

Ramón Coto-Ojeda*
John F. Malley, III
Eduardo Tamargo
Gabriel A. Peñagaricano

John F. Malley, Sr.
OF COUNSEL

*Also admitted to the
District of Columbia Bar

May 10, 2002

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D.C. 20555

RE: **Redondo/Entrecanales, S.E.**
Notice of Violation
EA-01-241/Docket No. 999-90002

SECOND REPLY TO NOTICE OF VIOLATION

Pursuant to the provisions of 10 CFR 2.201, REDONDO/ENTRECANALES, S.E. ("RESE"), by its undersigned counsel, respectfully replies to the above referenced Notice of Violation (the "NOV") issued by the Nuclear Regulatory Commission (the "NRC") as follows:

I. Factual and Procedural Background

On March 1st, 2002 NRC notified to RESE its decision regarding RESE's reply to the NOV dated January 31, 2001, confirming that the violation charged to RESE occurred as stated in the NOV. Thereupon NRC requested RESE to submit a written Second Reply to the NOV, particularly to inform to the NRC:

1. the corrective steps to be taken by RESE to avoid further violation; and
2. date when full compliance will be achieved.

On March 27, 2002 RESE requested to the NRC an extension of time to submit the written Second Reply to the NOV to adequately address the corrective measures regarding the permanent transfer of the compacting test machines (the "Machines"). On April 11, 2002, Mr. Jay Henson, NRC Chief of Materials Licensing/Inspection Branch2, granted RESE until May 10, 2002 to submit the Second Reply to the NOV and to inform the status of

compliance with the permanent transfer of the Machines as RESE's proposed NOV corrective measure.

Having stated the sequence of pertinent procedural facts, RESE hereby submits the corrective measures taken to cure the NOV and the date when full compliance with NRC requirement has been achieved.

1. Corrective steps taken to avoid further violation

As stated in RESE's Reply to the NOV dated January 31, 2002, RESE held certain negotiations with Ponce I & M Engineering Laboratory, Inc. ("PIM"), the temporary custodian of the Machines, who showed an interest in permanently acquiring the same. Pursuant to said negotiations PIM issued on April 30, 2002 a Letter of Intent to acquire the Machines and on May 8, 2002 PIM and RESE executed a Bill of Sale, completing the permanent transfer of the Machines to PIM. Please refer to the copy of PIM's Letter of Intent dated April 30, 2002 and of the Bill of Sale executed by and between RESE and PIM on May 8, 2002 attached hereto.

As advised by NRC, RESE will keep and make available for inspection all documents pertaining the Machines that are in the custody of RESE.

2. Date when full compliance will be achieved

Please refer to paragraph number 1 of this reply.

In this Second Reply of the NOV we expect to have clarified and showed to NRC RESE's willingness to comply with NRC regulations, specifically by RESE's sale of the Machines to PIM. Wherefore, RESE, respectfully requests to NRC:

a. acknowledge RESE's full compliance of the proposed corrective measure consistent of the permanent transfer of the Machines and find RESE is no longer in violation with NRC regulations.

b. as well as to grant any such other remedies as may deem fair and equitable.

Should NRC need any additional information regarding RESE's

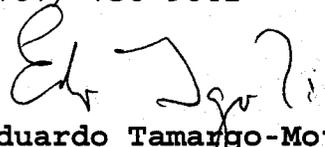
Nuclear Regulatory Commission
May 10, 2002
2nd Reply to NOV / EA-01-241
Docket No. 999-90002
Re: Redondo/Entrecanales S.E.
Page 3

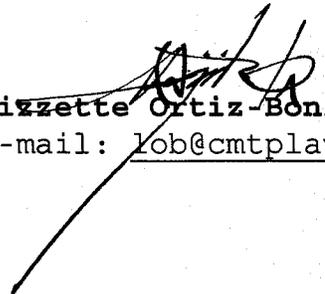
compliance with the corrective measures taken to cure the NOV and/or related to the procedure followed to accomplish the permanent transfer of the Machines to PIM, please contact RESE's counsel at your convenience through the telephone numbers and address herein included.

I HEREBY CERTIFY that a true and exact copy of the preceding Reply to Notice of Violation has been sent on this date by first class mail, postage prepaid, to: Director, Office of Enforcement, U.S. Nuclear Regulatory Commission, Washington, D.C., 20555-0001; and Regional Administrator, Region II, U.S. Nuclear Regulatory Commission, Sam Nunn Atlanta Federal Center Suite 23T85, 61 Forsyth Street SW, Atlanta, GA 30303-8931.

