

May 3, 2016

Mr. Ken Kalman
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852-2738

Mr. Paul Davis
Oklahoma Department of Environmental Quality
707 North Robinson
Oklahoma City, OK 73101

Dr. Gerald Schlapper
U.S. Nuclear Regulatory Commission
1600 East Lamar Blvd; Suite 400
Arlington, TX 76011-4511

Re: Docket No. 70-925; License No. SNM-928
Proposal to Purchase Southwest Quarter of Section 12

Dear Mr. Kalman:

Mr. Tom Stewart visited the Cimarron site Thursday, March 31. He stated that he had met with the Guthrie City Manager and several Guthrie banks, and said they are willing to finance up to \$2,500 per acre for the southwest quarter of Section 12. The southwest quarter of Section 12 is located at the intersection of Highway 33 and Highway 75, as shown in the attached drawing. Mr. Stewart observed that price is greater on a per-acre basis than the Trust received for the property west of Highway 74. Both the City of Guthrie and the banks desire to invest in Mr. Stewart's proposal to develop an "ecofriendly high tech manufacturing and warehousing industrial facility".

On April 5, 2016, Environmental Properties Management (EPM) received letters dated April 1, 2016 from the City of Guthrie and Cimarron Holdings LLC, requesting that EPM support Mr. Stewart's proposal to purchase the SW quarter of Section 12 for commercial development. Those letters are attached to this proposal.

Issues Associated with the Ownership of the Property

The subject property was released (along with several other portions of property, collectively referred to as "Phase I areas") for unrestricted use in NRC license SNM-928, Amendment 13, Condition 25, in 1996. Condition 25 states, "The Phase I areas are no longer licensed by NRC." Groundwater investigations performed since 1996 have demonstrated that the property is unimpacted by past operations, and is upgradient, uphill, and upstream from the rest of the property owned by the Trust.

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Two groundwater monitoring wells, CDW-1 and CDW-1A, are located in this quarter4 Section near the northern boundary, as shown on the attached drawing. These wells were installed in 2004 to measure depth to groundwater to evaluate the area for a potential construction and demolition waste landfill. Kerr-McGee Corporation was then evaluating the cost to demolish the remaining buildings and bury the resulting waste on site. Groundwater is too shallow in this area to obtain a permit for a construction and demolition waste landfill. Groundwater samples were obtained from these wells in 2014 to evaluate the background (upgradient) concentration of nitrate in shallow groundwater. These monitoring wells are no longer needed, and could be plugged and abandoned.

Issues Associated with the Proposed Development of the Property

The development of the property for manufacturing and warehousing would benefit the neighboring communities, providing jobs and revenue to those in or near Guthrie, Crescent, and Cimarron City. It would also contribute to the conversion of the public image of the site from that of a blighted and abandoned facility presenting unknown (perceived) dangers to a well-maintained commercial site providing jobs in a safe environment.

The divestiture of this property would have no impact on the construction and operation of the proposed groundwater remediation facilities. All water treatment facilities, extraction and injection infrastructure, connecting piping and utilities, and site access needed to perform the planned groundwater remediation program are located outside of this Quarter Section.

Manufacturing facilities can create environmental impacts from which the Trust should be protected. Mr. Stewart has indicated that he will agree to the same terms and provisions that he agreed to when purchasing the 24-acre property. Those terms and conditions primarily applied to the presence of elevated concentrations of chemicals of concern in groundwater, the need for access to and through that property, and commitment by the Trust to perform needed remediation on that property. A different set of conditions should be imposed on the purchaser of the southwest quarter of Section 12.

Due to its location uphill and upgradient from Trust property, controls on the use of this property are needed to minimize the potential for future operations to impact Trust property. Such provisions can be included in a Purchase and Sale Agreement similar to those executed for the sale of the previous two portions of Trust property.

The Value of the Property

A portion of Highway 74 is located in Section 12; according to the 2011 appraisal prepared by Lloyd Lentz Real Estate Appraisers, the quarter section contains 154.95 acres. Approximately eight acres of the property acquired by Cimarron Holdings in 2015 is located in the northwest

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corner of this quarter section. Consequently, the Trust owns approximately 147 acres of land in the NW quarter of Section 12.

In his letter, Mr. Stewart stated, “I believe that the value of this land has been established as a result of the prior competitive process on the one hundred and six acres that sold at the same time that I purchased the plutonium and TIO₂ building. This being the case, I will pay the same amount per acre for the one hundred and forty acres as was paid for the land from the previous bid process.”

In 2011, the 117-acre property west of Highway 74 was appraised by Lloyd Lentz Real Estate Appraisers at \$1,247 per acre. The land sold for \$258,000, or \$2,205 per acre. This was 177% of the property’s appraised value. The 117-acre property does not have highway access as the SW quarter of Section 12 does. In addition, a portion of the 117-acre property is located in the Cimarron River floodplain. Nevertheless, that property was desired by numerous individuals, several of whom were willing to sign the purchase and sale agreement restricting the use of the property, and who offered significantly more than the appraised value for the property.

