

December 16, 2010

Mr. Jon Winter
Manager, Wyoming Environmental
and Regulatory Affairs
Uranium One Americas, Inc.
907 N. Poplar Street, Suite 260
Casper, WY 82601

SUBJECT: URANIUM ONE USA, INC., IRIGARAY AND CHRISTENSEN RANCH
PROJECT, CAMPBELL AND JOHNSON COUNTIES, WYOMING, SOURCE
MATERIALS LICENSE SUA-1341, AMENDMENT NO. 19 - ANNUAL SURETY
ESTIMATE ADJUSTMENT AND OPERATIONAL SURETY ADJUSTMENT (TAC
NO. J00631)

Dear Mr. Winter:

On August 18, 2010, Uranium One, USA, Inc. (Uranium One) submitted its annual surety update for the Irigaray and Christensen Ranch Project to the U.S. Nuclear Regulatory Commission (NRC) for review and approval. The surety update package was made publicly available in NRC's Agencywide Documents Access and Management System (ADAMS) on September 7, 2010 (ADAMS ML102450550). The surety estimate was accepted for review on September 17, 2010. On November 8, 2010, Uranium One updated the bond estimate to account for refurbishment activities undertaken at the site and not previously accounted for in the August 18, 2010, submission (ML203130279).

The NRC staff reviewed the surety update in accordance with License Condition 9.5, consistent with Criterion 9 of Appendix A to Part 40 of Title 10 of the Code of Federal Regulations (10 CFR Part 40, Appendix A). Criterion 9 requires the licensee to supply, among other things, sufficient information for the NRC staff to evaluate the amount of financial assurance to ensure that it provides reasonable assurance to cover costs of all decontamination, decommissioning and reclamation of the site. Additionally, the surety estimate must be based on costs of a third party, include a minimum 15 percent contingency, and be updated annually. The staff used guidance in NUREG-1569, "Standard Review Plan for In-Situ Leach Uranium Extraction License Applications," dated June 2003, to complete this review.

The staff reviewed the supporting assumptions and spreadsheets provided in the submittal. Uranium One's updated surety of \$12,928,432 represents a \$3,100,333 increase from the previously approved surety of \$9,828,099 in License Amendment 18. The increase in the cost estimate is due to an adjustment for inflation; new costs associated with the planned restart of uranium production; opening of new mine unit 7, including the anticipated injection of lixiviant into mine unit 7; and other factors.

For groundwater restoration, Uranium One has used one pore volume in the groundwater sweep phase and 10 pore volumes in the reverse osmosis phase to calculate the surety cost for restoration for mine unit 7. This number of pore volumes is consistent with its License Renewal Application, dated May 2008, Revision dated July 2009 (ADAMS ML092110692), currently under

review by the staff. Groundwater restoration worksheets have also been adjusted to reflect four stability monitoring events, as required in the previous surety update in License Amendment 16. Labor rates for groundwater restoration have been adjusted upward from 1.6 years to two years. The total increase in the cost estimate for groundwater restoration is \$1,231,308.

While no costs were included for mine unit 8 groundwater restoration, Uranium One provided costs to plug and abandon wells, remove piping, and remove other ancillary wellfield equipment. This is acceptable, provided the activities associated with mine unit 8 remain developmental only, and do not include lixiviant injection. Therefore, lixiviant injection is not authorized at this time in mine unit 8. Lixiviant injection can only commence after an updated surety, that includes groundwater restoration costs for mine unit 8, is approved by NRC staff, and the staff receives a copy of the surety.

Estimated costs related to the leak detection system removal for Brine Pond 1 at the Christensen Ranch site increased by \$346,500. This is due to a discovered leak in Brine Pond 1 during the reporting period and additional disposal costs may be incurred. Uranium One also increased pond reclamation costs due to several ponds being put back into use and relined for a return to operations. The total increase in the cost estimate due to pond reclamation is \$627,208.

Total costs for well plugging and abandonment has increased by \$64,113, primarily due to the addition of wells for mine unit 8 due to development, construction and installation activities. The total estimated cost for wellfield equipment removal and disposal has increased by \$244,530. This increase is primarily for the piping and the trunkline serving mine unit 7 that is planned for operations in the upcoming year. Estimated costs for topsoil replacement and revegetation has increased by \$169,776 due to the construction and development activities in mine units 7 and 8.

The staff notes that several costs in the surety are based on contract costs from 2006. The staff recommends that Uranium One consider "rebaselining" its costs for the next surety update to reflect actual contracts and/or typical costs for services. While not a requirement, general industry practice has been that a rebaselining of costs occurs approximately every five years.

On September 30, 2008, Uranium One's predecessor, Cogema Mining, Inc. (Cogema), was granted approval to change from restoration and decommissioning status to an operating (uranium production) status. The approval letter stipulated that Cogema was required to update its surety estimate prior to startup of operations to reflect decommissioning costs based on the operational status of the facility. In its letter dated September 11, 2008, Cogema confirmed its commitment to update its surety estimate before a resumption of operations by stating, "[p]rior to any future startup of operations, Cogema will request an increase in the surety to reflect restoration costs attendant to a resumption of operations." Subsequently, in December 2009, Uranium One agreed to all the conditions associated with NRC License SUA-1341 when the NRC staff approved the change of control of SUA-1341 from Cogema to Uranium One. Uranium One also agreed to update the surety estimate prior to startup of operations (lixiviant injection and active uranium recovery) to reflect decommissioning costs based on the operational status of the facility. Upon NRC's receipt of the updated Letter of Credit from Uranium One, reflecting the revised surety amount of \$12,928,432, the requirement to update the surety prior to operations will be satisfied.

The staff approves the revised surety in the amount of \$12,928,432, which represents a \$3,100,333 increase from the previously approved surety of \$9,828,099 in License Amendment 18. Based on the staff's review, Uranium One has provided adequate justification for the current surety estimate. Therefore, the surety amount in License Condition 9.5 is revised and License Amendment No. 19 is enclosed.

This licensing action meets the categorical exclusion provision for surety changes in 10 CFR Part 51.22(c)(10)(i). Therefore, this amendment does not require either an environmental assessment or an environmental impact statement. If you have any questions regarding this letter, or the enclosure, please contact Mr. Ron C. Linton, Project Manager, at (301) 415-7777, or at ron.linton@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 ADAMS. ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/NRC/reading-rm/adams.html>.

Sincerely,

/RA/

Keith I. McConnell, Deputy Director
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.: 040-08502
License No.: SUA-1341

Enclosure: License Amendment No. 19

cc: G. Mooney (WYDEQ)

J. Winter

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Keith I. McConnell, Deputy Director
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Docket No.: 040-08502
License No.: SUA-1341
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cc: G. Mooney (WYDEQ)

(CLOSES TAC J00631)

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