carl J, EMNRD
Cc: Moore, Darrell; Jelmini, David
Subject: Navajo Refinery in Artesia, NM

Carl,

I spoke with you and David Brooks last year about a post closure bond for our Lovington, NM refinery. I understand we need to issue a similar bond for our Artesia, NM refinery by the end of this year. Can you let me know how the bond amount is calculated? I have been unable to find the formula on the OCD website. Attached is our overall cost estimate.

Appreciate your help.

John Harrison
Credit Manager
Holly Corporation
214-871-3504

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Chavez, Carl J, EMNRD

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Sent: Monday, December 06, 2010 12:18 PM
To: Chavez, Carl J, EMNRD
Cc: Moore, Darrell; Jelmini, David; Brooks, David K., EMNRD; VonGonten, Glenn, EMNRD
Subject: RE: Navajo Refinery in Artesia, NM
Attachments: Artesia Closure Plan.doc

Carl,

I've attached our cost estimate. Let us know what additional info you need to calculate the bond amount.

Thanks

John Harrison
Credit Manager
Holly Corporation
214-871-3504

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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
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

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Sent: Friday, December 03, 2010 9:31 AM
To: Chavez, Carl J, EMNRD
Cc: Moore, Darrell; Jelmini, David
Subject: Navajo Refinery in Artesia, NM

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Appreciate your help.

John Harrison
Credit Manager
Holly Corporation
214-871-3504

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	Anions x 130 wells	Dissolved metals x 130 wells	Metals x 130 wells	TDS x 130 wells	Tph/dro/oro x 130 wells
Cost per event	\$9750	\$11700	\$19500	\$1300	\$5850
Cost per year	\$19500	\$23400	\$39000	\$2600	\$11700
Total cost 30 years	\$585,000	\$702,000	\$1,170,000	\$78,000	\$351,000

* Cost per well per event is \$370 .

Therefore, the total cost to sample,130 wells semiannually for 30 years for the above analytes is \$2,886,000 at today's prices.

We anticipate having to add 60 additional wells in the future. We have no idea WHEN in the future. These wells will cost \$4,000 each to add for an additional \$240,000. Assume we have to sample these wells for 20 years, adds an additional \$888,000.

Labor for sampling, measuring and reporting on these wells is \$31,000 per event or \$62,000 per year. Multiply by 30 years and you get \$1,860,000.

Finally, with a total of 190 wells (130 currently + the 60 that will be added), at some time in the future Navajo anticipates having to replace each well one time in the 30 years at \$4,000 each. That will be a total of \$760,000.

To pull all this together is as follows:

1) Cost to sample current 130 wells for 30 years	\$2,886,000
2) Cost to add 60 additional wells at some point in the future	\$ 240,000
3) Cost to sample these 60 wells for 20 years	\$ 888,000
4) Labor for sampling, measuring and reporting for 30 yrs	\$1,860,000
5) Cost to replace each of the 190 wells once in 30 years	<u>\$ 760,000</u>

Total **\$6,634,000****

*** This total is in todays dollars. An inflation factor will be used each year to adjust these numbers. In addition, these numbers will be adjusted each year based on actual events and the yearly draw-down of the 30 year monitoring cycle.*



BILL RICHARDSON
Governor

DIANE DENISH
Lieutenant Governor

**NEW MEXICO
ENVIRONMENT DEPARTMENT**

Hazardous Waste Bureau

2905 Rodeo Park Drive East, Building 1

Santa Fe, New Mexico 87505-6303

Phone (505) 476-6000 Fax (505) 476-6030

www.nmenv.state.nm.us



RON CURRY
Secretary

SARAH COTTRELL
Deputy Secretary

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 21, 2010

Darrell Moore
Navajo Refining Company
501 East Main Street, P.O. Box 159
Artesia, New Mexico 88211-0159

**RE: FINANCIAL ASSURANCE SUBMITTAL
NAVAJO REFINING COMPANY, ARTESIA REFINERY
EPA ID# NMD048918817
HWB-NRC-MISC**

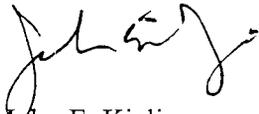
Dear. Mr. Moore:

The New Mexico Environment Department (NMED) has completed its review of Navajo Refining Company's Artesia Refinery (the Permittee) Financial Assurance response to NMED's June 30, 2010 Notice of Disapproval (NOD). The Permittee has complied with the requirements to submit financial assurance information for 2010.

Mr. Moore
Navajo Refining Company
September 21, 2010
Page 2 of 2

If you have any questions, please contact Hope Monzeglio of my staff at 505-476-6045.