Respectfully submitted on May 10, 2002.

COTO MALLEY & TAMARGO, LLP
P.O. Box 71449
San Juan, Puerto Rico 00936-8549
Tel. (787) 756-9640
Fax. (787) 756-9641


By: **Eduardo Tamargo-Motroni, Esq.**
E-mail: etm@cmtplaw.com


By: **Lizzette Ortiz-Bonilla, Esq.**
E-mail: lob@cmtplaw.com

Enclosures

c. Miguel A. Heras
Redondo/ Entrecanales, S. E.

BILL OF SALE

THIS BILL OF SALE is entered into as of this date of May 10, 2002 by and between:

REDONDO/ ENTRECANALES S.E., a special partnership duly organized, authorized and existing under the laws of Puerto Rico, represented herein by its authorized officer MIGUEL ANGEL HERAS LLORENTE, of legal age, married, engineer and resident of Carolina, Puerto Rico (hereinafter referred to as the "Seller" or as "RESE"), and

PONCE I & M ENGINEERING LABORATORY, INC., a corporation duly organized, authorized and existing under the laws of Puerto Rico, represented herein by its authorized officer JOSÉ LUIS IRIZARRY ROSA, of legal age, married, engineer and resident of Ponce, Puerto Rico (hereinafter referred to as the "Purchaser" or as "PIM"; the Seller and the Purchaser are hereinafter collectively referred to as the "Parties").

WITNESSETH

WHEREAS, RESE furnished to PIM the temporary custody of certain Nuclear Compacting Test Machines, more specifically described in Schedule B hereunder (the "Machines") on August 31, 2001, pursuant to an order and request of the U S Nuclear Regulatory Commission (the "NRC");

WHEREAS, RESE desires to sell the Machines to PIM and PIM has showed an interest in acquiring the same, pursuant that certain Letter of Intent dated April 30, 2002, appended hereto as Schedule A;

WHEREAS, the NRC has consented to the transfer of the Machines in accordance with the letters dated March 1st and April 11, 2002;

WHEREAS, PIM represents and warrants that by virtue of the NRC license identified in Schedule C hereto, it is duly authorized and licensed to own, possess, use and acquire the

Machines and that such purchase, ownership and possession does not contravene any applicable NRC regulation;

WHEREAS, RESE has agreed to convey, sell, assign and permanently transfer to PIM, and PIM has agreed to purchase, acquire, and receive the Machines;

NOW THEREFORE, the Parties agree as follows:

CLAUSES

1. RESE hereby conveys, sells, assigns and transfers to PIM all of its right, title and interest, legal or equitable, in the Machines, subject to their respective liabilities and obligations for the agreed total lump sum price of FOUR THOUSAND FIVE HUNDRED DOLLARS (\$4,500.00). The total lump sum price includes any charges, if any, due to PIM from the period of time elapsed since August 31, 2001 until the date of execution of this document, during which PIM held the temporary custody of the Machines. PIM agrees not to claim and will not receive any additional compensation for the time it held the temporary custody of the Machines.

2. PIM hereby purchases the Machines accepting their conveyance, assignment, and transfer subject to all their respective liabilities and obligations and hereby assumes all such liabilities and obligations regarding the same.

3. PIM represents and warrants RESE that:

a. PIM is duly authorized and licensed by the NRC to receive, acquire, own, possess and use the Machines that are transferred in this date, and

b. that said authorization and/or license is in full force as of this date.

PIM also warrants to RESE that PIM is also duly authorized to receive the type, form and quantity of the by-product material contained in the Machines pursuant 30 CFR 30.41. For such purposes and as a condition precedent of this Agreement, PIM has delivered to RESE a copy of

its NRC License number 52-24908-02 issued on 1997 and expiring on October 31, 2002, which is appended hereto as Schedule C.

4. In this same date RESE delivers to PIM copies of the documentation in RESE's possession pertaining the Machines, retaining originals and/or copies thereof, as the case may be, for the term required by applicable law.

5. PIM acknowledges and agrees that it will comply with any NRC requirement related to the Machines hereby transferred, including, without limitation, those obligations pertaining to the timely notification of the transfer of the Machines to the NRC pursuant 30 CFR Sections 30.3, 30.41 and 30.51.

