

UNITED STATES
NUCLEAR REGULATORY COMMISSION

In the Matter of:)	
)	Docket Nos. 40-8681, 40-9024
Energy Fuels Nuclear, Inc.)	License Nos. SUA-1358, SUA-1558
Denver, Colorado)	

RESPONSE TO DEMAND FOR INFORMATION

COMES NOW Energy Fuels Nuclear, Inc. ("EFN") and submits the following responses, under oath, to that certain Demand for Information issued by Carl J. Paperiello, Director, Office of Nuclear Material Safety and Safeguards on or about December 26, 1996. This response sets forth the specific information demands contained in the Demand for Information and then sets forth the responses of EFN.

DEMAND FOR INFORMATION:

The Licensee is required to submit the following information, in writing and under oath or affirmation:

With respect to the White Mesa Mill (the "Mill") site:

A. The status of operations at the Mill; the basis for why the Licensee believes that it will be able to continue to operate the Mill safely and maintain compliance with the license and rules of the Commission; and how the Licensee currently complies and will continue to comply with NRC requirements and its license, including but not limited to:

1. how it controls and will continue to control access to the site;
2. how it maintains and will continue to maintain the monitoring programs required by its license;
3. how it intends to complete site reclamation;

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4. how it complies and will continue to comply with the requirement to employ a qualified Radiation Safety Officer; and
5. how it ensures and will continue to ensure that the facilities, including the tailings impoundment area, are properly maintained.

RESPONSE:

General Statement: EFN understands that the Demand for Information was issued as a result of a Motion, dated October 25, 1996, filed with the United States Bankruptcy Court for the District of Colorado proposing the sale of certain assets of Energy Fuels Exploration Company, Energy Fuels, Ltd. and the Energy Fuels Mining Joint Venture (collectively, the "Energy Fuels Debtors"). The Motion includes the proposed transfer of U.S. Nuclear Regulatory Commission Source Material License Nos. SUA-1358 (White Mesa Mill) and SUA-1558 (Reno Creek) (collectively, the "NRC Licenses"). The specific terms and conditions of the sale are memorialized in an "Asset Purchase Agreement" between the Energy Fuels Debtors, EFN and the successful bidder for the assets at issue. A copy of the Asset Purchase Agreement is on file with the Commission as an attachment to the Change of Ownership Applications submitted to the Commission by EFN and the proposed transferee/holder of the NRC Licenses.

All parties to the Motion were fully aware of the requirement of securing a finding from the Commission that the proposed transfer of the NRC Licenses was in accordance with the requirements and provisions of the Atomic Energy Act of 1954, as amended. No party to the Motion or the Asset Purchase Agreement intends to cause any transfer prior to securing the consent of the Commission.

EFN has continuously conducted all activities at the Mill and Reno Creek that are required by the respective NRC Licenses since it became the licensee under the NRC Licenses. EFN continued to conduct all required activities despite the bankruptcy filings identified by the Commission in the Demand for Information. EFN notified

the Commission of the bankruptcy filings and has submitted substantial amounts of information to NRC staff in response to prior requests for information.

EFN will continue to conduct all required activities until the NRC consents to the transfer of the NRC Licenses to the proposed transferee/holder identified in those certain Change of Ownership Applications, dated December 31, 1996, ("Applications for Transfer") currently on file with the Commission. Specific items of information forming the basis for the belief of EFN that it will continue to conduct all required activities are set forth herein. However, in general EFN has been able to conduct all such activities despite the bankruptcy filings of the Energy Fuels Debtors for the last twenty three months. This ability has been verified by the NRC throughout the period by NRC staff conducting routine inspections of the facilities. The most recent inspection of the Mill was completed during the week of January 13, 1997, without issuance of any notices of violation.

The Reno Creek facility is also inspected by the NRC, and the inspection conducted July 15, 1996 found no items of noncompliance or other significant issues. EFN has continuously conducted site monitoring and inspection activities, required under License SVA-1558, throughout the bankruptcy resolution period.

