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Molycorp

David J. Allard, CHP
Director
Pennsylvania Department of Environmental Protection
Rachel Carson State office Building
P.O. Box 8469
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9/22/00

Dear Mr. Allard,

I am writing in response to your letter dated September 7, 2000, to Mr. John Greeves, Director of the U.S. Nuclear Regulatory Commission ("NRC"). In your letter, you note that the Pennsylvania Department of Environmental Protection ("DEP") did not consent to Molycorp's designation of the DEP as a third-party beneficiary of Molycorp's agreement with Site Management Company ("SMC"). For the following reasons, we respectfully request that you consider your position, as we believe the DEP's designation as a third-party beneficiary does not impose any obligations upon the DEP. Rather, it merely provides certain contractual rights, should the DEP choose to enforce them, to compel and enforce Molycorp's and SMC's compliance with the terms and provisions of their agreement regarding the maintenance of the proposed on-site permanent storage cell.

By way of background, Molycorp initially sought the DEP's direct involvement in managing the proposed on-site permanent storage cell through a consent order with Molycorp. However, in a meeting with you and others from the DEP in February of 2000, the DEP advised Molycorp that the DEP did not wish to become directly involved as the independent third-party which would assume responsibility for the site should Molycorp default on its obligations.

In order to provide for the legal enforcement of the institutional controls proposed in Molycorp's Decommissioning Plan, Molycorp has proposed to enter into an agreement with SMC for the purpose of monitoring, enforcing and, if necessary, undertaking the institutional controls in event of Molycorp's failure to maintain such controls. Under the agreement, SMC or, if necessary, its successors and assigns, would monitor, review and periodically inspect the actions of Molycorp regarding the institutional controls to determine if Molycorp has defaulted on its obligations. In event that Molycorp defaults on its contractual obligations, the proceeds of a fully funded trust would be available to SMC to continue to maintain institutional controls.

COOL

Add: John Greeves
Paper Copy

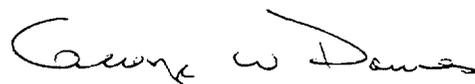
The initial managing member of SMC will be Molycorp. In the event of an uncured default, Molycorp would be removed as the managing member of SMC and Civil & Environmental Consultants, Inc. ("CEC") would serve in this capacity. In event of an uncured default and Molycorp's removal as managing partner member of SMC, CEC will now become the managing member.

However, Molycorp has designated the DEP, as well as the NRC, as third-party beneficiaries of Molycorp's agreement with SMC in the event of an uncured default by Molycorp. In the event of an uncured default by Molycorp, both the DEP and the NRC are empowered to take any and all appropriate actions available to third-party beneficiaries under Pennsylvania law, in addition to their inherent governmental, policy and regulatory powers and authorities to compel and enforce Molycorp's and SMC's compliance with the terms and provisions of the agreement, and to seek such other relief available to third-party beneficiaries.

The DEP's designation by Molycorp as a third-party beneficiary does not impose any obligations or responsibilities upon the DEP. Rather, it merely provides the DEP with certain contractual rights should it later choose to exercise them. As such, Molycorp did not believe that this was inconsistent with the DEP's refusal to serve directly as the independent third-party, or would otherwise be objectionable to the DEP. Indeed, members of the DEP were advised in March of this year that Molycorp intended to designate the DEP as a third-party beneficiary of the SMC agreement. No objection was raised at that time, and Molycorp was unaware that the DEP had any objection to being designated as a third-party beneficiary until Molycorp received a copy of your letter of September 7.

For these reasons, Molycorp requests that you reconsider your position. For your information, the NRC has not objected to being designated as a third-party beneficiary although it, like the DEP, was not willing to serve directly as the independent third-party. We would welcome the opportunity to meet with you to discuss this further. Please call me at your earliest convenience to discuss this matter further.

Very truly yours,



George Dawes

Cc: John Greeves
Robert Nelson
George Pangburn
Larry Camper, NRC