

May 13, 2005

Mr. Alan D. Cox, Project Manager
Grants Reclamation Project
Homestake Mining Company
P.O. Box 98/Highway 605
Grants, NM 87020

SUBJECT: 2005 ANNUAL SURETY UPDATE FOR THE HOMESTAKE MINING COMPANY
GRANTS RECLAMATION PROJECT, AMENDMENT NO. 38 TO SOURCE
MATERIALS LICENSE SUA-1471 (TAC LU0085)

Dear Mr. Cox:

By letter dated March 31, 2005, Homestake Mining Company (HMC) submitted its annual financial surety update for the Grants Reclamation Project (Grants), as required by 10 CFR Part 40, Appendix A, Criteria 9 and 10, and License Condition (LC) 28 of HMC's Source Materials License SUA-1471. The HMC proposed new surety for Grants is \$35,989,490 and is comprised of total project decommissioning and reclamation costs of \$30,680,127, a contingency fee of \$4,602,019 estimated at 15 percent of the aforementioned total project costs, and an estimated long-term surveillance fee of \$707,344.

The Nuclear Regulatory Commission (NRC) staff has completed its review of the proposed new surety for Grants using the guidance provided in NUREG-1629, Rev. 1, "Standard Review Plan for the Review of a Reclamation Plan for Mill Tailings Sites Under Title II of the Uranium Mill Tailings Radiation Control Act of 1978," June 2003. The proposed new surety (\$35,989,490) represents a 7.68 percent increase over the 2004 surety (\$33,421,971) for Grants. Although the new surety reflects progress in reclamation (e.g., lower estimated costs for water treatment), the primary reason for the higher surety is the significant increase in the general and administrative costs for the project (\$7,335,616 in 2005 versus \$4,550,608 in 2004). The staff has evaluated the detailed individual elements of the decommissioning and reclamation costs for the Grants project and considers the HMC estimates to be comprehensive, reasonably derived, and appropriate. The staff notes that all estimated decommissioning and reclamation costs for contractor and consultant services include the costs for labor and equipment overhead and profit. The staff also notes that the surety portion for long-term surveillance (\$707,344) is appropriately based on inflationary adjustment of the original \$250,000 estimated cost for this activity in 1978 dollars. Based on the foregoing review, the staff concludes that the proposed new surety (\$35,989,490) for Grants is acceptable.

Based on the staff's review as noted above, Source Materials License SUA-1471 is amended by revising LC 28 to indicate that Grant's currently approved surety shall be continuously maintained in an amount no less than \$35,989,490 until a replacement is authorized by the NRC. The aforementioned modification to LC 28 is provided as Amendment No. 38 to Source Materials License SUA-1471 (Enclosure). All other conditions of the license shall remain the same. An environmental review was not performed since this action is categorically excluded under 10 CFR 51.22 (c)(10).

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A. Cox

If you have any questions regarding this letter or the enclosure, please contact Rick Weller, the NRC Project Manager assigned for review of the Grants annual surety update, at (301) 415-7287 or by e-mail to RMW2@NRC.gov.

In accordance with 10 CFR 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> (the Public Electronic Reading Room).

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.: 40-8903
License No.: SUA-1471

Enclosure: Amendment No. 38 to
Source Materials License SUA-1471

cc: M. Purcell, USEPA
D. Mayerson, State of NM
J. Sanders, State of NM

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Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
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cc: M. Purcell, USEPA
D. Mayerson, State of NM
J. Sanders, State of NM

(Closes TAC LU0085)

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