



January 13, 2006

U.S. Nuclear Regulatory Commission
ATTN: Mr. James Shepherd, Project Manager
Decommissioning Branch
Division of Waste Management
11545 Rockville Pike
Two White Flint North
Rockville, Maryland 20852

Reference: License Condition 42 – Annual Update of Figure 8-3
License SMB-911; Docket No. 40-7580

Dear Mr. Shepherd:

Pursuant to License Condition 42 of License SMB-911, FMRI Inc. (FMRI) submits the enclosed updated Figure 8-3 showing the estimated Muskogee, Oklahoma Decommissioning Schedule. This figure has been updated from the previous version (i.e., the schedule enclosed in the FMRI letter to NRC dated January 14, 2005) to show the June 2005 start date for Phase 1 activities as described in the NRC Inspection Report 040-07580/05-002 dated December 2, 2005.

It should be noted that the schedule estimates in Figure 8.3 are FMRI's best estimates at this point in time based on available information and assuming a sufficient funding stream and are subject to change for reasons including, but not limited to, (1) scheduler changes in the work to be performed by contractors and other pertinent vendors (e.g., reclamation of removed WIP by IUC, including its timely receipt of a license amendment from the State of Utah to receive and process the WIP), (2) changes in work scope and cost in the work to be performed by contractors and other pertinent vendors, (3) changes in the actual amount of WIP, and/or CaF and/or contaminated soil materials encountered, (4) changes in the amount and/or timing of funding for the decommissioning activities (e.g., from Fansteel Inc., net insurance recovery proceeds from Fansteel Inc., surplus equipment sales), or (5) other unforeseen impacts to decommissioning taking into account considerations of preparation, scheduling, cost and weather.

In addition and as described in our November 11, 2005 letter (see enclosed copy), FMRI is not certain that sufficient funds will be in place to ship all of the WIP removed from Ponds 2 and 3 in 2006 (i.e., assuming that FMRI only receives the minimum payments from Fansteel and no

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additional insurance recoveries or sales of surplus equipment through 2006). FMRI plans to proceed with the Phase 1 Decommissioning activities through excavation, drying, and bagging of the dried WIP. However, based on the short-term estimated decommissioning costs and expected cash flows provided in the November 11, 2005 letter, FMRI currently estimates that only about three quarters of the dried-bagged WIP material (i.e., about 14,000 tons of WIP at 32 percent moisture content by weight) can be transported and reclaimed in accordance with the current Phase 1 schedule while ensuring sufficient funds for the continued maintenance of facility environmental and safety controls. The remaining estimated 4,800 tons of dried-bagged WIP material at an average 32 percent moisture content by weight would have to remain on-site until FMRI has a sufficient cash balance to ship it for off-site reclamation while also ensuring sufficient cash for the continued maintenance of facility environmental and safety controls.

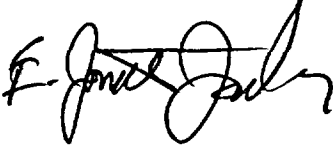
However, should FMRI receive sufficient funds in a timely manner from Fansteel Inc. and/or from insurance recovery claims already submitted to several historic insurance providers, FMRI estimates that the Phase 1 activities could be completed in 2006 as currently scheduled and as shown in Figure 8-3 (i.e., subject to no unforeseen events impacting the schedule and costs currently estimated). Since FMRI believes that the work can physically be completed in accordance with this schedule, the Phase 1 schedule for the WIP material in Figure 8.3 was not changed. FMRI will not be certain until later in 2006 whether sufficient funding will be available to complete the Phase 1 activities in 2006 (i.e., while maintaining facility environmental and safety controls). In the event that FMRI determines that it is certain that Phase 1 cannot be completed in 2006, the NRC will be notified as soon as reasonably possible thereafter on the updated schedule for Phase 1.

The schedule for subsequent decommissioning phases is also dependent upon similar considerations described above and the availability of funds necessary to plan and execute the remediation and to dispose of contaminated material offsite. For example, Figure 8.3 still shows the Phase 2 work for the remediation of the CaF material as starting in mid 2007 (i.e., this is the date when FMRI expects to have a contract in place with a construction vendor to do the work and the construction vendor has started billing to the project). Depending on the FMRI cash balance available at that time compared to the expected Phase 2 costs, FMRI may not be able to authorize the start of Phase 2 in mid 2007 if these expenditures might jeopardize FMRI's commitment to the continued maintenance of facility environmental and safety controls. Whether sufficient funding will be available at that time will not be known with any certainty until early 2007 at which time Figure 8.3 can be updated in accordance with License Condition 42 to provide more certain schedule information.

Also, Figure 8.3 shows cleaning of structures and equipment as starting in 2007. In actuality, FMRI began free releasing surplus equipment for resale starting in 2004, throughout 2005, and continuing in 2006. However, the actual decommissioning of buildings has not started. FMRI should have more information available when updating Figure 8.3 next year at this time in accordance with License Condition 42 to provide more certain schedule information regarding building decommissioning.

