August 4, 2008

Ms. Marcy Leavitt
Director, Water and Waste Management Division
New Mexico Environment Department
Harold Runnels Building
1190 St. Francis Drive (87505)
P.O. Box 26110
Santa Fe, NM 87502

SUBJECT: RESPONSE TO JULY 2, 2008, LETTER REGARDING INTERAGENCY RELATIONS RELATED TO THE HOMESTAKE MINING COMPANY SITE IN MILAN, NEW MEXICO (DOCKET 40-8903, LICENSE SUA-1471)

Dear Ms. Leavitt:

I am responding to your letter dated July 2, 2008. Thank you for informing the U. S. Nuclear Regulatory Commission (NRC) of your concerns regarding interagency cooperation issues between the NRC, U.S. Environmental Protection Agency (EPA), and New Mexico Environment Department (NMED) with respect to Homestake Mining Company's (HMC's) uranium mill site corrective action. I would like to assure you that we also believe it is important for the regulatory agencies to work together to present a coordinated, credible, and technically defensible approach for completing remedial actions at the HMC site.

In this regard, in the past year NRC has taken action on, and resolved, a number of very important issues raised by NMED including: (1) evaluation of air monitoring at the HMC site and characterization of "white residue" from the spray evaporation system; (2) review and analysis of regional groundwater hydrology to evaluate potential sources of contamination entering the HMC site; (3) working with HMC to develop a work plan to evaluate contamination in Well 986; and (4) an evaluation of the remediation actions for the western and southwestern uranium plumes in the alluvial aquifer downgradient from the tailings pile. In addition, NRC coordinated with NMED on the Environmental Assessment (EA) for construction of a third evaporation pond (EP3) by incorporating NMED's comment into the final EA. We also responded to NMED's request for technical comments on its draft public health advisory. Thus, we believe that we have been effectively cooperating with NMED at the HMC site as our resources allow.

Although the contents of your letter focused on NMED's view that NRC was not publicly supporting the EPA optimization study, in a telephone conference with Keith McConnell on July 8, 2008, you indicated that the main purpose of your July 2, 2008, letter, was to request NRC participation at the July 15, 2008, NMED/EPA public meeting. Based on that request, the NRC staff actively participated in the meeting,

Concerning the EPA optimization study, as stated in the July 8, 2008, teleconference, the NRC staff continues to believe that the limited scope, which does not address regional hydrology and potential contamination coming from outside of the HMC site, limits the usefulness of the study. We believe that any study to optimize remedial activities at the HMC site should include consideration of regional groundwater flow and all potential sources of

contamination. We are not alone in this view as it appears to be shared by other stakeholders as presented in a letter from the Bluewater Valley Neighbors Association to NRC dated April 12, 2008 (ADAMS No. ML081890262). Although we do not object to an independent third party review, we are concerned that this evaluation will not provide an integrated consideration of the hazards at the HMC and, thus, will not allow for optimization. Consequently, we believe our resources are best applied to ensuring the timely completion of licensing actions that facilitate the remediation of the site.

The current action before us relates to HMC's request for construction and operation of EP3. The optimization study includes an evaluation of the need for construction and operation of EP3 at HMC. HMC submitted the license amendment request to construct and operate EP3 in October 2006. HMC believes that a third evaporation pond will increase operational capacity and reduce the time needed to complete remedial actions at the site. NRC is obligated to complete its review of this request in a timely way. As noted earlier, NRC does not believe the optimization study is scoped such that an integrated view of the hazards will be provided. As a result, we believe it is important to complete the action before us and allow remediation to move forward. We intend to proceed with making a decision in the next few weeks. However, should the study provide insights to improve remediation of the HMC site, we would consider that information in any subsequent licensing action.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at http://www.nrc.gov/reading-rm/adams.html .

The NRC staff looks forward to continued cooperation with EPA and NMED to resolve technical issues regarding remedial activities at the HMC site. Technical staffs from NRC, EPA and NMED have already had preliminary discussions regarding NRC's review of HMC's Corrective Action Plan. As NRC progresses with its review, we will seek and incorporate comments from EPA and NMED. If you have any questions, regarding this licensing action please contact John Buckley, Senior Project Manager, at (301) 415-6607 or by e-mail at john.buckley@nrc.gov.

Sincerely,

/RA/

Larry W. Camper, Director
Division of Waste Management
and Environmental Protection
Office of Federal and State Materials
and Environmental Management Programs

Docket No.: 040-08903
License No.: SUA-1471

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Homestake Mailing List:

cc:
Sai Appaji
USEPA Region 6
1445 Ross Ave, Ste 1200
Mail Code: 6SF-LT
Dallas, TX 75202-2733

Jerry Schoeppner
Mining Envirnmental Compliance Section
Ground Water Quality Bureau
Harold Runnels Building Room N2250
1190 St. Francis Drive
P.O. Box 26110
Santa Fe, NM 87502

Dana Bahar
New Mexico Environment Department
Harold Runnels Building Room N2300
1190 St. Francis Drive
P.O. Box 26110
Santa Fe, NM 87502

David Mayerson
Superfund Oversight Section
Ground Water Quality Bureau
Harold Runnels Building Room N2250
1190 St. Francis Drive
P.O. Box 26110
Santa Fe, NM 87502

Ms. Laura Watchempino
Water Quality Specialist
Pueblo of Acoma
Office of the Governo
P.O. Box 309
Acoma, NM 87034

Mr. Milton Head
Bluewater Valley Downstream Alliance
P.O. Box 2038
Milan, NM 87021