The per-acre price paid for the 117-acre property does not establish the value of the 147 acres Mr. Stewart wishes to purchase. Due to its greater usability and better access to two State highways, the quarter Section Mr. Stewart proposes to purchase is more valuable than the 117-acre tract west of Highway 74.

Conclusion

This property represents an asset (its value upon sale), but is otherwise not of use to the Trust (particularly in relation to future remediation work). It requires some maintenance and represents a potential trespass nuisance related to the need for maintenance crews to access the property to repair the water line in the area.

The sale and development of the property yields positive benefits, including the beneficial reuse of another portion of the site and improved public image. The risk associated with the development of the property can be mitigated by the execution of an appropriate purchase agreement.

Recommendation

If NRC and DEQ agree to sell the SW quarter of Section 12, EPM will engage the services of a realtor to provide notice, list the property, and coordinate between potential purchasers and EPM. The realtor will both cause to be published a public notice that the SW quarter of Section 12, excepting that portion which Cimarron Holdings already owns, will be sold by sealed bid auction. The realtor will also list the site in the Multi Listing Service (MLS). The MLS

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generated far more interest in the 117-acre property than did the public notices. The realtor will provide copies of a purchase agreement agreed to by EPM, NRC, and DEQ to interested parties, explaining that bids will only be accepted from parties who are willing to sign the agreement.

A tour of the subject property and an informational meeting will be conducted at the site approximately 30 days after the date of the first public notice and listing. Sealed bids will be received at the Site office approximately 60 days after the date of the first public notice. No bid for less than \$2,500 per acre will be accepted. Only buyers who are willing to sign the purchase agreement will be able to submit a bid.

EPM and the realtor will open the bids and select a bidder based on both the price and the proposed use of the property. The realtor will then schedule and conduct the closing with EPM and the selected bidder. Funds received will be distributed between the Administrative, Federal, and State accounts in the same allocation as past sales.

Your approval to proceed with the divestiture of the property, or direction regarding a response to Mr. Stewart and the Guthrie City Manager is herein requested. We will be happy to schedule a teleconference if you would like to discuss the appropriate path forward on this issue. Please feel free to contact me at 405-642-5152 or via e-mail at jlux@envpm.com.

Sincerely,



Jeff Lux, PE
Project Manager

Attachment



City Manager Bruce Johnson
PO Box 908
Guthrie, OK 73044
bjohnson@cityofguthrie.com
(405) 282-0496

April 1, 2016

Mr. Jeff Lux
Project Manager
Environmental Properties Management
615 N. Hudson Ste. 200
Oklahoma City, OK 73102

Dear Mr. Lux:

Recently, I had the opportunity to tour the facility that was the former Kerr McGee Nuclear operation and is now owned by Mr. Tom Stewart. During my visit, Mr. Stewart shared with me his vision for the re-utilization of the one hundred forty acres at the northeast corner of Highway 33 and Highway 74. Mr. Stewart explained that if made available to him, he would develop that acreage into an ecofriendly high tech manufacturing and warehousing industrial park.

Mr. Stewart established Stewart Industries International in Guthrie over twenty years ago by acquiring an industrial site that at the time was in a state of total disrepair. Over the years, Mr. Stewart revitalized that facility to become a thriving, thirty acre industrial complex. As you know, Mr. Stewart is in the process of accomplishing that same type of magic at the former Kerr McGee facility.

For the record, the City of Guthrie supports Mr. Stewart and his vision for the revitalization of the one hundred forty acres mentioned above and looks forward to this process beginning as soon as possible. Mr. Stewart's efforts in this regard will most definitely increase the economic base of Guthrie, which will lead to an increased number of high paying jobs.

Best regards,

A handwritten signature in black ink, appearing to be "Bruce Johnson".

Bruce Johnson, City Manager

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INTEGRITY, SERVICE, QUALITY OF LIFE





(405) 641-9730
P.O. Box 190
Guthrie, Ok 73044

Mr. Jeff Lux

April 1, 2016

Project Manager

Environmental Properties Management

615 North Hudson Suite 200

Oklahoma City, Oklahoma 73102

Dear Jeff,

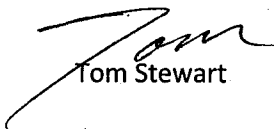
On numerous occasions, I have shared with you my vision of creating an ecofriendly industrial center, on the one hundred forty acres at the northeast corner of Highway 33 and Highway 74. During the current revitalization of the Plutonium and TIO2 facilities, I shared this same vision with local banking and city officials. As of today, they have pledged their support and backing to help make my vision a reality.

As such, I request that you intercede on my behalf and inform the leadership of the trust that I am ready to move forward on the purchase of this one hundred and forty acre parcel of land. I believe that the value of this land has been established as a result of the prior competitive process on the one hundred and six acres that sold at the same time that I purchased the Plutonium and the TIO2 building. This being the case, I will pay the same amount per acre for the one hundred and forty acres as was paid for the land from the previous bid process.