The Energy Fuels Debtors and EFN have covenanted with the purchaser of the assets identified in the Motion to continue all of its business activities consistent with its past practices. This covenant obligates EFN and the Energy Fuels Debtors to maintain the Mill and Reno Creek facility in compliance with all terms of the NRC Licenses. See Section 6.1 of the Asset Purchase Agreement, a copy of which is currently on file with the Commission in support of the Application for Transfer.

Please note that the purchaser is "International Uranium Holdings Corporation" ("IUHC"), successor in interest to Rio Frio Holdings, Inc. IUHC has designated an

affiliated company, International Uranium (USA) Corporation as the transferee/holder of the NRC Licenses.

The Mill is currently in a "standby mode" and is undergoing routine maintenance and monitoring activities to maintain the facility in compliance with all license conditions and requirements. EFN understands that the purchaser of the Mill anticipates operating the Mill at some point in 1997 provided that the transfer of the NRC License for the Mill is approved by the NRC.

EFN also understands that the purchaser intends to maintain all of the programs currently maintained by EFN for the safe operation of the sites covered by NRC Licenses. Consistent with that intent, EFN understands that the purchaser intends to offer employment to the current personnel of EFN in accordance with the covenant of the purchaser set forth in § 10.1 of the Asset Purchase Agreement, a copy of which is currently on file with the Commission. The Applications for Transfer on file with the Commission also act to commit the purchaser to comply with all applicable provisions of the NRC Licenses and other applicable NRC regulations upon approval by the Commission of the transfer of the NRC Licenses.

Specific Comments:

1. **Control of access:** Access to the Mill site is controlled by a variety of methods including the presence of personnel at the Mill site at all times and a perimeter fence around the Mill boundaries. Access remains restricted at the Mill. During the day, access gates to the restricted area remain closed, with personnel present to perform any release surveys on equipment that would be needed. During swing and graveyard shifts, the main gate across the access road to the Mill is closed and locked to prevent access. On swing and graveyard shifts, the shift foreman reports to the sheriff's office dispatcher every two hours. These same methods will continue until the Application for

Transfer is approved by the NRC. In the event the Application for Transfer is not approved, EFN will continue to control access in the same manner it does as of the date of this submittal.

2. **Maintenance of Monitoring:** EFN maintains all monitoring programs required by the NRC License through the performance by qualified staff of the actions necessary to implement and maintain all required monitoring programs. The following items continue to be performed by the appropriate staff:

- a. Daily Mill inspections;
- b. Shift foreman reports for each shift inspection of the Mill building and storage areas;
- c. Weekly Mill inspections;
- d. Weekly inspections of the ore stockpile area;
- e. Daily inspections of the tailings retention area;
- f. Monthly inspections of the tailings retention area;
- g. Quarterly inspections of the tailings retention area;
- h. Monthly Mill inspections;
- i. Radiological monitoring on a frequency consistent with staffing and radiation levels; and
- j. Environmental monitoring.

EFN will continue to employ such staff, or adequately qualified replacement staff, until the Application for Transfer is approved by the NRC. In the event the Application for Transfer is not approved, EFN will continue to maintain the required monitoring programs in the same manner it does as of the date of this submittal.

3. **Site Reclamation:** As of the date of this submittal, EFN does not contemplate performing any Site Reclamation in the near term.

However, should Site Reclamation begin while EFN remains licensee under the NRC License, EFN would conduct Site Reclamation in accordance with the approved decontamination and decommissioning plan for the Mill, utilizing its working capital and funds from (i) the Energy Fuels Debtors and (ii) the reclamation arrangement between EFN et.al. and Umetco Minerals Corporation and Union Carbide Chemicals and Plastics Company.

4. **Radiation Safety Officer:** As of the date of this submittal, EFN employs Ronald Berg as Radiation Safety Officer ("RSO") at the Mill site. EFN intends to continue employment of Mr. Berg until the Application for Transfer is approved by the NRC. In the event the Application for Transfer is not approved, EFN will continue to employ Mr. Berg, or a qualified replacement, as RSO in the same manner it does as of the date of this submittal.
5. **Maintenance of Facility:** As of the date of this submittal, EFN employs personnel to ensure the maintenance of all facilities, including the tailings impoundment area, at the Mill site. The personnel conduct routine inspections of the facilities and management of EFN is in routine communication with personnel on site with regard to the facilities and such management is also on site from time to time to review operations and maintenance procedures. At the date of this response, the level of maintenance required is similar to that required during periods of Mill standby. If Mill personnel encounter any maintenance issues or tasks that cannot be fully performed by salaried personnel, then qualified independent contractors will be retained. At the time EFN initiates work necessary to prepare the Mill for operations, additional staff will be added to handle ongoing maintenance tasks. EFN intends to continue employment of the