6. Seller warrants that the Machines at the time of delivery thereof shall conform to the specifications established in this Bill of Sale. The warranty set forth hereinabove is in lieu of any and all warranties express or implied, including but not limited to the warranties of merchantability and fitness for a particular purpose. Purchaser acknowledges that no other representations were made to it or relied on by Purchaser with respect to the quality and function of the Machines sold herein. Purchaser's sole and exclusive remedy for failure of the Machines sold hereunder to meet specifications or for failure of any other obligation of Seller relating to the quality of Machines sold hereunder, shall be expressly limited to the return to Purchaser of that portion of the purchase price that accounts for the non-conformance to the warranty set forth in this section. The above warranty is made subject to Purchaser's proper use of any Machine for the purpose for which such Machine was intended. The Seller makes no warranty or representation as to the fitness of the Machines for its intended use.

7. PIM discharges and grant an absolute and unconditional release to RESE and holds RESE, its parent company, affiliates, sucesors, assignees and/or agents harmless from any

liability, loss, injury or damage to property or to any person, including death, and reasonable attorney's fees and costs, arising, in whole or in part, directly or indirectly, known or unknown, from and/or by PIM's acceptance, transfer, possession, use or misuse of the Machines.

8. The Parties further agree to execute all additional documents and take all other action that may be necessary or desirable in order to carry out the provisions of this Bill of Sale.

IN WITNESS WHEREOF, the Parties execute this Bill of Sale in San Juan, Puerto Rico, as of this date of May 10, 2002.

REDONDO/ENTRECANALES, S.E.

PONCE I & M ENGINEERING
LABORATORY, INC.



By: MIGUEL ANGEL HERAS LLORENTE

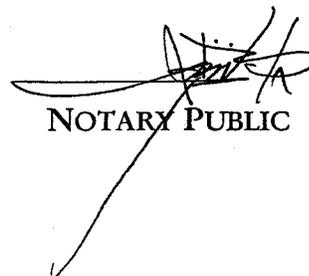


By: JOSÉ LUIS IRIZARRY ROSA

Affidavit No. -1153-

Acknowledged and subscribed before me by MIGUEL ANGEL HERAS LLORENTE, of legal age, married, engineer and resident of Carolina, Puerto Rico as authorized officer of REDONDO/ENTRECANALES, S.E.; and by JOSÉ LUIS IRIZARRY ROSA, of legal age, married, engineer and resident of Ponce, Puerto Rico, as authorized officer of PONCE I & M ENGINEERING LABORATORY, INC., and whom I personally know.

In San Juan, Puerto Rico, on this 10th day of May, 2002.



NOTARY PUBLIC

SCHEDULE A
TO
BILL OF SALE - PIM's LETTER OF INTENT

AD

LL

April 30, 2002

Nesco Redondo
1225 Ave. Ponce de León
Santurce, P.R. 00907



Vía Fax and Mail
(787) 977- 4717

Att: Miguel Angel Heras

Re: Permanent Transfer / Acquisition of Nuclear Compacting Test Machines

Dear Mr. Heras:

We hereby confirm our intention to acquire from Redondo/Entrecanales ("RESE") the three Nuclear Compacting Test Machines ("the machines"), which as of this day are in our temporary custody since August 31, 2001. As you may recall the Nuclear Regulation Commission ("NRC") ordered the transfer in temporary custody of the Machines and Ponce I & M Engineering Laboratory Inc. ("PIM") was chosen to perform such custody as an authorized NRC licensee number (52-24908-02). The Machines we are interested on are the following:

CPN- # M16046697

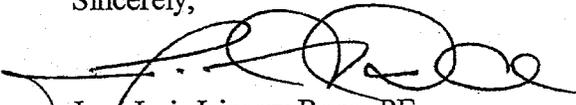
CPN- # M370903904

CPN- # M300205482

We expect to receive from you the Bill of Sale Agreement draft during this same week and, once we find it includes every term and condition negotiated regarding the Machines, we can schedule its execution before May 10, 2002.

We also acknowledge that, once the transfer is completed, we will assume the responsibility of compliance with the Nuclear Regulatory Commission regarding its use and maintenance.

