

Kennecott Corporation
150 East Social Hall Avenue
Suite 400
Salt Lake City, Utah 84111
(801) 322-7000

December 18, 1996

Via Federal Express

Kennecott

Mr. Joseph J. Holonich, Chief
Uranium Recovery Projects Branch
Division of Waste Management
Office of Nuclear Material Safety and Safeguards
U. S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, Maryland 20852-2738

**RE: Replacement for Irrevocable Standby Letter of Credit No. S-06516-00042
Sohio Western Mining Company, L-Bar Uranium Facility, NM
Docket 40-8904, Source Material License SUA-1472**

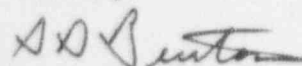
Dear Mr. Holonich:

On behalf of Sohio Western Mining Company we enclose original Irrevocable Standby Letter of Credit No. S-0007273-9023 issued December 17, 1996, with an effective date of December 30, 1996, in connection with the captioned docket and license number. This letter of credit is submitted at the request of the NRC as replacement for Letter of Credit No. S-06516-00042 dated September 25, 1990 and amendments thereto.

Assuming that all is in order, please forward to my attention a letter acknowledging the acceptance of Letter of Credit No. S-0007273-9023 and releasing Letter of Credit No. S-06516-00042. Finally, please return to my attention original Letter of Credit No. S-06516-00042 with its amendments.

Please call me at (801) 322-7109 with any questions, and thank you for your consideration.

Sincerely,



S. D. Burton

Enclosure

cc: K. P. Done (w/o enc.)
D. B. Crouch (w/o enc.)
R. A. Heig (w/o enc.)
P. R. Lorello (w/o enc.)

9612230056 961218
PDR ADONIS 04008904
C PDR

230004



IRREVOCABLE STANDBY LETTER OF CREDIT NO. S-0007273-9023

ISSUED IN Salt Lake City, Utah on 17 DEC 1996

BENEFICIARY:

U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

APPLICANT:

Sohio Western Mining Company
150 East Social Hall Avenue
Suite 400
Salt Lake City, Utah 84111

AMOUNT: USD ***2,355,876.00
TWO MILLION THREE HUNDRED FIFTY
FIVE THOUSAND EIGHT HUNDRED SEVENTY
SIX AND 00/100 UNITED STATES DOLLARS

DATE AND PLACE OF EXPIRY:
30 DEC 1997
Our Counters

We hereby establish our Irrevocable Standby Letter of Credit No. S-0007273-9023 in your favor (NRC), at the request and for the account of Sohio Western Mining Company (Licensee) to the aggregate amount of TWO MILLION THREE HUNDRED FIFTY FIVE THOUSAND EIGHT HUNDRED SEVENTY SIX AND NO/100 U.S. DOLLARS \$2,355,876.00, available upon presentation of

1. Your sight draft(s) drawn on us bearing on its face the clause: "Drawn under Letter of Credit No. S-0007273-9023 dated 17 Dec 1996".
2. Your signed statement reading precisely as follows:

"I certify that the amount of the draft is payable pursuant to regulations issued under authority of the Uranium Mill Tailings Radiation Control Act of 1978."

3. This original Letter of Credit.

This letter of credit is issued in accordance with regulations issued under authority of the United States Nuclear Regulatory Commission, (NRC), an agency of the United States Government, pursuant to the Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974, and the Uranium Mill Tailings Radiation Control Act of 1978. NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 40, Appendix A, Criteria 9 and 10. These regulations require that a licensee of a uranium recovery facility shall provide assurance that funds will be available when needed in accordance with the approved Reclamation and Decommissioning Plan and also for any long-term surveillance and control of the uranium recovery facility.

It is a condition of this letter of credit that it shall be deemed automatically extended without amendment for one (1) year from the present or any future expiry date hereof, unless at least ninety (90) days prior to the current expiry date, we shall notify both you and Sohio Western Mining Company by registered mail that we elect not to renew this letter of credit for such additional period of one year. Upon your receipt of such notification you may draw under this letter of credit by your draft(s) drawn on us bearing the clause: "Drawn under Letter of Credit No. S-0007273-9023 dated 17 Dec 1996".

The bank shall give immediate notice to the licensee and the NRC of any notice received or action filed alleging the (1) insolvency or bankruptcy of the bank or (2) any violations of regulatory requirements that could result in suspension or revocation of the bank's charter or license to do business. It also should give immediate notice if it, for any reason, becomes unable to fulfill its obligation under the letter of credit.

Except so far as otherwise expressly stated, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500.

Whenever this letter of credit is drawn on, under and in compliance with the terms of this credit, we shall duly honor such draft upon presentation to us within 30 days, and we shall deposit the amount of the draft directly into the standby trust fund of Sohio Western Mining Company in accordance with your instructions.

SPECIAL INSTRUCTIONS:

This letter of credit replaces letter of credit S-06516-00042 and amendments thereto issued on September 25, 1990 in your favor.

This letter of credit is effective December 30, 1996.

L/C #: S-0007273-9023
PAGE 3

PARTIAL DRAWINGS PERMITTED.

MULTIPLE DRAWINGS PERMITTED.



A stylized, handwritten signature consisting of several overlapping, sweeping lines that originate from a single point on the left and fan out towards the right, ending above a horizontal line.

AUTHORIZED SIGNATURE(S)