

RIO ALGOM MINING LLC
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May 28, 2008

Mr. Tom McLaughlin, Project Manager
U.S. Nuclear Regulatory Commission
Mail Stop T-8F5
Washington, DC 20555

Subject: Ambrosia Lake Facility
License SUA-1473, Docket No. 40-8905
License Condition #22, Annual Surety Update

Dear Mr. McLaughlin,

Rio Algom LLC submits the following 2008 annual surety update to the source material license referenced above. Completed reclamation work totals approximately \$11.4 million. Increases for channel construction totaled \$5.3 million, resulting in a net decrease of \$6.1 million.

However, due to the complexity of a financial instrument change, Rio Algom requests that the current surety remain unchanged.

Should you have any questions regarding this submittal, please contact me at 505-287-8851 x 11 or by email at terry.fletcher@bhpbilliton.com.

Sincerely,



Terry L Fletcher
President

Attachment

XC: Don Sweeny
Document Control Center
File

NM5501

**Amendment Request to Reduce Approved Financial Surety Arrangement
Ambrosia Lake Facility
June 2008**

Introduction

The Ambrosia Lake Site is a uranium recovery facility that is currently undergoing reclamation and decommissioning. The current status has the tailings areas entirely closed and the erosion protection in place. The mill is demolished with remaining structures being related to ongoing reclamation activities. The site obtained Alternate Concentration Limits in February 2006 (Amendment #56), which has allowed the initiation of further site reclamation that has been deferred pending ACL approval.

The site has completed significant cleanup of windblown tailings and is in the process of completing a soil cleanup verification plan that will address release criteria for the entire site. The site initiated the Lined Pond Closure Project (Amendment #55) and has relocated 100 % of the material from the Section 4 Ponds for disposal in Pond 2.

Recent approvals obtained from NRC have allowed Rio Algom to either complete additional work units or discontinue conducting various work units (e.g., groundwater corrective action plan).

Completion or elimination of these work units, which are itemized in Table 1, total \$11.4 Million.

Completed Work Units

The following reclamation and decommissioning work units as outlined within the current approved surety documents have been completed or have been discontinued:

1. Pond 1
 - A. North Toe Trench – upper portion → completed in June 2005
 - B. North Toe Trench – lower portion → completed in June 2005
 - C. South Toe Trench → completed in November 2004
 - D. Northern Diversion Channel → completed in June 2005
 - E. Area Between Trenches → completed in November 2005

2. Groundwater
 - A. Shaft Plugging Section 24 → completed in December 2004
 - B. Ventilation Hole Plugging Section 24 → completed in January 2005
 - C. Injection Hole Plugging Section 24 → completed in January 2005
 - D. Surface Contour and Revegetation Section 24 → completed January 2005
 - E. Pumping of Interceptor Trench → completed in February 2006

- F. Pumping of Evaporation Pond 9 to Section 4 → completed February 2006
- G. Mine Water Treatment Groundwater Sweep → complete February 2006

3. Section 4 Ponds

- A. Mobilization → completed in July 2005
- B. Highway Crossing → completed in November 2005
- C. Transport materials to pond 2 - complete November 2007

4. Intercept Trench

- A. Cost to backfill trench – earthwork → completed in May 2007
- B. Trench - Geotechnical QA/QC testing → completed May 2007
- C. Cost for geotechnician for project → completed in May 2007

Rio Algom's January 31, 2005 submittal provided the detailed cost analysis for the individual work units to complete site closure which NRC approved as Amendment 54. Work activities associated with Pond 1, Groundwater, and Section 4 Pond categories were requested in Rio Algom's June 2006 annual surety update submittal. A total of \$3.9 Million dollars of completed work was identified in the 2007 annual surety update. In 2007, Rio completed an additional \$7.5 Million dollars in removal and transport of section 4 material to pond 2. Complete work now totals \$11.5 Million.

As a result of ongoing engineering evaluations, Rio Algom anticipates the additional costs to address the lateral migration of Rio Del Puerto will cost \$5,338,955. This is based on a firm contract for rock with C&E Concrete for \$2,790,735 and a firm contract with Conestoga-Rovers & Associates (CRA) for a cost of \$2,548,220.

This increase, with the 2007 decrease of \$7.5 Million, and the previous decrease of \$3.9 Million of completed work activities described above, results in a final decrease of \$6.1 Million. Because of the complexity of reissuing a new surety, Rio Algom requests that the surety presently approved by NRC remain unchanged.

Table 1
RIO ALGOM MINING LLC - AMBROSIA LAKE OPERATION
2008 Annual Surety Update
Completed Work Units