Sincerely,



John E. Kieling
Program Manager
Permits Management Program
Hazardous Waste Bureau

JEK:hm

cc: D. Cobrain, NMED HWB
H. Monzeglio, NMED HWB
C. Chavez, OCD
J. Lackey, NRC
HWB-NRC-MISC, 2010 Reading File



BILL RICHARDSON
Governor

DIANE DENISH
Lieutenant Governor

**NEW MEXICO
ENVIRONMENT DEPARTMENT**

Hazardous Waste Bureau

2905 Rodeo Park Drive East, Building 1
Santa Fe, New Mexico 87505-6303
Phone (505) 476-6000 Fax (505) 476-6030
www.nmenv.state.nm.us



RON CURRY
Secretary

SARAH COTTRELL
Deputy Secretary

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 9, 2010

Darrell Moore
Environmental Manager for Water and Waste
PO Box 159
Navajo Refining Company
Artesia, New Mexico 88211-0159

**RE: EXTENSION REQUEST APPROVAL
FOR THE SUBMITTAL OF THE RESPONSE TO THE NOTICE OF
DISAPPROVAL FOR 2010 FINANCIAL ASSURANCE
NAVAJO REFINING COMPANY, ARTESIA REFINERY
EPA ID # NMD048918817
NRC-MISC**

Dear Mr. Moore:

The New Mexico Environment Department (NMED) has received Navajo Refining Company's (the Permittee) submittal *Notice of Disapproval Financial Assurance Submittal*, dated August 6, 2010. In the letter, the Permittee requests an extension to submit the response to NMED's June 30, 2010 Notice of Disapproval (NOD) due August 9, 2010 because of staff absence and the time needed to acquire the necessary documents. The Permittee requests an extension until August 23, 2010 to submit their NOD response.

The Permittee has shown good cause for the requested extension. NMED hereby approves the extension; the financial assurance NOD response must be submitted to NMED on or before August 23, 2010.

Darrell Moore
August 9, 2010
Page 2

If you have questions regarding this letter please contact Hope Monzeglio of my staff at 505-476-6045.

Sincerely,

A handwritten signature in cursive script, appearing to read "John E. Kieling" followed by a flourish.

John E. Kieling,
Program Manager
Permits Management Program
Hazardous Waste Bureau

JEK:hm

cc: J. Kieling, NMED HWB
D. Cobrain, NMED HWB
H. Monzeglio, NMED HWB
C. Chavez, OCD
J. Lackey, Navajo
File: Reading and WSMR 2010
NRC-MISC



BILL RICHARDSON
Governor

DIANE DENISH
Lieutenant Governor

NEW MEXICO
ENVIRONMENT DEPARTMENT

Hazardous Waste Bureau

2905 Rodeo Park Drive East, Building 1

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Phone (505) 476-6000 Fax (505) 476-6030

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RON CURRY
Secretary

SARAH COTTRELL
Deputy Secretary

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 30, 2010

Darrell Moore
Navajo Refining Company
501 East Main Street, P.O. Box 159
Artesia, New Mexico 88211-0159

**RE: NOTICE OF DISAPPROVAL
FINANCIAL ASSURANCE SUBMITTAL
NAVAJO REFINING COMPANY, ARTESIA REFINERY
EPA ID# NMD048918817
HWB-NRC-MISC**

Dear. Mr. Moore:

The New Mexico Environment Department (NMED) has completed its review of Navajo Refining Company's Artesia Refinery (the Permittee) financial assurance submittal dated March 25, 2010. NMED hereby issues this Notice of Disapproval (NOD). The Permittee must address the deficiencies identified below.

Comment 1

The wording of the Financial Guarantee Bond (FGB) does not meet the explicit wording requirements found in 40 CFR 264.151(b). The following discrepancies have been identified:

- a. Page 1, paragraph 1 of the FGB states "Know All Persons By These Presents, That we, the Principal and Surety(ies) hereto are firmly bound to the State of New Mexico, New Mexico Environment Department (hereinafter called NMED), in the above penal sum..." The rest of the FGB references the New Mexico Environment Department as the "New Mexico Environment Secretary" instead of "NMED" as

Mr. Moore
Navajo Refining Company
June 30, 2010
Page 2 of 6

indicated above. The Permittee must revise the FGB to be consistent and use the term that is specified in the document (i.e., either consistently use New Mexico Environment Department Secretary or NMED).

