

February 18, 1999
DOCKETED
USNRC

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

'99 FEB 19 A9:36

BEFORE THE PRESIDING OFFICER

In the Matter of)
HYDRO RESOURCES, INC.)
2929 Coors Road, Suite 101)
Albuquerque, New Mexico 87120)

Docket No. 40-8968-ML
Re: Leach Mining and Milling License

OFFICE OF SECRETARY
RULEMAKING AND
ADJUDICATIONS STAFF

NRC STAFF'S RESPONSE TO INTERVENORS'
PRESENTATIONS ON TECHNICAL QUALIFICATION,
FINANCIAL, AND DECOMMISSIONING ISSUES

INTRODUCTION

On January 11, 1999, intervenors Eastern Navajo Diné Against Uranium Mining (ENDAUM) and Southwest Research and Information Center (SRIC) (collectively, "Intervenors") filed joint written presentations on technical and financial qualification issues, and decommissioning issues,¹ pursuant to 10 C.F.R. § 2.1233. In accordance with the Presiding Officer's Memorandum and Order (Scheduling and Partial Grant of Motion for Bifurcation), dated September 22, 1998 (unpublished) (September 22 Order), and the subsequent Joint Notice of Modification of Schedule for Written Presentations dated November 5, 1998, SRIC's January 11 Presentations are part of a series of written

¹Eastern Navajo Diné Against Uranium Mining And Southwest Research And Information Center's Brief In Opposition To Hydro Resources, Inc.' Application For A Materials License With Respect To: Hydro Resources, Inc.'s Lack Of Technical And Financial Qualifications, dated January 11, 1999 (SRIC's Qualifications Brief); [ENDAUM's and SRIC's] Brief In Opposition to Hydro Resources, Inc.'s Application For A Materials License With Respect To: Financial Assurance For Decommissioning, dated January 11, 1999 (SRIC's Decommissioning Brief). Collectively, these written presentations will be referred to as SRIC's January 11 Presentations. Since the issues in SRIC's January 11 Presentations overlap to some extent, this Staff filing responds to both of Intervenors' presentations.

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presentations being filed on issues involving the proposed in situ leach (ISL) uranium mining by licensee Hydro Resources, Inc. (HRI).

Pursuant to the September 22 Order (as later modified by the Presiding Officer), HRI filed its combined response to SRIC's January 11 Presentations on February 11, 1999,² and included exhibits. As discussed below, Intervenors' arguments, including the proffered testimony of Mr. David Osterberg, attached to SRIC's Qualifications Brief as Exhibit 4 (Osterberg Testimony), and that of Dr. Michael Sheehan, attached to SRIC's Decommissioning Brief as Exhibit 1 (Sheehan Testimony), do not support the relief requested by Intervenors. Accordingly, Intervenors' requests that HRI's 10 C.F.R. Part 40 license be revoked (*see* SRIC's Qualifications Brief, at 24; SRIC's Decommissioning Brief, at 21) should be denied.

BACKGROUND

Proposed operations at HRI's Church Rock Section 8 site, located about five miles north of the town of Church Rock, and the consequences of ISL mining on Section 8, form the scope of issues relevant to this phase of the proceeding. *See* September 22 Order, at 3.³ To the extent that the January 11 Presentations and supporting testimony relate to HRI's plans to mine areas other than Section 8, those concerns are not germane at this time and should not now be considered by the Presiding Officer.

²Hydro Resources, Inc.'s Response To Intervenors' Briefs With Respect To [HRI's] Technical and Financial Qualifications And Financial Assurance For Decommissioning, dated February 11, 1999 (HRI's Financial Response).

³The Commission's January 29, 1999 Order reinforced this limited scope by directing the Presiding Officer to "complete his series of merits decisions on all matters related to the Church Rock Section 8 property" by June 15, 1999. CLI-99-1, 49 NRC ___, slip op. at 4.

DISCUSSION

As shown below in Section A, Intervenor's financial and decommissioning arguments misinterpret the applicable 10 C.F.R. Part 40 requirements, and as further shown below in Section B, their technical qualification arguments find no basis in the 10 C.F.R. Part 40 requirements.