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 name "E." and last name "Jackson" clearly distinguishable.

E. Jonathan Jackson
President, FMRI

Enclosure

Copy to: Blair Spitzberg, NRC Region IV (by fax at 817/860-8188 and by mail, U.S. Nuclear
Regulatory Commission, Region IV, 611 Ryan Plaza Dr., Suite 400, Arlington,
TX 76011-8064), Gary Tessitore, Mark Wetterhahn, Dave Tourdot
Keyton Payne, Document Control (011306-01)

**FMRI
Muskogee, Oklahoma
Decommissioning Plan
Figure 8-3**

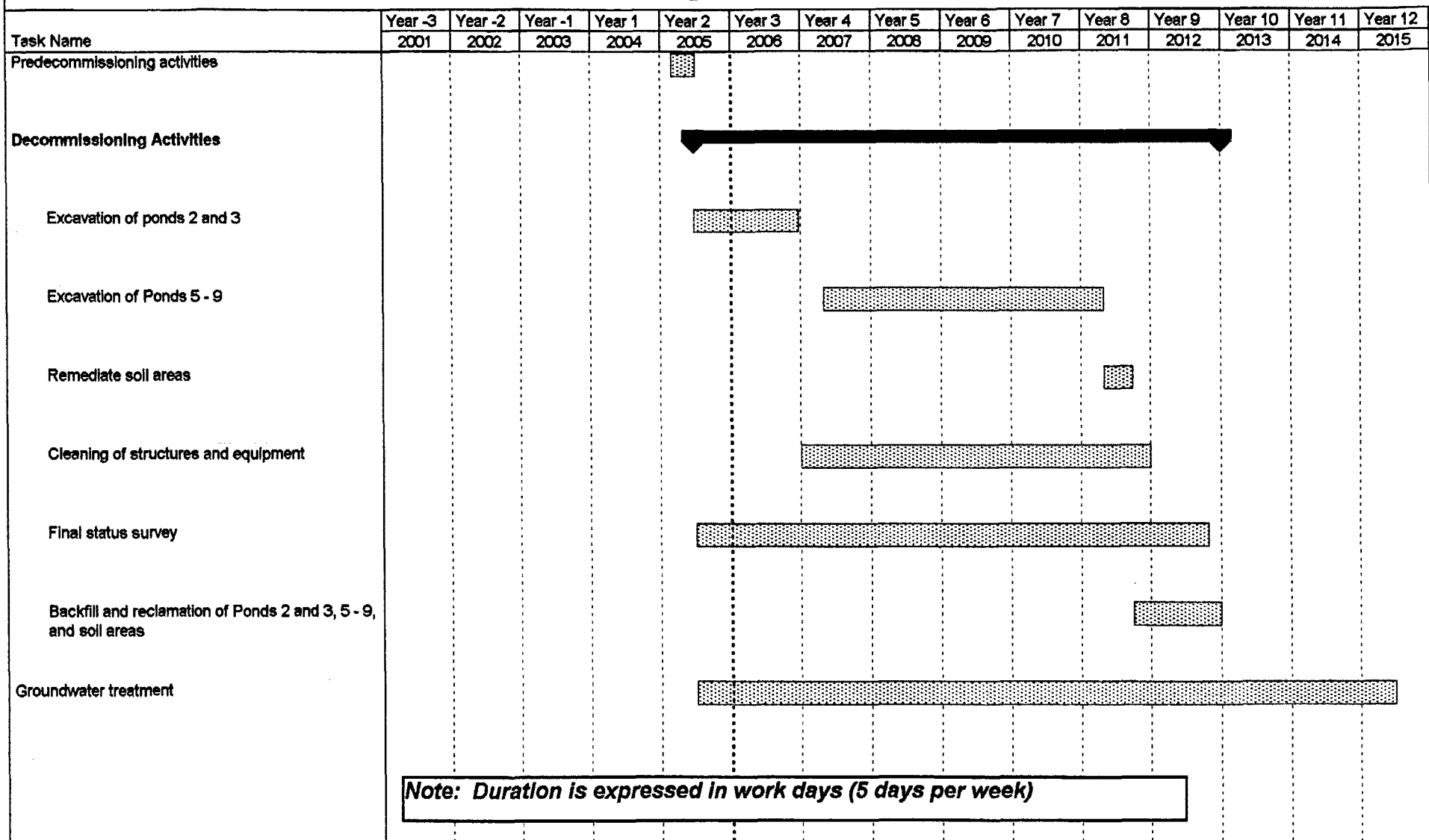


Figure 8-3 shows a yearly time frame. Phase I Decommissioning started 6/22/05 and is expected to be completed on 12/29/06.