

November 29, 2001

Mr. Gary L. Tessitore
Chief Executive Officer
Fansteel Inc.
Number One Tantalum Place
North Chicago, Illinois 60064

SUBJECT: ACKNOWLEDGMENT OF FANSTEEL, INC. PRESS RELEASE REGARDING
ANTICIPATED BANKRUPTCY

Dear Mr. Tessitore:

The U.S. Nuclear Regulatory Commission (NRC) has reviewed your November 19, 2001, press release announcing the contemplated filing of a voluntary petition for protection under Chapter 11 of the United States Bankruptcy Code. The press release stated that Fansteel has suspended operation of its NRC licensed facility in Muskogee, Oklahoma and does not anticipate commencing commercial operation of the processing plant there. In addition, the press release stated that Fansteel intends to decommission the facility by off-site disposal of contaminated materials and soils. The cost of decommissioning the site was estimated at \$56.5 million.

Please note that your press release does not constitute formal notification to the NRC. Therefore, please submit an official notification to NRC in accordance with the requirements of 10 CFR 40.41(f) in the event that you file a bankruptcy petition as anticipated.

The suspension of processing and revised decommissioning cost estimate affect the financial assurance for decommissioning that Fansteel is required to provide under NRC regulations. Specifically, the current amount of financial assurance, approximately \$4.5 million, was approved by License Amendment No. 5, issued March 25, 1997. The basis for approving that amount was that the processing plant would be operated to (1) reduce the volume of radioactive waste requiring disposal, (2) include operation of a groundwater treatment system, and (3) recover valuable metals, which was expected to offset a large portion of actual decommissioning cost.

However, due to the suspension of the processing operation, and the revised cost estimate presented in the November 19 press release, the basis for approving the current decommissioning cost estimate of approximately \$4.5 million is no longer valid.

Therefore, in order to fulfill the requirements of 10 CFR 40.36, Fansteel must increase the amount of its financial assurance to cover the decommissioning cost estimate of \$56.5 million. In addition, Fansteel must submit a certification that financial assurance in the amount of the increased cost estimate has been provided and a signed original of the financial instrument obtained to satisfy the requirements.

In addition, please be informed that your bankruptcy petition, if it is filed as anticipated, does not relieve Fansteel, Inc. of its obligations to comply with NRC requirements, including those related to security and control of licensed material; decontamination and decommissioning of contaminated facilities; and the retention of personnel required by NRC requirements (e.g., the Radiation Safety Officer (RSO), authorized users, etc.) Additionally, inspections of your activities will continue to occur.

If the RSO leaves your employ, you must first properly secure, dispose of, or transfer all licensed material, and you must inform NRC of this situation. If you need to close a building, you must first properly secure, dispose of, or transfer all licensed material that was in the building. NRC licenses remain in full effect even beyond their stated termination date, until terminated in writing by NRC.

You may not (1) transfer control of your license without prior written NRC approval, or (2) transfer licensed material except as authorized by NRC regulations. You should ensure that your attorney and any trustee involved in the bankruptcy proceeding are aware of these obligations. Any person who takes control of licensed activities or possession of the licensed material including any contaminated equipment or property transferred by the licensee must first obtain an NRC license.

Please notify us if you are unable to meet any of these conditions. Also, please notify us when the bankruptcy proceeding is completed.

Thank you for your cooperation in this matter. You may contact Leslie Fields, Licensing Project Manager, at (301) 415-6267 or Thomas Fredrichs, Project Manager - Financial Analyst, at (301) 415-5971, if you have any questions or information concerning the status of your license or activities.

Sincerely,

Melvyn Leach, Chief
Fuel Cycle Licensing Branch
Division of Fuel Cycle Safety and Safeguards
Office of Nuclear Material Safety and Safeguards

Docket No.: 40-7580
License: SMB-911

related to security and control of licensed material; decontamination and decommissioning of contaminated facilities; and the retention of personnel required by NRC requirements (e.g., the Radiation Safety Officer (RSO), authorized users, etc.) Additionally, inspections of your activities will continue to occur.

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Melvyn Leach, Chief
 Fuel Cycle Licensing Branch
 Division of Fuel Cycle Safety and Safeguards
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