



August 23, 2005

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

via Certified Mail No. 7002 2030 0007 0164 9746

Reference: Reply to a Notice of Violation; NOV-05-01
License SMB-911; Docket No. 40-07580

Gentlemen:

This is in response to the subject Notice of Violation (NOV) for FMRI's Muskogee site based on Inspection Report 040-7580/05-001. The NOV and Inspection Report were described in the NRC letter to FMRI dated July 26, 2005. The NOV states that as required by License Condition 45, FMRI failed to provide to NRC an updated Table 15-12 (Reorganized Fansteel Cash Flow by Year) that contains financial projections for Fansteel, Inc. The NRC categorized this as a Severity Level IV violation. No other violations are noted as the result of the NRC's inspection.

(1) Reason for the violation

As background, License Condition 45 states that, "FMRI shall submit, by March 31st of each year, updated versions of Tables 15-11 (FMRI Revised Closure Cost Estimate by Year) and 15-12, showing actual figures for previous periods, and updated projections using current information." The FMRI March 30, 2005 submittal to NRC included an updated version of Table 15-11, but did not include an updated version of Table 15-12. The reason for this failure to include the updated version of Table 15-12 was because Fansteel Inc. had not provided this information to FMRI even though FMRI had made a timely request for it. Had FMRI received this information from Fansteel Inc., the updated version of Table 15-12 would have been included with the March 30th submittal.

FMRI also indicated in the March 30, 2005 submittal that Fansteel Inc. was in the process of preparing its Form 10-K and that Fansteel expected to file this document with the SEC on or about April 15, 2005. As FMRI further indicated in the March 30th submittal, the pending Reorganized Fansteel Form 10-K would include actual financial results for fiscal year 2004 and that FMRI would send to the NRC a copy of the Fansteel Form 10-K as soon as possible after it was filed with the SEC. FMRI subsequently sent a copy of the Fansteel Form 10-K to the NRC by letter dated April 18, 2005 (i.e., immediately after Fansteel Inc. filed the form with the SEC on April 15, 2005).

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FMRI has made a number of requests to Fansteel Inc. for the projected cash flow information appearing on Table 15-12 in order that FMRI may provide this updated information to NRC in accordance with License Condition 45. However, Fansteel Inc. has not provided this requested information to FMRI. Again, until Fansteel Inc. provides FMRI with this requested information on financial projections, FMRI will not be able to provide the updated cash projections to the NRC in accordance with License Condition 45.

(2) The corrective steps that have been taken and the results achieved

As recently as August 2, 2005, FMRI repeated its request to Fansteel Inc. for a revised Table 15-12 that provides updated financial projections in order that FMRI may comply with License Condition 45. To date, Fansteel Inc. has not provided these updated cash projections to FMRI.

In the meantime, FMRI has requested guidance from the NRC regarding alternatives (e.g., a waiver or exemption) from this annual reporting requirement in License Condition 45 for the submittal of a revised Table 15-12. To date, the NRC is still working on obtaining appropriate guidance on the alternatives available to FMRI.

(3) The corrective steps that will be taken to avoid further violations

FMRI will make timely requests to Fansteel Inc. for the updated Reorganized Fansteel cash projections and for a revised Table 15-12 providing this information prior to the next submission date required by the license condition. As necessary, FMRI will also continue to provide NRC with any future Fansteel Inc. Form 10-K filings as they become available (these annual filings made by Fansteel Inc. with the SEC provide updates on Reorganized Fansteel's cash flow for the respective previous calendar/fiscal year).

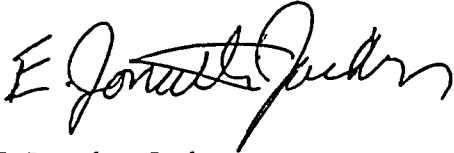
In addition and as described above, FMRI has requested guidance from the NRC on alternatives (e.g., a waiver or exemption) from this annual reporting requirement in License Condition 45 for the submittal of a revised Table 15-12, but to date, appropriate NRC guidance on the alternatives available to FMRI has not yet been provided.

(4) The date when full compliance will be achieved

Based on the above, full compliance will be achieved when a waiver or exemption FMRI plans to request from the NRC from the portion of License Condition 45 requiring the submittal of a revised Table 15-12 providing updated financial projections for Fansteel Inc. has been approved by the NRC.

If you have any questions, please call Keyton Payne or me at (918) 687-6303.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Jonathan Jackson". The signature is fluid and cursive, with the first letter "E" being particularly large and stylized.

E. Jonathan Jackson
President, FMRI

Copy to: Regional Administrator, Region IV (U.S. Nuclear Regulatory Commission,
Region IV, 611 Ryan Plaza Dr., Suite 400, Arlington, TX 76011-8064),
James C. Shepherd, Tom Fredrichs, Gary Tessitore, Mark Wetterhahn
Keyton Payne, File (NRC-082305-1)