

**Louisiana Energy Services, L.P.
("LES")**

**Exhibits
NIRS/PC Contention EC-2**

Impact Upon Water Supplies

January 7, 2005

**National Enrichment Facility Environmental Report,
Sections 3.3, 3.4, and 4.4 (See Exhibit 1)**



THE CITY OF
HOBBS, NEW MEXICO

UTILITIES
DEPARTMENT

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JAN 06 2004

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20.15 Wren

December 30, 2003

Mr. John Shaw, P.E.
Project Director
Lockwood Greene Engineers
P.O. Box 491
Spartanburg, SC 29304

RE: NEF Memorandum Of Understanding – November 14, 2003

Dear Mr. Shaw:

This letter is in response to your November 14, 2003 letter regarding the supply of potable water from the City of Hobbs, New Mexico to the proposed National Enrichment Facility (NEF) to be located three miles east of Eunice, New Mexico.

After our recent discussions regarding your water supply needs and a detailed analysis of pipeline alternatives, we are proposing to modify the conditions listed in your original letter. Please review the following revised conditions and determine if they are acceptable.

- We cannot guarantee that the City of Hobbs potable water will not require additional treatment before it is acceptable for use in your facilities. It is our understanding that you are now testing our water to determine if the existing water quality meets your needs. If you determine that our existing water quality meets your needs, we agree to make potable water available to NEF for a plant operating life of 30 years with an estimated initial use in 2007.
- Water can be supplied at an average rate, or a portion thereof, in the amount of 65,000 gpd (45 gpm) and maintain a minimum water pressure of 80-90 psig at the NEF facility site. In fact, our calculations show the expected water pressure at NEF to be 130-150 psig (at 45 gpm). Consequently, you may desire to install a pressure-reducing valve on the NEF site to reduce those pressures for your use.
- To provide a water storage tank refill rate of 566 gpm (250,000 gallons/8 hours + 45 gpm) for proposed fire flow, the expected pressure at your site during our peak day use rate would be approximately 42 psig. The expected pressure at your site during our "worst case" peak hour use rate would be approximately 23 psig. For this reason, we request that you schedule any "non-emergency" water tank refilling processes during non-peak times, preferably from 11:00 pm to 5:00 am.
- The new water transmission line will be designed to allow new users in the vicinity of the line to be connected, with the understanding that the City of Hobbs will maintain the capacity and pressure requirements as noted above.
- We have determined that it is not feasible to use the existing 14-inch AC water line running between Hobbs and Nadine as the first portion of a transmission line to supply potable water to the NEF site. This existing AC line does not have the strength or structural integrity to withstand the surges and water hammers expected to be experienced in this application.

- As an alternative, we propose that the existing 14-inch AC pipeline be slip-lined with a minimum joint bead, 12 inch DR-13.5 (IPS) HDPE pipe. As the pipe reaches Nadine, the wall thickness would need to be increased to a 12 inch, DR-11 (DIPS) HDPE pipe to handle the increased pressures experienced in this downstream portion of the line.
- With the proposed pipeline types, sizes and configuration, there is no need for a pump station to be constructed in Nadine. The cost of installing the HDPE pipe to our specifications from Hobbs, from the intersection of Stanolind Road/Dal Paso Street to the NEF site, is to be the responsibility of NEF. The water use fees will include all costs for operation and maintenance of the water supply system.
- The City of Hobbs will be responsible for obtaining permission to place the pipeline in the highway right-of-way along with the costs for operating and maintaining the new potable water line from Hobbs to the property boundary of the NEF site.
- The City of Hobbs has no objections to NEF working with the City of Eunice to secure a separate potable water line from Eunice to the NEF site providing that the Eunice line remains completely independent from the Hobbs supply line up to the NEF water distribution system. NEF shall be responsible for assuring that there is no possibility of a cross connection between the two systems and the installation and maintenance of properly sized back flow prevention devices for each system.

Please review the above conditions and to see if they are acceptable. If you accept the terms and conditions of this agreement, please affix your original signature in the spaces below and return one original to me for our project records.

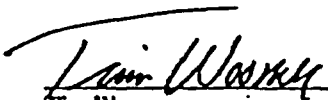
For your information, if you have a desire to reconsider the use of effluent water in lieu of using potable water, we would be happy to discuss this with you further.

If you have any questions or comments, please contact me. Thank you for your help and consideration as we continue to work closely with you on this project.

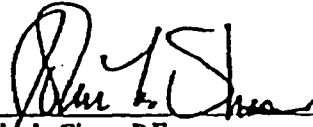
Sincerely,

The City of Hobbs, New Mexico

Lockwood Greene, Engineering & Construction



 Tim Woomey
 Director of Utilities



 John L. Shaw, P.E.
 Project Director
 (On behalf of the National Enrichment Facility)

JAN 20 2004