

August 16, 2004

Mr. Mark S. Pelizza, President
Hydro Resources, Inc.
650 S. Edmonds Lane, Suite 108
Lewisville, TX 75067

SUBJECT: ATOMIC SAFETY AND LICENSING BOARD MEMORANDUM AND ORDER TO
AMEND LICENSE CONDITION 10.28 OF HYDRO RESOURCES, INC.
SOURCE MATERIALS LICENSE SUA-1580 FOR THE CROWNPOINT
URANIUM PROJECT, AMENDMENT 2 (TAC L51206)

Dear Mr. Pelizza:

On February 27, 2004, Memorandum and Order LBP-04-03 was issued in the ongoing 10 CFR Part 2, Subpart L, proceeding on the 10 CFR Part 40 license issued to Hydro Resources Inc. (HRI) for its Crownpoint Uranium Project (CUP). LBP-04-03 contains several Presiding Officer rulings pertaining to HRI's Restoration Action Plan (RAP) for Section 8 of the Church Rock site. Among the rulings which were not subsequently appealed to the Commission is one pertaining to License Condition (LC) 10.28 of HRI's Source Materials License SUA-1580 for the CUP. Specifically, the Presiding Officer ruled that LC 10.28 should be amended to read as follows:

Prior to the injection of lixiviant at the Church Rock Section 17 site, Unit 1 site, or the Crownpoint site, the licensee shall submit to the NRC for approval the results of a groundwater restoration demonstration conducted at the Church Rock Section 8 site. The demonstration shall be conducted on a scale, acceptable to the NRC, that is large enough to determine the number of pore volumes that shall be required to restore a production-scale wellfield.

LBP-04-03, 59 NRC 84, 96 (2004).

As noted by the Presiding Officer in LBP-04-03, LC 10.28 was created by the staff to prevent HRI from mining any additional sites (i.e., Unit 1 or Crownpoint) within the CUP prior to conducting a commercial scale restoration project at its initial mining site. However, LC 28 was created before the Church Rock site was bifurcated into Section 8 and Section 17 for the purposes of adjudicating areas of concern in the ongoing proceeding. As such, the Presiding Officer's ruling on LC 10.28 essentially clarifies the staff's original intent in LC 10.28 by also prohibiting mining in Church Rock Section 17 pending completion of the restoration demonstration in Church Rock Section 8.

Accordingly, pursuant to 10 CFR Part 40.71(a), and consistent with the Presiding Officer's ruling in LBP-04-03, LC 10.28 is hereby amended, as shown in Amendment No. 2 to Source Materials License SUA-1580 (Enclosure). All other conditions of the license remain the same. An environmental assessment for this action is not required because this action is categorically excluded under 10 CFR Part 51.22(c)(11).

If you have any questions regarding this letter, please contact Rick Weller, the Project Manager for the CUP, at (301) 415-7287 or via e-mail to RMW2@nrc.gov.

In accordance with 10 CFR Part 2.390 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 40-8968
License No.: SUA-1580

Enclosure: Amendment 2 to Source
Materials License SUA-1580

cc: See attached service list.

M. Pelizza

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Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 40-8968
License No.: SUA-1580

Enclosure: Amendment 2 to Source
Materials License SUA-1580

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