July 13, 2005

Mr. Thomas E. Gieck
Remediation Leader
Umetco Minerals Corporation
P.O. Box 1029
Grand Junction, CO 81502

SUBJECT: 2005 ANNUAL SURETY UPDATE FOR THE UMETCO MINERAL CORPORATION GAS HILLS URANIUM MILL SITE, AMENDMENT NO. 55 TO SOURCE MATERIALS LICENSE SUA-648 (TAC LU0098)

Dear Mr. Gieck:

By letter dated June 13, 2005, the Umetco Minerals Corporation (Umetco) submitted its annual financial surety update for the Gas Hills uranium mill tailings site, as required by 10 CFR Part 40, Appendix A, Criteria 9 and 10, and License Condition (LC) 55 of Umetco's Source Materials License SUA-648. The Umetco proposed new surety for Gas Hills is $9,334,650, and is based on inflationary adjustment of the existing surety ($9,108,659) for Gas Hills that was approved by the U.S. Nuclear Regulatory Commission (NRC) staff in a letter dated October 28, 2004. In this regard, the staff notes that the existing surety ($9,108,659) for Gas Hills was based on a complete revision of the estimated costs for the decommissioning and reclamation of the Gas Hills site that was provided by Umetco in a letter dated September 29, 2004. The proposed new surety ($9,334,650) was derived from an adjustment of the existing surety ($9,108,659) by an inflation factor of approximately 2.47 percent for the period from September 2004 through April 2005. The staff has determined that an inflation factor of 2.47 percent is appropriate for the time period of interest. Accordingly, the staff concludes that the proposed new surety ($9,334,650) for Gas Hills is reasonably derived and acceptable for the annual period of its applicability.

Based on the staff's review as noted above, Source Materials License SUA-648 is amended by revising LC 55 to indicate that Gas Hill's currently approved surety shall be continuously maintained in an amount no less than $9,334,650 until a replacement is authorized by the NRC. The aforementioned modification to LC 55 is provided as Amendment No. 55 to Source Materials License SUA-648 (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).

If you have any questions regarding this letter, please contact Rick Weller, the NRC Project Manager for the Gas Hills facility, 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 from the Publicly Available Records component of NRC's document system, Agencywide Documents Access and Management 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.: 40-0299
License No.: SUA-648

Enclosure: Amendment No. 55 to Source
Materials License SUA-648

cc: M. Moxley, WDEQ

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/RA/

Gary S. Janosko, Chief
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ML052000285 *See previous concurrence

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NAME	RWeller*	BGarrett	RNelson	GJanosko
DATE	07/12/05	07/13/05	07/13/05	07/13/05

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