Sincerely,



José Luis Irizarry Rosa, PE
President

C. Fernando Suárez
Redondo / Entrecanales, SE

SCHEDULE B
TO
BILL OF SALE - MACHINES DESCRIPTION

Model:	Seller	Sources/Gauge Serial Number	Purchase Date
MC3-82	CPN	M300205482	March 9, 2000
MC3-82	CPN	M370903904	August 18, 1997
MC3-82	CPN	M16046697	_____

for
LL

SCHEDULE C
TO
BILL OF SALE - PIM's NRC LICENSE

HL
AD

MATERIALS LICENSE

Pursuant to the Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974 (Public Law 93-438), and Title 10, Code of Federal Regulations, Chapter I, Parts 30, 31, 32, 33, 34, 35, 36, 39, 40, and in reliance on statements and representations heretofore made by the licensee, a license is hereby issued authorizing the licensee to receive, acquire, possess, and transfer byproduct, source, and special nuclear material designated below; to use such material for the purpose(s) and at the place(s) designated below; to deliver or transfer such material to persons authorized to receive it in accordance with the regulations of the applicable Part(s). This license shall be deemed to contain the conditions specified in Section 183 of the Atomic Energy Act of 1954, as amended, and is subject to all applicable rules, regulations, and orders of the Nuclear Regulatory Commission now or hereafter in effect and to any conditions specified below.

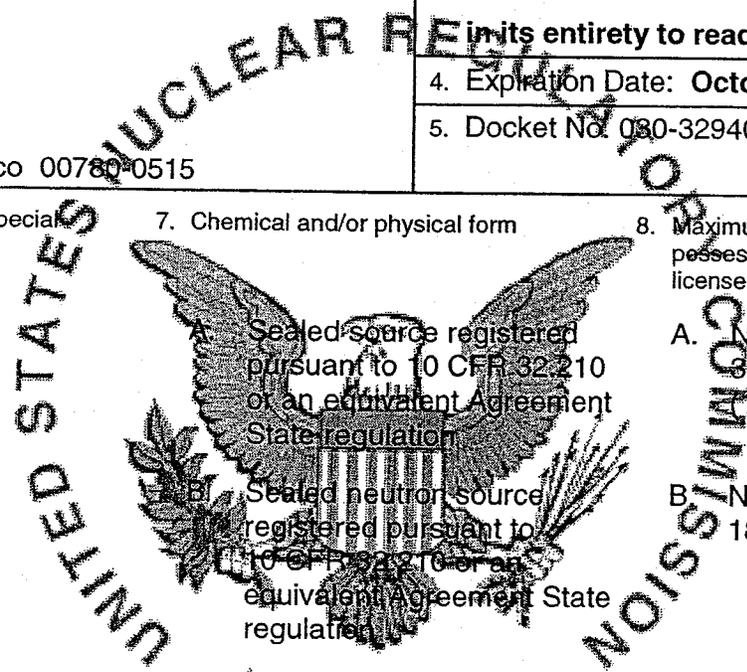
<p>Licensee</p> <p>1. Ponce I & M Engineering Lab., Inc.</p> <p>2. P.O. Box 515</p> <p>Coto Laurel, Puerto Rico 00780-0515</p>	<p>In accordance with the letter dated September 5, 2001</p> <p>3. License No. 52-24908-02 is amended in its entirety to read as follows:</p> <p>4. Expiration Date: October 31, 2002 (Extended)</p> <p>5. Docket No. 080-32940 (Supersedes 52-24908-01)</p>
--	--

<p>6. Byproduct, source, and/or special nuclear material</p> <p>A. Cesium 137</p> <p>B. Americium 241</p>	<p>7. Chemical and/or physical form</p> <p>A. Sealed source registered pursuant to 10 CFR 32.210 or an equivalent Agreement State regulation</p> <p>B. Sealed neutron source registered pursuant to 10 CFR 32.210 or an equivalent Agreement State regulation</p>	<p>8. Maximum amount that licensee may possess at any one time under this license</p> <p>A. No single source to exceed 370 megabecquerels (MBq) (10 millicuries)</p> <p>B. No single source to exceed 1850 MBq (50 millicuries)</p>
---	---	---

<p>9. Authorized Use:</p> <p>A. and B.</p>	<p>For use in Campbell Pacific Nuclear Models A; B(R) or 500 series portable gauging devices to measure properties of materials, or in Campbell Pacific Nuclear MC series portable gauging devices to measure properties of materials.</p>
--	--

