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UNITED STATES  
NUCLEAR REGULATORY COMMISSION

|                            |   |                      |
|----------------------------|---|----------------------|
| In the Matter of           | ) |                      |
|                            | ) |                      |
| Sequoyah Fuels Corporation | ) | Docket No. 40-08027  |
| Sequoyah Fuels Facility    | ) | License No. SUB 1010 |
| Gore, Oklahoma             | ) | EA 86-91             |

SETTLEMENT AGREEMENT

WHEREAS, Sequoyah Fuels Corporation (licensee) is the holder of Source Material License No. SUB-1010 issued by the Nuclear Regulatory Commission ("NRC") which authorizes the licensee to possess and use source material for the purpose of refining uranium from uranium ore concentrates and converting this uranium to uranium hexafluoride (UF<sub>6</sub>) for use by enrichment facilities. The license was most recently renewed on September 20, 1985, and will expire on September 30, 1990; and

WHEREAS, a series of special inspections and assessments were conducted at the Sequoyah Fuels Facility, Gore, Oklahoma during the period January 4 through February 14, 1986, as a followup to the January 4, 1986, accident in which a cylinder filled with uranium hexafluoride ruptured while being heated in a steam chest; and

WHEREAS, the NRC, acting through its Director, Office of Inspection and Enforcement, served upon the licensee by letter, dated October 14, 1986, a written Notice of Violation and Proposed Imposition of Civil Penalties, stating the nature

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of the alleged violations, the provisions of the Commission's regulations that the licensee had allegedly violated, and the amount of the civil penalties proposed; and

WHEREAS, the licensee responded to the Notice of Violation and Proposed Imposition of Civil Penalties on November 13, 1986, by submitting (1) a Response to Notice of Violation and (2) a Protest of Civil Penalties and Petition for Remission or Mitigation; and

WHEREAS, the Director, Office of Inspection and Enforcement, in an Order dated February 5, 1987, determined that the penalties proposed for the violations designated in the Notice of Violation and Proposed Imposition of Civil Penalties should be imposed; and

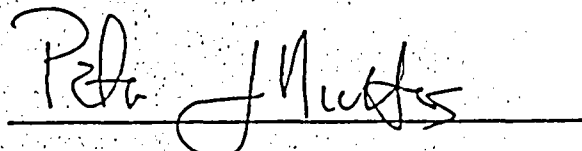
WHEREAS, the licensee wishes to terminate this civil penalty proceeding by payment of the proposed penalty without conceding its position as stated in its filings of November 13, 1986: Specifically, while recognizing the seriousness of the accident, the licensee continues of the view that there are strong legal and policy grounds arguing against the imposition of the proposed penalty in the circumstances, and objects to the characterization of its conduct; and further, that insufficient weight has been given to the substantial steps taken by the licensee since the January 4, 1986 accident to improve its operations; and

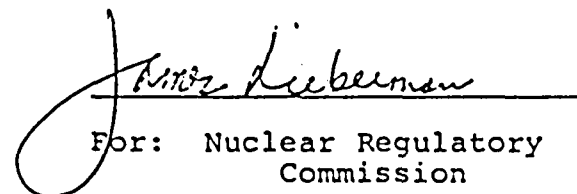
WHEREAS, the licensee waives its right to a hearing, and without admitting or denying any of the allegations of the Notice dated October 14, 1986, except as to

jurisdiction, to which it admits, and solely for the purposes of terminating this proceeding, agrees to the payment of the proposed penalty; and

WHEREAS, the NRC, while affirming its position as to the alleged violations stated in the Notice dated October 14, 1986, and Order dated February 5, 1987, agrees that this proceeding should be terminated by payment of the ordered penalty by the licensee, and recognizes that the licensee has taken significant steps since the accident to improve its operations at the Sequoyah Facility:

IT IS HEREBY ORDERED: This civil penalty proceeding will be terminated upon the payment by the licensee of civil penalties in the amount of Three Hundred Ten Thousand Dollars (\$310,000) within 5 days of the date of this Agreement by check, draft or money order, payable to the Treasurer of the United States and mailed to the Director, Office of Inspection and Enforcement, U.S. Nuclear Regulatory Commission, Washington, D.C. 20555.

  
For: Sequoyah Fuels Corporation

  
For: Nuclear Regulatory  
Commission

DATE:

2/25/87