personnel and conduct routine management reviews/communications until the Application for Transfer is approved by the NRC. In the event the Application for Transfer is not approved, EFN will continue to ensure maintenance of the facilities in the same manner it does as of the date of this submittal.

B. How the Licensee provides and will continue to provide security for yellowcake stored at the Mill site, and information regarding volume and condition of any yellowcake present at the Mill site.

Response: The Mill has adequate storage for several thousand drums of yellowcake. The storage area, which is inside the Mill restricted area, is paved and surrounded by an eight-foot high chain link fence. Around the clock surveillance will continue to be maintained at the Mill. The gate to the yellowcake storage area is locked at all times unless yellowcake is being shipped out or being moved in from the production area. During these times, a Mill supervisor, usually the Mill foreman, is responsible for the yard and locking the gate. As of the date of this submittal, no yellowcake is stored in this area at the Mill.

As verified by NRC staff on site during the week of January 13, 1997, the storage is in compliance with all applicable license requirements. EFN employs personnel to maintain the security for the yellowcake and intends to employ such personnel, or qualified replacements therefor, until the Application for Transfer is approved by the NRC. In the event the Application for Transfer is not approved, EFN will continue to maintain the security for the yellowcake in the same manner it does as of the date of this submittal.

C. How the impending sale of the Mill and anticipated transfer of the NRC license will impact the current arrangement with Umetco regarding the financial surety for decommissioning.

Response: Section 7.3(i) of the Asset Purchase Agreement, on file with the Commission, requires the purchaser to replace the Letter of Credit that is posted with the NRC as surety for decommissioning. Further, the Application for Transfer on file with the Commission constitutes a certification of the purchaser to submit financial surety to support the estimated cost of decommissioning. In the event the purchase transaction is not "closed", then the Letter of Credit that is currently posted with the NRC as surety for decommissioning will remain in place.

With respect to the Reno Creek Project:

D. The basis for why the Licensee believes that it will be able to continue to maintain compliance with the license and the rules of the Commission; and how the Licensee currently complies and will continue to comply with NRC requirements and its license, including but not limited to:

1. how it controls and will continue to control access to the site;
2. how it maintains and will continue to maintain the monitoring programs required by its license;
3. how it intends to complete site reclamation; and
4. how it ensures and will continue to ensure that the facilities are properly maintained.

Response:

1. **Control of Access:** The material stored at the Reno Creek site is approximately 3,300 cubic feet (ft³) of ion exchange resin. The

material is stored in 55 gallon drums which are securely locked in highway trailers, which are, in turn, contained in a fenced and locked compound. EFN will continue to maintain this access control for the site until the Application for Transfer is approved by the NRC. In the event the Application for Transfer is not approved, EFN will continue to control access to the site in the same manner it does as of the date of this submittal.

2. **Maintenance of Monitoring Programs:** EFN conducts the required monitoring by causing employees of EFN located near the Reno Creek site to conduct the necessary monitoring. EFN will continue to cause these employees, or qualified replacements therefor, to maintain the required monitoring programs until the Application for Transfer is approved by the NRC. In the event the Application for Transfer is not approved, EFN will continue to ensure maintenance of the required monitoring programs in the same manner it does as of the date of this submittal.
3. **Site Reclamation:** As of the date of this submittal, EFN does not contemplate performing any Site Reclamation in the near term. However, should Site Reclamation begin while EFN remains licensee under the NRC License, EFN would conduct Site Reclamation as specified in the 1995-1996 Annual Report for Mining Permit No. 479, copies of which are on file with the NRC, for the Reno Creek Site, utilizing its working capital and funds from the Energy Fuels Debtors.