CONDITIONS

- 10. Licensed material may be stored at the licensee's facilities located at **San Cristobal Ave. No. 9, Coto Laurel Ward, Ponce, Puerto Rico** and may be used at temporary job sites of the licensee anywhere in the United States where the U.S. Nuclear Regulatory Commission maintains jurisdiction for regulating the use of licensed material.
- 11. The Radiation Protection Officer for this license is **José Luis Irizarry-Rosa, MECE, PE.**



**MATERIALS LICENSE
SUPPLEMENTARY SHEET**License No.
52-24908-02Docket No.
030-32940 (Supersedes 52-24908-01)Amendment No.
1

12. Licensed material shall only be used by, or under the supervision and in the physical presence of, Jose Luis Irizarry or individuals who have successfully completed the manufacturer's training program for gauge users, have been instructed in the licensee's routine and emergency operating procedures and who have been designated by the Radiation Safety Officer. The licensee shall maintain records of individuals designated as users and their training for five years following the last use of licensed material by the individual.
13. Sealed sources containing licensed material shall not be opened or removed from the gauging device by the licensee.
14. A. (1) Sealed sources specified in Item 7, shall be tested for leakage and/or contamination at intervals not to exceed 6 months or at such other intervals as specified by the certificate of registration referred to in 10 CFR 32.210. Any source received from another person which is not accompanied by a certificate indicating that a test was performed within 6 months before the transfer shall not be put into use until tested.
- (2) Notwithstanding the periodic leak test required by this condition, any licensed sealed source is exempt from such leak tests when the source contains 3.7 megabecquerels (MBq) (100 microcuries) or less of beta and/or gamma emitting material or 0.37 MBq (10 microcuries) or less of alpha emitting material.
- B. Any source in storage and not being used need not be tested. When the source is removed from storage for use or transfer to another person, it shall be tested before use or transfer. No source shall remain in storage for more than 10 years without being tested for contamination or leakage.
- C. The test shall be capable of detecting the presence of 185 becquerels (Bq) (0.005 microcurie) of radioactive material on the test sample. If the test reveals the presence of 185 Bq or more of removable contamination, a report shall be filed with the U. S. Nuclear Regulatory Commission in accordance with 10 CFR 30.50 (b)(2), and the source shall be removed from service and decontaminated, repaired, or disposed of in accordance with Commission regulations.
- D. The licensee is authorized to collect leak test samples for analysis by Campbell Pacific Nuclear or tests for leakage and/or contamination shall be performed by persons specifically licensed by the Commission or an Agreement State to perform such services.
15. The licensee is authorized to transport licensed material only in accordance with the provisions of 10 CFR Part 71, "Packaging and Transportation of Radioactive Material."
16. The licensee shall conduct a physical inventory every 6 months to account for all sources and/or devices received and possessed under the license.
17. In addition to the possession limits in Item 8, the licensee shall further restrict the possession of licensed material to quantities below the minimum specified 10 CFR 30.35(d) for establishing decommissioning financial assurance.

**MATERIALS LICENSE
SUPPLEMENTARY SHEET**

License No.
52-24908-02

Docket No.
030-32940 (Supersedes 52-24908-01)

Amendment No.
1

- 18. Each portable nuclear gauge shall have a lock or outer locked container designed to prevent unauthorized or accidental removal of the sealed source from its shielded position. The gauge or its container must be locked when in transport, storage or when not under the direct surveillance of an authorized user.
- 19. Any cleaning, maintenance, or repair of the gauge(s) that requires removal of the source rod shall be performed only by the manufacturer or by other persons specifically licensed by the Commission or an Agreement State to perform such services.
- 20. Except as specifically provided otherwise in this license, the licensee shall conduct its program in accordance with the statements, representations, and procedures contained in the documents including any enclosures, listed below. The Nuclear Regulatory Commission's regulations shall govern unless the statements, representations and procedures in the licensee's application and correspondence are more restrictive than the regulations.

A. Application dated September 17, 1992

B. Letters dated:

- 1. July 6, 1987
- 2. March 23, 1989
- 3. September 5, 2001
- 4. October 19, 2001

[name new RSO, describe storage areas]
[fax training certificates for RSO]



FOR THE U.S. NUCLEAR REGULATORY COMMISSION

DATE OCT 22 2001

BY David J. Collins

David J. Collins
Region II, Division of Nuclear Materials Safety
61 Forsyth Street, SW, Suite 23T85
Atlanta, GA 30303-8931