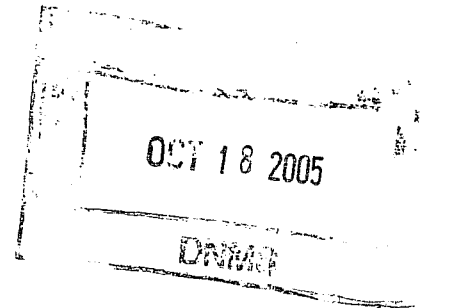




October 11, 2005

Leonard D. Wert Jr., Director
Division of Nuclear Materials Safety
U.S. Nuclear Regulatory Commission, Region IV
611 Ryan Plaza Drive, Suite 400
Arlington, TX 76011-4005



Reference: Reply to September 12, 2005 NRC Letter Requesting Additional Information on FMRI's August 23, 2005 Response to Notice of Violation; NOV-05-01 License SMB-911; Docket No. 40-07580

Dear Mr. Wert:

On September 21, 2005, Mr. Robert Evans (NRC Region IV) granted FMRI 15 additional days to respond to your letter dated September 12, 2005 that requested additional information from FMRI regarding our August 23, 2005 response to NRC on its July 26, 2005 Inspection Report 040-7580/05-001 and Notice of Violation (NOV). Per your September 12th letter, this response from FMRI was to have been submitted by FMRI within 15 days of the date of the September 12th letter. With the extension granted by the NRC, this response is being sent within 30 days of your September 12, 2005 request letter.

Your September 12, 2005 letter specifically requests FMRI to "...provide copies of the documentation of its efforts to request information needed to update Table 15-12 as required by License Condition 45 from Fansteel Inc., and documentation of the Fansteel Inc. responses to these requests." Accordingly, enclosed are the following FMRI documents in chronological order:

- **June 3, 2005** – FMRI email note to file regarding verbal requests FMRI made to Fansteel representatives for the updated Table 15-12 information.
- **August 2, 2005** – FMRI email to Fansteel representatives discussing the NOV from NRC dated July 26, 2005 and requesting on updating Table 15-12.
- **September 12, 2005** – FMRI email to Fansteel describing the NRC follow-up telephone conversation on September 12, 2005 regarding the NOV with another request for an updated Table 15-12.
- **September 28, 2005** – FMRI email to Fansteel describing the receipt of the NRC request letter dated September 12, 2005 with another request for an updated Table 15-12 or for an explanation on why Fansteel can not provide the updated financial information.

FMRI has received no correspondence from Fansteel in response to these requests for an updated Table 15-12. However, FMRI did meet with senior Fansteel representatives on September 28, 2005 in response to the enclosed September 28, 2005 email from FMRI requesting the updated financial forecast information from Fansteel. The following information was relayed to FMRI during this meeting:

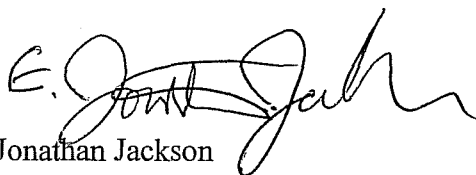
- *Fansteel is preparing its 2006 annual budget and will make its financial forecast for 2005 and 2006 available to FMRI on a confidential basis after they have been finalized.*
- *Fansteel is not preparing any longer term financial forecasts and has no intention at this point of preparing any longer term forecasts. But, to any extent that Fansteel does prepare any longer term financial forecasts, the Fansteel representatives said they would provide them on a confidential basis to FMRI.*

To protect these pending financial projections that Fansteel considers confidential, FMRI is forwarding this information to NRC under separate cover identifying the financial projections information proprietary to Fansteel to be withheld pursuant to 10 C.F.R. § 2.390(a)(4) after this confidential information is received from Fansteel.

Your September 12, 2005 request letter also requests FMRI to include in this response "...the date when compliance will be achieved." Given the circumstances, FMRI will be in full compliance with the portion of License Condition 45 requiring updated projections for Table 15-12 using current information upon (1) FMRI's receipt of the updated financial projections to be provided by Fansteel and (2) FMRI's subsequent transmittal of this pending updated information to the NRC.