- b. Page 2, paragraph 1 of the FGB states “[w]hereas said Principal is required, under the New Mexico Hazardous Waste Act, to have a permit or interim status in order to own or operate each hazardous waste management facility identified above, and.” The wording in 40 CFR 264.151(b) does not reference the New Mexico Hazardous Waste Act but states “under the Resource Conservation Recovery Act as amended (RCRA).” The Permittee must revise the FGB to use the specific wording in the regulations.
- c. Page 2, paragraph 5 of the FGB states “Or, if the Principal shall fund the standby trust fund in such amount(s) within 15 days after a final order to begin closure is issued by the New Mexico Environment Department Secretary or a New Mexico district court or other court of competent jurisdiction.” The regulations do not reference the “New Mexico district court.” The Permittee must revise the wording of this paragraph to be the same as indicated in 40 CFR 264.151(b) and state “or a U.S. district court.”
- d. Page 2, paragraph 9 of the FGB states “[t]he Surety(ies) may cancel the bond by sending notice of cancellation by certified mail to the Principal and to the New Mexico Environment Department Secretary, provided, however, that cancellation shall not occur during the 120 days beginning on the date of receipt of the notice of cancellation by both the Principal and the New Mexico Environment Department Secretary, as evidenced by the return receipts.” This paragraph is missing the wording “for Region(s) in which the facility(ies) is (are) located” as stated in 40 CFR 264.151(b). The Permittee must revise the paragraph in accordance with the specific wording found in 40 CFR 264.151(b).
- e. Page 3, paragraph 1 of the FGB states “[t]he Principal may terminate this bond by sending written notice to the Surety(ies), provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by the New Mexico Environment Department Secretary.” This paragraph does not comply with the wording found in 40 CFR 264.151(b). The Permittee must revise this paragraph to state “[t]he Principal may terminate this bond by sending written notice to the Surety(ies), provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by the New Mexico Environment Department Secretary in which the bonded facility is located.”

Mr. Moore
Navajo Refining Company
June 30, 2010
Page 3 of 6

Comment 2

The following items address the Standby Trust Agreement (STA) and the regulations identified in 40 CFR 264.151(a)(1). The Permittee must revise the language so it is compliant with the regulations. The following discrepancies have been identified:

- a. The title of 40 CFR 264.151(a)(1) states "Trust Agreement." The title of the Permittee's document states "Standby Trust Agreement." The Permittee must revise the text to remove the term "standby" and use the exact wording as indicated in 40 CFR 264.151(a)(1) (Trust Agreement).
- b. The first paragraph of the STA does not comply with the wording and formatting found in CFR 264.151(a)(1); the Permittee must revise the paragraph to compliant with the regulations (e.g., the paragraph contains extra words and underlining and parentheses where they are not needed). The Permittee must revise the first paragraph to be compliant with 40 CFR 264.151(a)(1).
- c. The third paragraph of the STA states "WHEREAS, the New Mexico Environment Department (the "NMED") an agency of the state of New Mexico, is charged with the responsibility to administer and enforce the hazardous waste management regulations adopted by the EIB." This paragraph is not found in 40 CFR 264.151(a)(1) and must be removed.
- d. In the STA, "***Section 4. Payment for Closure and Post-Closure,***" pages 1 and 2 states "...expenditures in such amounts as the Secretary of shall direct in writing." The Permittee is missing the term "NMED" after Secretary of (Secretary of the NMED). The Permittee must revise this paragraph to include "NMED." (See Comment 1.a)
- e. The first word in ***Section 14. Instructions for the Trustee,*** page 4 of the STA states "Ail." This should state "all" as indicated in the wording found in 40 CFR 264.151(a)(1). The Permittee must revise this section accordingly.
- f. ***Section 14. Instructions for the Trustee,*** page 4 of the STA states "[a]ll orders, requests, and instructions by the Secretary of NMED to the Trustee shall be in writing, signed by the Secretary of NMED, or his designee, and the Trustee shall not act..." This sentence does not comply with the wording of 40 CFR 264.151(a)(1). The Permittee must revise this section to state "[a]ll orders, requests, and instructions by the Secretary of NMED to the Trustee shall be in writing, signed by the Secretary of NMED of the State of New Mexico, in which the facilities are located, or their designees,..." and comply with Comment 1.a.

Mr. Moore
Navajo Refining Company
June 30, 2010
Page 4 of 6

- g. The current wording in the Certificate of Acknowledgment portion of the STA does not comply with the wording found in 40 CFR 264.151(a)(2). The Permittee must revise the wording to comply with the regulations..

The following items address minor formatting errors within the STA. Although minor, the wording and formatting of the Agreement must be identical to the wording and formatting specified in CFR 264.151(a)(1). The following corrections must be incorporated.