	Itemized	Subtotal	Complete
Pond 1			
Rock cover between trenches	\$39,919		November-05
Pond 1 - Northern diversion channel	\$67,745		June-05
Pond 1 - North Toe Trench - upper portion	\$25,544		June-05
Pond 1 - North Toe Trench - lower portion	\$26,935		June-05
Pond 1 - South Toe Trench	\$291,925		
		\$452,068	
Groundwater			
Shaft Plugging - Section 24	\$6,522		December-04
Ventilation hole Plugging - Section 24	\$9,708		January-05
Injection hole plugging - Section 24	\$11,058		January-05
Surface contour and revegetation - Section 24	\$38,746		January-05
Pumping of Section 30 West Mines	\$61,080		February-06
Sampling and Analysis- bedrock	\$41,400		
Pumping of Interceptor Trench	\$8,612		February-06
Pumping of Evaporation pond 9 to Section 4	\$18,796		February-06
Treatment of Mine Water used for Groundwater Sweep	\$54,780		February-06
Sampling and Analysis - alluvium	\$12,096		
Well Plugging and Abandonment	\$12,450		
		\$275,248	
Section 4 Ponds			
Mobilization	\$1,000,000		July-05
Highway crossing	\$403,000		November-05
Removal and transport of materials to Pond 2	\$7,500,000		Nov-07
Removal of pipeline	\$6,800		
Radiation Survey of Pond Areas	\$56,927		
Soil Sampling of Pond Areas	\$10,585		
Laboratory Analysis of soil samples	\$129,104		
Revegetation of section 4 area	\$230,000		
Geotechnical testing (QA/QC) of placed materials at Pond 2	\$550,000		
Cost to construct radon barrier	\$750,000		
Pond 2 - Radon Flux testing of radon barrier	\$21,825		
Cost to purchase and deliver erosion protection	\$649,013		
Cost to place erosion protection	\$102,600		
		\$8,903,000	
Intercept Trench			
Cost to backfill trench - Earthwork	\$1,733,120		May-07
Trench - Geotechnical QA/QC testing costs	\$16,030		May-07
Cost for geotechnician for backfill project	\$78,318		May-07
		\$1,827,468	
	Subtotal ---->	\$ 11,457,783	Decrease
Rio Del Puerto Diversion Channel			
Rock purchase	\$ 2,790,735		
Contract price to construct by CRA	\$ 2,548,220		
		\$ 5,338,955	Increase
	Total	\$ 6,118,828	Net Decrease

Note:

Work activities associated with Pond 1, Groundwater, and Section 4 Pond categories were requested in the 2006 submittal.

Completed work activities indicated by blue numbers for 2006.

Completed work activities indicated by Red numbers for 2007.

Bid Form - Production and Delivery of Erosion Protection Rock

C & E Concrete, Inc.

Interior Channel

Size	Quantity (tons)	Production Unit Rate(\$/Ton)	Production Cost (\$)	Delivery Unit Rate(\$/Ton)	Delivery Cost (\$)	Total Cost (\$)
D ₅₀ = 1"	71,986		\$ 6.60		\$ 8.50	\$ 1,086,988.60
D ₅₀ = 7.8"	38,841		\$ 8.50		\$ 8.50	\$ 660,297.00
Interior Channel Cost						\$ 1,747,285.60

Exterior Channel

Size	Quantity (tons)	Production Unit Rate(\$/Ton)	Production Cost (\$)	Delivery Unit Rate(\$/Ton)	Delivery Cost (\$)	Total Cost (\$)
D ₅₀ = 1"	24,280		\$ 6.60		\$ 8.50	\$ 366,628.00
D ₅₀ = 3.2"	18,617		\$ 6.60		\$ 8.50	\$ 281,116.70
D ₅₀ = 7.8"	15,665		\$ 8.50		\$ 8.50	\$ 266,305.00
D ₅₀ = 9.2"	7,613		\$ 8.50		\$ 8.50	\$ 129,421.00
Exterior Channel Cost						\$ 1,043,470.70

	\$ 3,178,267.60
NM Sales Tax @7.625%	\$ 242,342.90
Total	\$ 3,420,610.50

COMPENSATION SCHEDULE

<u>Item No.</u>	<u>Description</u>	<u>Estimated Quantities</u>	<u>Pay Unit</u>	<u>Unit Price</u>	<u>Total</u>
1.0	Mobilization	1	lump sum	\$85,108.00	\$85,108.00
2.0	Demobilization	1	lump sum	\$49,660.00	\$49,660.00
3.0	Clearing & Scalping	1	lump sum	\$54,995.00	\$54,995.00
4.0	Excavation & Fill (in place)	372,000	cubic yard	\$2.28	\$848,160.00
5.0	Compaction Testing	1	lump sum	\$56,564.00	\$56,564.00
6.0	Cover Placement (D ₅₀ =1.0")	8,000	cubic yard	\$4.07	\$32,560.00
7.0	Filter Placement (D ₅₀ =1.0" A.G.)	8,300	cubic yard	\$4.07	\$33,781.00
7.1	Filter Placement (D ₅₀ =1.0" B.G.)	2,200	cubic yard	\$8.40	\$18,480.00
8.1	D ₅₀ =3.2"	800	cubic yard	\$12.31	\$9,848.00
8.2	D ₅₀ =7.8"	11,900	cubic yard	\$12.31	\$146,489.00
8.3a	D ₅₀ =12.0" (Aprons/confl.)	10,650	cubic yard	\$12.90	\$137,385.00
8.3b	D ₅₀ =12.0" (A.G. slopes)	12,900	cubic yard	\$23.00	\$296,700.00
8.3c	D ₅₀ =12.0" (B.G. slopes)	8,850	cubic yard	\$23.35	\$206,647.50
9.0	Construction Staking	1	lump sum	\$69,300.00	\$69,300.00
10.0	Dust Abatement	1	lump sum	\$203,941.00	\$203,941.00
11.0	Temporary Erosion & Sediment Control	1	lump sum	\$17,167.00	\$17,167.00
12.0	Revegetation	75	acres	\$1,208.00	\$90,600.00
13.0	Surveying with as-built drawings	1	lump sum	\$8,925.00	\$8,925.00
14.0	New Mexico Gross Receipts Tax				\$181,910.12
TOTAL COST					<u>\$2,548,220.12</u>

NOTES: Provide an itemized list (with associated costs) for mobilization and demobilization.

Provide a schedule of hourly rates for equipment and personnel.

Item 8.3 – The 12.0" rock is currently stockpiled at the Pond 6 area (see Spec. 602.1B for complete breakout of quantities.). A.G. = Above-Grade; B.G = Below-Grade.