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

Sincerely,



E. Jonathan Jackson
President, FMRI

Enclosures

Copy to: Dr. D. Blair Spitzberg, (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-101205-1)

From: Jon Jackson
To: Keyton Payne
Date: 6/3/2005 3:57:30 PM
Subject: Note to File - FMRI License SMB-911 - Condition 45 (annual update of Table 15-12)

Note to File:

In response to License Condition 45, I requested verbally several times between March 16 and March 30, 2005 from Fansteel (i.e., Mike McEntee the CFO and VP for Fansteel Inc.) an updated version of Table 15-12 (Reorganized Fansteel Cash Flow by Year) showing actual figures for previous periods, and updated projections using current information. Fansteel representatives replied to my requests that they could not and would not provide this information to FMRI. Instead, Fansteel informed FMRI that they were preparing its Form 10-K, which was to be filed with the SEC on or about April 15, 2005. Fansteel representatives stated that the Form 10-K would include actual financial results for fiscal year 2004, as audited. Fansteel said they would provide a copy of the 10-K form to me as soon as it was issued. Therefore, an updated Table 15-12 was not provided to NRC in the March 30, 2005 submittal on License Condition 45.

Subsequently, Fansteel provided to FMRI the Form 10-K report that was filed on April 15, 2005. FMRI sent a copy of the Fansteel Form 10-K report to NRC by letter dated April 18, 2005 and indicated in that letter that "...FMRI will provide Fansteel's cash flow projections for out years as they relate to the decommissioning of the Muskogee site as soon as possible after this information is made available to FMRI by Fansteel."

On April 29, 2005, Fansteel Inc., FMRI, and NRC did discuss under terms of confidentiality future cash scenarios of Fansteel at the NRC-Headquarter's offices.

Today, I again discussed with Fansteel (i.e., Mike McEntee) and confirmed the understanding that FMRI is required under license condition 45 to provide the updated cash projections to NRC and that FMRI expects Fansteel to provide this information to FMRI as soon as it becomes available. As of today, Fansteel has not provided these updated cash projections to FMRI.

E. Jonathan (Jon) Jackson
Fansteel Inc.
Number One Tantalum Place
North Chicago, IL 60064
phone: 847/689-4900 ext. 553
fax: 847/689-4555
email: jjackson@fansteel.com

From: Jon Jackson
To: Gary Tessitore; Mike McEntee
Cc: Keyton Payne
Date: 8/2/2005 3:13:41 PM
Subject: FMRI - NRC Notice of Violation regarding FMRI failure to provide an updated Table 15-12 (Fansteel Cash Projection) as required by License Condition 45

Dear Mike and Gary,

I am providing you copies of the subject NOV that FMRI just received from the NRC (Dated July 26, 2005). In accordance with FMRI License Condition 45, FMRI is to provide the NRC by March 30th of each year a revised Table 15-12 providing an updated Fansteel cash flow projection for out years. FMRI has already indicated to the NRC that FMRI can not submit the updated Table 15-12 unless Fansteel provides this information to FMRI.

FMRI's response to the NOV is due by August 25th. FMRI will explore the possibilities for a waiver or one-time exemption from this license condition that does not require a license amendment. In the meantime, FMRI again requests that Fansteel provide FMRI an updated Table 15-12 in a timely manner in order that FMRI may comply with our license condition 45.

Please call me if you have any questions.

Thank you.

E. Jonathan (Jon) Jackson
FMRI, Inc..
Number Ten Tantalum Place
Muskogee, OK

From: Jon Jackson
To: Gary Tessitore; Mike McEntee
Date: 9/12/2005 12:56:01 PM
Subject: NRC Follow-up on NOV regarding submittal of Table 15-12 (Fansteel financial projections) per License Condition 45

Dear Gary and Mike,

I received a call today from NRC Region IV (i.e., Blair Spitzberg, Bob Evans, and Beth Schlapper).