An irrevocable Reclamation Performance Bond issued in favor of the Wyoming Department of Environmental Quality currently is in place for the Reno Creek site. A specified portion of this Bond is for the removal and disposal of the resin stored at the site. This Bond

instrument will be maintained in the full amount, as agreed upon by the Wyoming Department of Environmental Quality and the NRC, by EFN. Upon approval of the Application for Transfer, International Uranium (U.S.A.) Corporation will replace EFN as issuer of the Bond.

4. **Maintenance of Facilities:** As of the date of this submittal, EFN employs personnel to ensure the maintenance of all facilities at the Reno Creek site. The personnel conduct routine inspections of the facilities and management of EFN is in routine communication with personnel on site with regard to the facilities and such management is also on site from time to time to review inspection and maintenance procedures. EFN intends to continue employment of the personnel and conduct routine management reviews/communications until the Application for Transfer is approved by the NRC. In the event the Application for Transfer is not approved, EFN will continue to ensure maintenance of the facilities in the same manner it does as of the date of this submittal.

With respect to both the White Mesa Mill site and the Reno Creek project:

E. Information on and copies of relevant documents addressing how Rio Frio, or any other successful bidder, will comply with Section 184 of the Atomic Energy Act of 1954, as amended, and 10 CFR 40.46, and will ensure the continued safe operation of the Mill and the financial surety for decommissioning and site reclamation of the Mill site and disposal of the Reno Creek resins, subsequent to the dissolution and roll-up of EFN into the debtor's estates (Sections III A. 11 and 12 of the joint motion).

Response: The Applications for Transfer on file with the Commission contain the requested information. As the Asset Purchase Agreement reflects, the name of the successful bidder, and therefore, purchaser, is International

Uranium Holdings Corporation ("IUHC"). IUHC has designated International Uranium (USA) Corporation to be the operator of the White Mesa Mill and Reno Creek Facility and to be the transferee/holder of the NRC Licenses. The reference in Sections III A. 11 and 12 of the Motion to dissolution and roll up of "Energy Fuels subsidiaries" was limited to the partnerships named in paragraph 11 of the Motion. The "roll up" does not include a dissolution of EFN and therefore EFN will be in existence and operation through the "closing" of the sale to IUHC and transfer of the NRC Licenses to International Uranium (USA) Corporation, if approved by the Commission, at such closing.

As the Applications for Transfer reflect, the transition from EFN to International Uranium (USA) Corporation will be, from an operational and License compliance viewpoint, "seamless" in that personnel performing facility maintenance and management will be terminated as employees of EFN and then become employees of International Uranium (USA) Corporation under a functional organizational structure that mirrors the structure in place at EFN. As current licensee, EFN will ensure that there is no point in time during the transition in which qualified management and personnel are not in place to perform all required activities at the facilities to protect the public health and safety.

This Response to Demand for Information is submitted under oath and affirmation by EFN through execution hereof by the undersigned representative of EFN on this 23rd day of January, 1997. Please be advised that EFN does not request that any of the information contained herein be withheld from public disclosure.

ENERGY FUELS NUCLEAR, INC.

By: Rich A. Munson
Rich A. Munson
Corporate Counsel

State of Colorado)
) ss.
City and County of Denver)

Subscribed and sworn before me, a notary public, this 23rd day of January, 1997, by Rich A. Munson.

June M. Karnes
Notary Public

My Commission Expires _____ My Commission expires March 13, 1998



CERTIFICATE OF MAILING/SERVICE

The undersigned hereby certifies that copies of the foregoing Response to Demand for Information were served on the following persons by depositing true and correct copies thereof in the United States mail, first class, postage prepaid, this 23rd day of January, 1997:

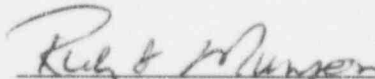
Assistant General Counsel for Hearings and Enforcement
United States Nuclear Regulatory Commission
Washington, D.C. 20555

Regional Administrator
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and that the original of the foregoing Response to Demand for Information was served on the following persons by facsimile and by overnight courier this 23rd day of January, 1997:

Chief
Uranium Recovery Branch
United States Nuclear Regulatory Commission
Washington, D.C. 20555

Director
Office of Enforcement
United States Nuclear Regulatory Commission
Washington, D.C. 20555


Rich A. Munson