A. Intervenor's Financial And Decommissioning Arguments Misread Part 40 Regulations

Intervenor's base many of their financial qualification and decommissioning contentions on inapplicable provisions of the 10 C.F.R. Part 40 regulations. Contrary to their stated premise that the requirements of 10 C.F.R. § 40.36 govern the timing and extent of the financial assurance HRI must provide (*see* SRIC's Decommissioning Brief, at 3-4, 11-14; Sheehan Testimony, at 7-9, 12, 17-20, 23, 31), those requirements do not apply to ISL license applicants or ISL licensees. Instead, as discussed below, the governing regulatory requirement here is 10 C.F.R. Part 40 Appendix A, Criterion 9. On the timing question, Criterion 9 states in pertinent part that surety arrangements need only be established "before beginning operations," rather than prior to licensing.⁴

⁴As indicated in Exhibit H to HRI's Financial Response, the Staff is in the process of reviewing surety materials submitted by HRI. One such item is an HRI letter to Staff (Robert Carlson) dated June 25, 1997, a copy of which is attached hereto (with enclosures) as Staff Exhibit 1. Through an oversight, a copy of this correspondence was mistakenly not included in the HRI Hearing File prepared by the Staff. Another such item is an HRI letter to Staff (Robert Carlson), dated December 11, 1998, a copy of which is attached hereto (with enclosures) as Staff Exhibit 2. If HRI's surety submittals are found to be inadequate, further financial assurance will be required prior to any ISL mining. As HRI emphasizes, however, no ISL mining will occur at Section 8 in any event until the market price for uranium
(continued...)

Intervenors' own argument contradicts their erroneous premise that 10 C.F.R. § 40.36 governs here. The 10 C.F.R. § 40.4 definition of "uranium milling" is "any activity that results in the production of byproduct material as defined in this Part." *See* SRIC's Decommissioning Brief, at 5. Intervenors also note there that the term "byproduct material" is defined in 10 C.F.R. § 40.4 as:

the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content, *including discrete surface wastes resulting from uranium solution extraction processes*. Underground ore bodies depleted by such solution extraction operations do not constitute "byproduct material" within this definition.

Id. (emphasis added). ISL mining activities thus clearly fall within the definition of "uranium milling" as that term is used in 10 C.F.R. Part 40. By its terms, the "except for" clause in 10 C.F.R. § 40.36 (*see* SRIC's Decommissioning Brief, at 3) takes licensed "uranium milling" activities outside the scope of its provisions, stating that for such activities the "financial assurance requirements" are found in Appendix A to 10 C.F.R. Part 40. In further contradiction of their 10 C.F.R. § 40.36 argument, Intervenors note that Appendix A, Criterion 9, states in part that uranium mill operators, including ISL licensees, "must establish financial surety arrangements before beginning operations, to assure that sufficient funds will be available to carry out decommissioning of the mill and site." *See* SRIC's Decommissioning Brief, at 6. Intervenors then conclude that Criterion 9 thus "applies to the decommissioning of ion exchange processing buildings, waste disposal sites, and soils at the Crownpoint Project." SRIC's Decommissioning Brief, at 5-6.

⁴(...continued)
improves. *See* HRI's Financial Response, at 13-15.

However, some of the Intervenor's arguments regarding how Appendix A, Criterion 9, applies to HRI (*see* SRIC's Decommissioning Brief, at 5-7, 17-19; Sheehan Testimony, at 9-10) are also incorrect, as not all of the Criterion 9 provisions apply to ISL mining operations. For example, contrary to Intervenor's assertions (*see* SRIC's Decommissioning Brief, at 6 and n.2, 18; Sheehan Testimony, at 10),⁵ Criterion 9 provisions regarding long-term surveillance costs, and other Appendix A criteria related to the control of uranium mill tailings, are not applicable to HRI's proposed ISL operations. *See, e.g.*, Appendix A, Criterion 12 (reporting requirements regarding inspections of tailings disposal areas); and Appendix A Criterion 11 (regarding transfer of site ownership of tailings disposal areas to the federal government). *See also* Staff's October, 1988 "Technical Position On Financial Assurances for Reclamation, Decommissioning, and Long-term Surveillance and Control of Uranium Recovery Facilities (STP), section 4.1.8, at 25-26 (Staff Exhibit 3) (Appendix A, Criterion 10 requirements, not applicable to ISL mining operations).

