

May 22, 2007

Mr. John McCarthy
Power Resources, Inc.
Smith Ranch-Highland Uranium Project
P.O. Box 1210
Glenrock, WY 82637

SUBJECT: ISSUES RELATED TO POWER RESOURCES, INC.'S REVISED SURETY ESTIMATES - SOURCE MATERIAL LICENSE SUA-1548 (TACJ00514)

Dear Mr. McCarthy:

On January 11, 2007, Power Resources, Inc. (PRI) submitted revised surety estimates for its Smith Ranch - Highlands Uranium Project (SR-HUP), and North Butte, Gas Hills, Reynolds Ranch, and Ruth facilities per Source Material License SUA-1548. These revised surety estimates included a rebaselining to 2006 costs, as requested by the U.S. Nuclear Regulatory Commission (NRC) staff on September 26, 2006. On March 6, 2007, NRC staff informed PRI that the January 11, 2007 submittal was deficient due to the absence of documentation to support the revised baseline costs. At that time, NRC staff requested a response within 30 days. On April 12, 2007, PRI requested that its response time be extended to June 30, 2007. On April 23, 2007, NRC staff granted PRI its extension request.

Upon further consideration of PRI's revised surety estimates, in addition to the absence of documentation to support the revised baseline costs, NRC staff has identified several additional deficiencies. Consequently, as part of the current ongoing rebaselining of its surety estimates, PRI should address the following issues:

- 1) An estimate of the cost (e.g., delineation, excavation, removal, and disposal) of impacted soils resulting from lixiviant or other liquid releases related to uranium recovery and processing operations. A review of SR-HUP spill reports docketed in the Publicly Available Records (PARS) component of the NRC's Agencywide Documents Access and Management System (ADAMS) since October 2001, indicates 37 reported liquid releases. These include liquid releases related to well field, headerhouse, Satellite facility, Central Processing Plant, and Deep Disposal Well operations.
- 2) An analysis of the potential for surface releases to infiltrate into the underlying surficial aquifer at SR-HUP. If this analysis indicates the likelihood of surficial aquifer water quality impact from surface releases, the cost to investigate the nature and extent of the impact, and remediation of the surficial aquifer, should be addressed in the rebaselined surety estimate. It should be noted that of the 37 reported liquid releases discussed above, four contained volumes of between 18,000 and 62,400 gallons, with no reported recovered amount.

- 3) An analysis of the expected life span of mine unit (well field) metal pipes and pipe fittings. This analysis should consider industry experience with the failure rate and timing of metal pipes and pipe fittings due to corrosion and the anticipated operating periods (production and restoration) of the well fields. Using this analysis as a basis, the costs associated with pipe and pipe fitting repair/replacement should be addressed in the rebaselined surety estimate.
- 4) Please provide restoration mass-balance flow charts for Smith Ranch, Highland, Reynolds Ranch, Gas Hills, and North Butte well fields to confirm water disposal capacity is consistent with anticipated restoration sequence, flow volumes, and storage capacities. If these mass-balance flow charts are not consistent with current water disposal capacity, the costs associated with increasing the water disposal capacity for each of these sites should be addressed in the rebaselined surety estimate.

Please provide the requested information with your June 30, 2007 rebaselining submittal. If you have any questions concerning this letter, please contact me, either by telephone at 301-415-7612 or, by e-mail, at pxm2@nrc.gov.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice for Domestic Licensing Proceedings and Issuance of Orders," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the PARS component of ADAMS. ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.htm>.

Sincerely,

/RA/

Paul Michalak, Hydrogeologist
Uranium Recovery Licensing Branch
Decommissioning and Uranium Recovery
Licensing Directorate
Division of Waste Management
and Environmental Protection
Office of Federal and State Materials
and Environmental Management Programs

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Sincerely,

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Paul Michalak, Hydrogeologist
 Uranium Recovery Licensing Branch
 Decommissioning and Uranium Recovery
 Licensing Directorate
 Division of Waste Management
 and Environmental Protection
 Office of Federal and State Materials
 and Environmental Management Programs

Docket No.: 40-8964

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