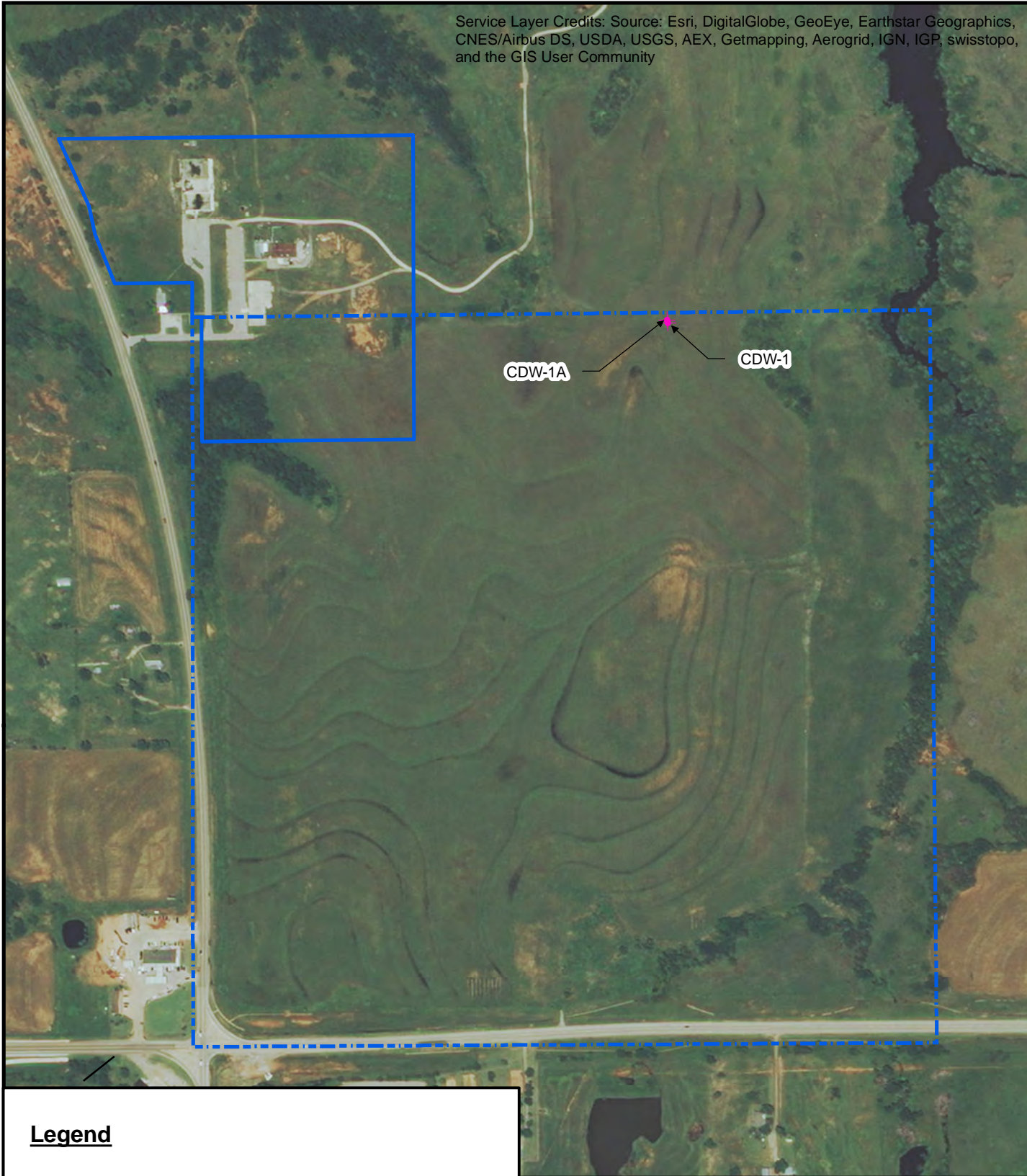
I will agree to all the same terms and provisions on the purchase of this property as I did on the purchase of the property that I now own. Although it is my plan to build and lease facilities on this parcel of land, I will agree to a flow down requirement of the use restrictions and indemnification that I signed when I purchased the current facility.

Through the revitalization and our occupation of the Plutonium and the TIO2 plant, the negative stigma of this property is quickly diminishing. I believe now is the time to capitalize on the positive excitement that has been created due to our Beneficial Reuse of this facility by acquiring this land and developing the SII Group Ecofriendly Industrial Center.

Best Regards


Tom Stewart

Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community



Legend

Location

- MONITORING WELL
- CIMARRON HOLDINGS PROPERTY
- SOUTHWEST QUARTER OF SECTION 12

0 250 500 1,000
Feet



COORDINATES :
(NAD 83) STATE PLANE OKLAHOMA NORTH FEET

DATE : AERIAL PHOTO - 2010
MAP PRODUCED - 5/2/2016

AERIAL IMAGE WITH CIMARRON HOLDINGS PROPERTY AND THE SOUTHWEST QUARTER OF SECTION 12, T16N, R4W

