

**CROW BUTTE RESOURCES, INC.**

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July 7, 2000

Mr. Philip Ting, Chief  
Uranium Recovery Branch, Division of Waste Management  
Office of Nuclear Material Safety and Safeguards  
Mail Stop T-7-J-8  
U.S. Nuclear Regulatory Commission  
11545 Rockville Pike  
Rockville, Maryland 20850

Re: Docket No. 40-8943  
Source Materials License SUA-1534  
Request to Review NRC Inspection Frequency

Dear Mr. Ting:

Crow Butte Resources, Inc (CBR) is the operator of the Crow Butte *in-situ* leach (ISL) uranium mine near Crawford, Nebraska. CBR holds Source Materials License Number SUA-1534 issued by the U. S. Nuclear Regulatory Commission (USNRC) for the operation of the Crow Butte mine. This letter is provided to request a review of the frequency of NRC inspections of the Crow Butte mine. There has been discussion in recent years by inspectors that the NRC is reviewing the frequency of inspections for operating uranium recovery licensees. CBR has raised this issue at the inspection closeout meetings following each inspection since 1998. The discussion has indicated that NRC is considering an annual inspection schedule for licensees with good inspection records.

At the closeout meeting following the site inspection conducted in March 2000, CBR questioned the inspection frequency that had apparently been applied by NRC to other operating ISL facilities. The question concerned abbreviated inspections that had been conducted at two ISL facilities in a single week. The NRC inspector informed CBR that the inspection frequency had been reduced in 1999 to one long and one short inspection. CBR noted that this inspection frequency had not been implemented by NRC for the Crow Butte site and was informed that the second 2000 inspection would be a short duration inspection. The inspector also stated that the issue of an annual inspection frequency was still under review by NRC and that CBR should address questions concerning this issue to the Uranium Recovery Branch.

In the FY 2000 Final Fee Rule (65 FR 36952) under the discussion of the relationship between benefits and fees, NRC states the following:

*“Facilities that are currently in operational status are to be inspected twice a year, with the option for a reduction to once a year made by the NRC based on the site’s previous inspection record. Thus, if an*

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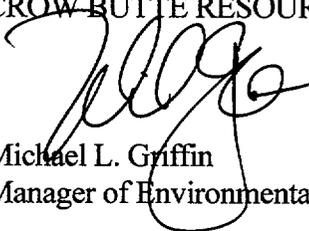
*operating uranium recovery licensee has a good inspection record and the NRC determines that a reduced number of inspections is warranted, it will eliminate one biannual inspection."*

The issue of inspection frequency is important to CBR due to the cost of Part 170 fee recovery associated with NRC inspections. In FY 1999 and 2000, NRC fees have increased dramatically for uranium recovery facilities. Part 171 annual fees have increased from \$32,200 in FY 1998 to \$111,000 in FY 2000. The increases in hourly rates in the same period from \$121 per hour to \$143 per hour, coupled with the current policy of full cost recovery for NRC Project Manager fees have significantly increased costs under Part 170. These changes present a severe economic challenge to the uranium recovery industry. Contrary to recent NRC staff statements in the SECY papers concerning the proposed Part 41, the uranium recovery industry is not in a period of expansion, but rather is facing the worst economic period in its entire history. Uranium prices, in both the spot market and long term markets, are at their lowest levels in history, and are expected to stay there for at least 18 more months. At an average cost in excess of \$10,000 each, inspections represent a significant part of a licensee's regulatory budget.

CBR believes that our inspection record should support a decision by NRC to reduce the inspection frequency for the Crow Butte mine to annually. In the twenty-three inspections conducted since commercial operations commenced in late 1989, NRC has cited CBR for eight Level IV violations. All of these minor violations have involved procedural or documentation deficiencies that were quickly corrected by CBR. In the Safety Evaluation Report prepared by NRC in February 1998 in support of the renewal of SUA-1534, NRC reviewed the inspection history and concluded that CBR was qualified under NRC's stringent criteria to receive a ten-year license term instead of the traditional five-year term. In addition to this lack of serious violations over an extended operational period, NRC inspectors routinely comment on CBR's well-documented and implemented radiation protection programs.

Based upon this history, CBR requests that NRC review our inspection performance record to determine whether an annual inspection frequency for Crow Butte is appropriate. If you have any questions or require any further information, please call me at (308) 665-2215.

Sincerely,  
CROW BUTTE RESOURCES, INC.



Michael L. Griffin  
Manager of Environmental and Regulatory Affairs

cc: Mr. Dwight Chamberlain, USNRC Region IV