The key to properly understanding the financial assurance requirements applicable to HRI is License Condition (LC) 9.5, but as shown below, Intervenor and Dr. Sheehan fail to properly account for its provisions. Intervenor reference LC 9.5 only in passing, and distort its meaning by omitting the second, third, and fourth paragraphs thereof. *See* SRIC's Decommissioning Brief, at 10. This distortion is carried over to the Sheehan Testimony, which quotes from an even more truncated version of LC 9.5 in claiming that its provisions

⁵ These contentions contradict a previous acknowledgment that most of the 10 C.F.R. Part 40 Appendix A criteria focus on controlling wastes from traditional uranium milling operations. *See* Petitioners ENDAUM And SRIC's Second Amended Request For Hearing, Petition To Intervene, And Statement Of Concerns, dated August 19, 1997, at 97 n.72.

improperly lock in a surety amount "for an indefinite period." Sheehan Testimony, at 13. This claim fails to account for the additional LC 9.5 requirements (stated in the second and third LC 9.5 paragraphs) that surety amounts must be updated annually, along with a breakdown of the updated cost estimates, and be submitted for Staff approval together with adjustments made for inflation. LC 9.5 additionally requires that at least 90 days before any expansion or operational change, an updated surety amount must be approved by the NRC staff.⁶ The overall surety amount, and components thereof, are thus by no means "locked in."

Another of Dr. Sheehan's arguments based on LC 9.5 is equally weak. He notes that the terms of the first paragraph of LC 9.5 allow a financial assurance analysis to take place after licensing, as opposed to requiring that such an analysis occur and that a surety agreement be in place before a license is issued (as would be required if 10 C.F.R. 40.36 were applicable). *See* Sheehan Testimony, at 12-13. While his observation is correct, he makes no showing that this shift in timing is prohibited by Criterion 9 of Appendix A. In fact, Criterion 9 states that surety arrangements need only be established "before beginning operations," rather than prior to licensing, as Dr. Sheehan acknowledges earlier in his testimony. *See* Sheehan Testimony, at 9. Accordingly, the Intervenors' parallel argument

⁶The Intervenors' determination not to recognize these LC 9.5 provisions is further evidenced by their failure to fully cite the discussion of them in the Staff's December 1997 Safety Evaluation Report (SER). *See* SRIC's Decommissioning Brief, at 8-9, quoting from SER Section 9.0, but omitting the further SER discussion therein regarding LC 9.5 which states:

Additionally, the amount of the surety should be adjusted to recognize any increases or decreases in liability resulting from inflation, changes in engineering plans, or other conditions affecting cost.

that they were entitled to a pre-licensing hearing, pursuant to Criterion 9, on the "adequacy of HRI's decommissioning cost estimate and surety arrangement," has no merit. *See* SRIC's Decommissioning Brief, at 19.⁷

Dr. Sheehan concludes his LC 9.5 analysis by arguing that LC 9.5 "appears to limit the surety that can be required at Church Rock to that based on 9 pore-volumes." Sheehan Testimony, at 14. This contention belies the following LC 9.5 provision which he did not cite in his truncated summary:

If at any time it is found that the well field restoration requires greater [than 9] pore-volumes or higher restoration costs, the value of the surety will be adjusted upwards.

Accordingly, Dr. Sheehan's arguments regarding LC 9.5 are not entitled to any weight, and should be rejected by the Presiding Officer.

Intervenors present another set of financial arguments in SRIC's Qualifications Brief, at 16-24, basing their contentions on 10 C.F.R. §§ 40.32(c), (d), and (e) at 16-18. Therein, Intervenors recognize that pursuant to 10 C.F.R. § 40.32(e), the Staff has the authority to issue 10 C.F.R. Part 40 materials licenses with "any appropriate conditions to protect environmental values." *See* SRIC's Qualifications Brief, at 16-17. Pursuant to this authority, the Staff issued HRI a license with many such conditions, including LC 9.5 as discussed above. However, the specific financial provisions of LC 9.5 are based on Criterion 9 of Appendix A, rather than the general safety standards set forth in 10 C.F.R.

⁷The Intervenors' reliance here (and elsewhere) on *Union of Concerned Scientists v. NRC*, 735 F.2d 1437, 1444-48 (D.C. Cir. 1984), *cert. denied*, 469 U.S. 1132 (1985), continues to be misplaced. *See* "NRC Staff's Response To ENDAUM/SRIC Joint Motion For Reconsideration," dated June 22, 1998, at 5.

§§ 40.32(c), (d), and (e). Accordingly, the issue when properly framed is not whether when read together these general standards "clearly indicate that the financial capability of an applicant must be considered by the NRC in determining whether to issue a license" (SRIC's Qualifications Brief, at 17), but whether LC 9.5 properly incorporates the applicable provisions of Criterion 9. As discussed above, it does so.