The NRC representatives said that they had reviewed FMRI's 8/23/05 response to the NOV (see attachment) and that they were giving me a "heads up" on a follow-up letter the NRC will be sending to FMRI for more information regarding the NOV. Basically the NRC representatives indicated that they will be requesting copies of any FMRI correspondence to Fansteel requesting the updated Table 15-12 projections (e.g., what steps has FMRI taken to obtain this information). The NRC representatives also said that they believe that FMRI receiving an exemption or waiver from this license condition 45 requirement is not a high probability although FMRI is free to pursue this possibility.

The NRC representatives further indicated that they will review the additional information to be provided to see if it satisfies LC 45 requirements or whether they will have to pursue this with the DOJ or the Bankruptcy Court.

The NRC representatives said that FMRI's response to the additional information request will be due in 15 days (although they said I could call them to discuss getting additional time if needed for the response). I indicated to the NRC that FMRI had made verbal requests to Fansteel for the revised/updated Table 15-12 information and that FMRI had also sent one written email to Fansteel on August 2, 2005 further requesting the revised/updated Table 15-12 financial projections.

I would appreciate any assistance from Fansteel Inc. on providing the revised/updated Table 15-12 information to FMRI in order that FMRI can forward this information in a timely manner to the NRC in accordance with License Condition 45.

Please call me if you have any questions or if you would like to discuss this further.

E. Jonathan (Jon) Jackson
FMRI
President

From: Jon Jackson
To: Gary Tessitore; Mike McEntee
Cc: Keyton Payne; James Burgess
Date: 9/28/2005 1:32:15 PM
Subject: NRC September 12, 2005 - Request for Additional Information on updated Table 15-12 (Fansteel Cash Flow Projections)

Dear Gary and Mike,

As I discussed with you, the NRC requested by letter dated September 12, 2005 additional information from FMRI regarding our August 23, 2005 response to NRC on their July 26, 2005 Inspection Report 040-7580/05-001 and Notice of Violation (NOV). As you know, the July 26, 2005 NOV from NRC was issued to FMRI in response to FMRI's failure to submit an updated Table 15-12 providing Cash Flow Projections for Fansteel Inc. in the out years. The submittal of this updated table each year by March 30th is required by our License Condition No. 45.

For your information, I will provide you hardcopies of the September 12, 2005 NRC letter under separate cover. The September 12th letter specifically requests FMRI to provide the NRC copies of documentation on its efforts to request information from Fansteel Inc. to update Table 15-12 as required by License Condition 45. Documentation of Fansteel's responses to these requests is also to be provided to the NRC. Accordingly, I will also provide you copies under separate cover of FMRI documentation on requests already made to Fansteel for this information including (1) a June 3, 2005 note to file regarding verbal requests FMRI made for this information, (2) an August 2, 2005 email discussing the NOV and requesting on updating Table 15-12, and (3) another email to Fansteel on NRC follow-up to the NOV with another request for an updated Table 15-12. FMRI has received no correspondence from Fansteel on this matter.

In addition, the FMRI response to the September 12th NRC letter is to include the date when compliance will be achieved. However, the NRC states in their September 12 letter that an exemption or waiver from License Condition 45 is "not a viable solution." The NRC states further in the September 12 letter that the response from FMRI will be used, in part, to determine whether further enforcement action is necessary to ensure compliance with regulatory requirements. FMRI was to provide NRC a response to their request letter within 15 days of September 12th. However, since I received their September 12th letter much later and to allow additional time to see if Fansteel would like to coordinate with FMRI's response, I requested an extension for the response until October 12th. The NRC has granted this extension.

To assist FMRI in preparing the response to this NRC request, FMRI is again requesting from Fansteel an updated Table 15-12 showing projected cash flow information for out years. If Fansteel can not provide the updated Table 15-12 information before our October 12th due date, FMRI then requests an explanation instead on why this updated information can not be provided by Fansteel. Fansteel's response (i.e., either the updated Table 15-12 or an explanation on why it can not be provided) will be included in the response FMRI is preparing to provide to the NRC by October 12th.

Your attention to this matter is appreciated. Please call me if you have any questions or if you would like to discuss this further.

E. Jonathan (Jon) Jackson
FMRI