- h. The second paragraph of the STA on page 1 capitalizes the word “WHEREAS” and the regulations in 40 CFR 264.151(a)(2) does not capitalize the whole word but states “Whereas.” The Permittee must revise the STA accordingly.
- i. In the STA, the Permittee, bolds, underlines, and italicizes the sections and the headings (e.g., ***Section 1. Definitions***). In 40 CFR 264.151(a)(2), the wording bolds the sections and italicizes the titles to the sections (e.g., **Section 1. Definitions**). The Permittee must revise the section headings and titles accordingly.
- j. **Section 1. Definitions** found in CFR 264.151(a)(1) is broken into items (a) and (b). Section 1 of the STA is missing items (a) and (b) but contains the correct wording. The Permittee must revise the STA to include the identification of items (a) and (b).
- k. **Section 6. Trustee Management** of 40 CFR 264.151(a)(1), the end of the paragraph states “...enterprise of a like character and with the like aims; *except that*...” and italicizes *except that*; however, these words are not italicized in Section 6 of the STA. The Permittee must revise this Section accordingly.
- l. **Section 7. Commingling and Investment**, item (b) found in 40 CFR 264.151(a)(1) italicizes *et seq.*, which is not italicized in the STA. The Permittee must revise the STA accordingly.
- m. **Section 8. Express Powers of Trustee**, item (d) of the STA has a period after the word banking. This period is not present in the wording of the regulations; the Permittee must revise Section 8 accordingly.

Comment 3

The following items address discrepancies with the Hazardous Waste Facility Certificate of Liability Insurance (LI). The wording of this document must comply with the precise wording found in 40 CFR 40 CFR 264.151(j).

- a. Number 2, items c, d, and e of the LI reference the Director of the Oklahoma Environmental Quality (DEQ) and the State of Oklahoma and do not mention the Secretary of New Mexico Environment Department or the State of New Mexico. The Permittee must correct this discrepancy.

Mr. Moore
Navajo Refining Company
June 30, 2010
Page 5 of 6

- b. The last sentence in Number 2, item d is missing the wording “in which the facility(ies) (are) located.” The Permittee must revise the language as stated in the regulations.
- c. The last paragraph beginning with “I hereby certify that the wording of this statement...” does not comply with the wording found in 40 CFR 264.151(j) (e.g., the regulations do not mention “U.S. EPA approved amendment, for the State of Oklahoma, and the last word “state” is plural in the regulations). The Permittee must revise this paragraph to explicitly comply with the regulations.
- d. The Permittee must submit the certificate of insurance that is associated with the LI which is describe in 40 CFR 264.147(a)(1)(i) and (b)(1)(i).

Comment 4

In reference to the cost estimates provided at the end of the submittal for the “Estimated Post Closure Costs for the TEL” and “Estimated Post Closure Costs for Three Mile Ditch [TMD],” the monitoring must be based on 30 years due to the presence of groundwater contamination at and in the vicinity of Three Mile Ditch and the Tetra EthylLead (TEL) sites, ongoing investigations, and the uncertainty of when the groundwater contamination will be remediated. NMED does not view monitoring of these areas ending in three or 10 years as indicated in the estimates. The cost estimates for TMD and the TEL must be revised accordingly.

Comment 5

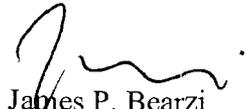
In the Financial Guarantee Bond, the Permittee addresses Navajo Refining Company as an L.L.C; however, the Hazardous Waste Facility Certificate of Liability Insurance does not reference Navajo as an L.L.C. The Permittee must correct this discrepancy and, if the wording is correct, the Permittee must provide an explanation for this in the response letter.

Mr. Moore
Navajo Refining Company
June 30, 2010
Page 6 of 6

The Permittee must address all comments contained in this NOD and submit the revised financial assurance submittal to NMED on or before August 9, 2010. The revised financial assurance must be submitted with a response letter that details where all revisions have been made, cross-referencing NMED's numbered comments. In addition, an electronic version of the revised financial assurance documentation must be submitted that identifies where all changes have been made in redline strikeout format.

If you have any questions, please contact Hope Monzeglio of my staff at 505-476-6045.

Sincerely,



James P. Bearzi
Chief
Hazardous Waste Bureau

JPB:hm

cc: D. Cobrain, NMED HWB
H. Monzeglio, NMED HWB
L. King EPA Region 6 (6PD-N)
C. Chavez, OCD
J. Lackey, NRC
HWB-NRC-MISC, NRC 2010 Reading File