

## DISTRIBUTION

Docket File No. 40-6659  
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40-6659/HDR/88/01/19/0

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FEB 11 1988

URFO:HDR  
Docket No. 40-6659  
SUA-551, Amendment No. 24  
04006659570E

Petrotomics Company  
ATTN: Ron A. Juday, Mine Tech. Supv.  
Shirley Basin Mill  
P.O. Box 2509  
Shirley Basin, WY 82615

Gentlemen:

We have completed a review of Petrotomics' financial surety arrangements with the State of Wyoming, DEQ, as specified in your letter of May 14, 1987 and as approved by WDEQ on January 29, 1988. The NRC agrees with the reclamation cost estimate of \$1,848,455 and the establishment of irrevocable letters of credit with the First Interstate Bank of California. In addition to revising License Condition No. 23 of Source Material License SUA-551 to include the above, the entire license condition is being revised to clarify licensee responsibilities and emphasize the importance of maintaining an accurate annual estimate of reclamation costs for NRC-licensed activities at your site.

Although the NRC, under an option provided in Criterion 9, has authorized Petrotomics to fulfill their surety requirement by continuously maintaining a valid instrument acceptable to the State, the NRC must annually review the accuracy of cost estimates and the bonding arrangement and make a determination that Petrotomics has complied with the requirements of Criteria 9 and 10. As detailed in the new license condition, your annual update to the cost estimate for the NRC-licensed portion of the reclamation plan must be submitted three months prior to the anniversary date of the existing surety instrument. Based on the February 2, 1988 discussion between Steve Pfaff of Petrotomics and Howard Rose of my staff, your anniversary date is designated as October 1 of each successive year. Your annual update must be received by the NRC at least 90 days prior to this date. Established for your convenience, this receipt date corresponds to your annual report due date to WDEQ.

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You are reminded that the revised License Condition No. 23 requires an annual update to the cost estimate to include adjustments for inflation, NRC-approved engineering changes to the plan or any other factor affecting costs, as required by Criterion 9. We have noted that the estimate of \$1,848,455 has not been adjusted for inflation since June 1986. Please assure that your 1988 update includes, as a minimum, an adjustment for inflation which occurred in 1987 by utilizing a Consumer Price Index adjustment factor available from the Department of Labor. Of course, this adjustment is only necessary where individual line items in the estimate are not recalculated based on current economic conditions. Where these individual unit costs are recalculated, the NRC review will compare the estimate to standard industry cost references adjusted for the Wyoming market.

Therefore, pursuant to Title 10, Code of Federal Regulations, Part 40, Source Material License SUA-551 is hereby amended by revising License Condition No. 23 to read as follows:

23. The licensee shall maintain an NRC-approved financial surety arrangement, consistent with 10 CFR 40, Appendix A, Criteria 9 and 10, adequate to cover the estimated costs, if accomplished by a third party, for decommissioning and decontamination of the mill and mill site, for reclamation of any tailings or waste disposal areas, ground water restoration as warranted and the long-term surveillance fee. Within three (3) months of NRC approval of a revised reclamation/decommissioning plan, the licensee shall submit, for NRC review and approval, a proposed revision to the financial surety arrangement if estimated costs in the newly approved plan exceed the amount covered in the existing financial surety. The revised surety shall then be in effect within three (3) months of written NRC approval. Annual updates to the surety amount, required by 10 CFR 40, Appendix A, Criteria 9 and 10, shall be submitted to the NRC at least three (3) months prior to the anniversary of the effective date of the existing surety instrument. If the NRC has not approved a proposed revision to the surety coverage 30 days prior to the expiration date of the existing surety arrangement, the licensee shall extend the existing surety arrangement for one year.

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Along with each proposed revision or annual update, the licensee shall submit supporting documentation showing a breakdown of the costs and the basis for the cost estimates with adjustments for inflation, maintenance of a minimum 15 percent contingency fee, changes in engineering plans, activities performed and any other conditions affecting estimated costs for site closure. The licensee shall also provide the NRC with all surety related correspondence submitted to the State, a copy of the State's surety review and the final approved surety arrangement, if applicable. The licensee shall also ensure that the surety, where authorized to be held by the State, expressly identifies the NRC portion of the surety and covers the decommissioning and decontamination of the mill and mill site, reclamation of the tailings and waste disposal areas, soil and water sample analyses to confirm decontamination, ground water restoration as warranted and the transfer of the long-term surveillance fee to the U.S. General Treasury. The basis for the cost estimate is the NRC approved reclamation/decommissioning plan or NRC approved revisions to the plan. Attachment 3 outlines the minimum considerations used by the NRC in the review of site closure estimates. Reclamation/decommissioning plans and annual updates should follow this outline.

Petrotomics' currently approved surety instrument, Irrevocable Letters of Credit Nos. I-40216 for \$1,505,398 and I-39353 for \$343,057, issued by the First Interstate Bank of California, in favor of the Wyoming DEQ, shall be continuously maintained in a total amount no less than \$1,848,455 for the purpose of complying with 10 CFR 40, Appendix A, Criteria 9 and 10, until a replacement is authorized by both the State of Wyoming and the NRC. For the purposes of NRC's annual review, Petrotomics' anniversary date is designated as October 1 of each successive year.

All other conditions of this license shall remain the same. The license is being issued in its entirety to incorporate the revision specified above.

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This amendment had been discussed with Steve Pfaff, Ron Juday, and Miles Bennett of Petrotonics. Questions related to financial surety matters may be addressed to Howard Rose at (303) 236-2816.

FOR THE NUCLEAR REGULATORY COMMISSION

151

R. Dale Smith, Director  
Uranium Recovery Field Office  
Region IV

Enclosure: Source Material License SUA-551

Case Closed: 04006659570E

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