

December 12, 2005

Mr. Oscar Paulson
Facility Supervisor
Sweetwater Uranium Facility
Kennecott Uranium Company
P.O. Box 1500
Rawlins, WY 82301-1500

SUBJECT: 2005 SURETY UPDATE AND FIFTH STANDBY TRUST AGREEMENT
KENNECOTT URANIUM COMPANY, SWEETWATER URANIUM PROJECT
SOURCE MATERIALS LICENSE SUA-1350 (TAC L60488)

Dear Mr. Paulson:

By letter dated October 27, 2005, Kennecott Uranium Company, Rawlins, Wyoming, submitted to the U.S. Nuclear Regulatory Commission (NRC) staff, an updated surety instrument. The current surety instrument consists of a rider in the amount of \$7,572,000.00, executed on January 14, 2005, and an irrevocable letter of credit in the amount of \$440,000.00, executed on October 12, 2005. The current irrevocable letter of credit represents a \$221,000.00 increase over the 2004 irrevocable letter of credit. This surety is incorporated into the Fifth Standby Trust Agreement dated October 20, 2005.

The NRC staff has reviewed the above surety and Standby Trust Agreement. During this review, the NRC staff noted one potential typographical error. Section 17 of the Standby Trust Agreement references Section 15 for the provisions to amend the agreement; however, amendment provisions are actually in Section 16. Please revise the Standby Trust Agreement, accordingly. The NRC staff will execute the agreement, after it is revised.

If you have any questions, please contact me at 301-415-7182 or via e-mail to sjc7@nrc.gov.

O. Paulson

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Sincerely,

\RA\

Stephen J. Cohen, Project Manager
Uranium Processing Section
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 40-8584
License No.: SUA-1350

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Sincerely,

\RA\

Stephen J. Cohen, Project Manager
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Office of Nuclear Material Safety
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Docket No.: 40-8584
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