

11/30/92

RE: 92316-N

November 23, 1992

**ENCLOSURE CONTAINS CONFIDENTIAL INFORMATION**

Mr. Robert M. Bernero, Director  
Office of Nuclear Material Safety and Safeguards  
U. S. Nuclear Regulatory Commission  
Washington, D. C. 20555

RE: License No. SUB-1010; Docket No. 40-8027

Dear Mr. Bernero:

This is to inform you that the Sequoyah Fuels Corporation (SFC) plans to take the following actions with respect to its activities at Gore, Oklahoma:

- (1) As to SFC's facility for the conversion of yellowcake ore concentrates to  $UF_6$ , it intends to "clean out" the facility and then place it in a standby mode. This process is not intended to exceed 60 to 90 days from the date of this letter.
- (2) As to SFC's facility for reducing  $UF_6$  to  $UF_4$ , it intends to restart the facility as soon as NRC's concurrence is obtained, operate it until it has fulfilled its obligations under its existing contract with Aerojet Ordnance Tennessee, and then place it in a standby mode.

SFC deeply regrets having to take these actions, particularly in view of the severe economic impact they will have upon its employees and upon the local community. However, after careful consideration, SFC has determined that increased operating costs due to the regulatory requirements mandated during the past year have made it uneconomical to continue conversion operations at the Gore facility. Thus, we have reluctantly concluded that changed circumstances have made it impossible for SFC to continue  $UF_6$  conversion services.

As we discussed with you today, we will meet with you at your offices Tuesday, December 1, 1992, to provide you with detailed information regarding SFC's plans and to respond to your questions.

SFC will continue to comply with all provisions of License No. SUB-1010 applicable to its activities, and will achieve an effective transition to non-production status. Although conversion operations will cease, SFC will continue to process and use as agricultural fertilizer any inventory of ammonium nitrate fertilizer remaining on site, as well as to process and ship from

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Mr. Bernero  
Page 2  
November 23, 1992

the site the remaining inventory of raffinate sludge and calcium fluoride sludge. SFC also intends to continue to conduct remediation activities as authorized under License No. SUB-1010. As SFC ceases operation of specific facilities or as materials are shipped from the site, SFC may, as appropriate, request amendments to License No. SUB-1010 to reflect that production activities are no longer taking place or that inventories of yellowcake,  $UF_6$ , depleted uranium, or other materials are no longer present.

In connection with the cessation of operations of the  $UF_6$  conversion facility, SFC has entered into contractual arrangements with ConverDyn, a partnership formed by Allied Signal Energy Services, Inc. and General Atomics Energy Services, Inc., to meet certain mutual goals of ConverDyn and SFC.

Under an agreement with ConverDyn, SFC will obtain from ConverDyn any conversion services needed to satisfy obligations under existing SFC conversion contracts that remain after cessation of operation of the SFC conversion facility.

SFC has also entered into another agreement with ConverDyn under which, upon request from ConverDyn and the concurrence of SFC, SFC may provide excess conversion capacity if needed by ConverDyn at some future time. Since SFC does not plan to maintain its authorization to conduct conversion activities nor to maintain its facility in operational status after the transition period described above, ConverDyn and SFC recognize that any resumption of such activities by SFC will require obtaining further NRC license authorization.

This agreement with ConverDyn, provides for substantial payments to SFC through the year 2004. These payments are briefly described on the attached "SFC Revenues". It is anticipated that these revenues will cover costs that would otherwise not be covered if SFC had attempted to continue operation of its Gore facilities. Accordingly, it is expected that this agreement will enhance SFC's ability to pay its operating costs, taxes and debts, to conduct remediation activities and decommission its facilities and site during this period.

SFC requests that the enclosure entitled "SFC Revenues" be treated as proprietary confidential information under the provisions of 10 CFR 2.790. SFC is a privately held corporation and that enclosure contains sensitive financial information.

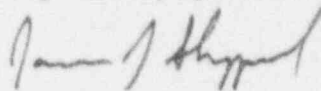
Since the draft agreement between General Atomics (GA) and SFC, enclosed with my letter of June 24, 1992, contemplated continued operations at SFC and was intended to provide GA's support in

Mr. Bernero  
Page 3  
November 23, 1992

connection with SFC's application for a 10-year renewal of License No. SUB-1010 for UF<sub>6</sub> conversion operations, such an arrangement is no longer applicable.

We look forward to meeting with you on December 1, 1992.

Very truly yours,



James J. Sheppard  
President

JJS/CLH:lh

Enclosure

xc: (without enclosure)

James L. Milhoan, NRC Region IV Administrator  
Service List