Referencing the testimony of Dr. Sheehan and Mr. Osterberg, Intervenors next contend that HRI's financial health is poor, and that the market for uranium over the next several years will keep HRI in poor financial health. *See* SRIC's Qualifications Brief, at 18-24. HRI agrees that under current market conditions, ISL mining at Section 8 will not occur. *See* HRI's Financial Response, at 13, 15. The Staff is not in the business of assessing the wisdom of a licensee's capital expenditures in an uncertain market.⁸ As the Commission found in *Louisiana Energy Services* (Homer, La. Uranium Enrichment Facility), CLI-98-3, 47 NRC 77, 94-95 (1998), price-driven approaches relying on predictions (of Mr. Osterberg and others) of what future uranium market conditions and prices will be, can lead to bad regulatory decisions. If HRI can meet the financial requirements of LC 9.5 (and the other health and safety conditions of its license), it will be authorized to conduct ISL mining regardless of what the market price of uranium happens to be. Whether it makes economic sense for HRI to conduct mining operations is a decision outside the scope of the Staff's regulatory authority. Accordingly, Intervenors' arguments in SRIC's Qualifications Brief, at 18-24, and the Osterberg Testimony, provide no basis to take action against HRI's license.

⁸The Staff notes, however, that the notification of bankruptcy provision in 10 C.F.R. § 40.41(f) (which Intervenors do not discuss) is designed to put the Staff on notice of those extreme financial situations where public health and safety could conceivably be threatened.

B. Intervenors' Technical Qualification Arguments Lack Merit

SRIC's Qualifications Brief, at 3-16, sets forth various arguments based on HRI's alleged lack of technical competence to operate an ISL facility. As discussed below, these arguments lack merit and should be rejected.

1. Piercing the corporate veil is not warranted

Intervenors argue that the Staff should look behind HRI's corporate façade to the alleged shortcomings of its parent, Uranium Resources, Inc. (UR, Inc.), and its sister company, URI. *See* SRIC's Qualifications Brief, at 3-10. There is no dispute that HRI is a wholly-owned subsidiary of UR, Inc., which is also the parent of HRI's sister company, URI. *See* HRI's Financial Response, at 2, 7. HRI has shown that its proposed operations in New Mexico are different from, and independent of, the Texas ISL operations with which UR, Inc. and URI have been engaged for several years. *See id.*, section IIA, at 2-12. For example, the salt water intrusions which have caused problems in Texas will not be a factor at Church Rock's Section 8. *See id.*, at 7. URI and HRI are genuinely separate companies, as each holds separate assets. *See id.*, at 2. Accordingly, there is no legitimate basis to invoke the extreme remedy of piercing the corporate veil. No such action is warranted.

2. ISL mining problems in Texas are overstated

Intervenors contend that ISL mining conditions in New Mexico are sufficiently different from those in Texas to cause concern, and that in any event the mining problems which UR, Inc. and URI have experienced in Texas demonstrate a lack of technical ability to operate safely in New Mexico. *See* SRIC's Qualifications Brief, at 11-14. The Staff will assume for the sake of argument that human error was the cause of the Texas problems, and

that the same personnel responsible for these problems will be working for HRI in New Mexico. Even if these points (which Intervenors do not establish) are conceded, the Presiding Officer should reject these contentions. HRI, properly focusing on mining conditions at Church Rock Section 8, has shown that conditions there are not radically different from those in Texas, and that the technical problems in Texas are not sufficiently serious to call into question HRI's ability to conduct ISL mining in New Mexico. *See* HRI Financial Response, section IIA, at 3-9, and HRI Exhibits A-D referenced therein.

3. Competency findings regarding specific individuals not required

Intervenors argue that 10 C.F.R. § 40.32(b) required the Staff, prior to issuing HRI its ISL license, to make findings regarding the qualifications and credentials of specific individuals to be employed by HRI. *See* SRIC's Qualifications Brief, at 14-16. Prior to issuing HRI its license, the Staff made the general findings required by 10 C.F.R. 40.32. *See* SER, at 34. In arguing that specific individuals must be evaluated, Intervenors seem to be importing into 10 C.F.R. Part 40 requirements similar to those applicable to reactor operators. *See generally* 10 C.F.R. Part 55. There is no basis for doing so. Moreover, as correctly noted by HRI, there is no regulatory provision in 10 C.F.R. Part 40 which authorizes the Staff to make fitness findings on individual HRI employees as a prerequisite to license issuance. *See* HRI Financial Response, section IIA, at 10-12. Thus, the Staff has no authority to take the actions Intervenors request, and the Presiding Officer should therefore reject this argument.

Accordingly, as demonstrated above, Intervenors' technical qualification arguments (*see* SRIC's Qualifications Brief, at 3-16) lack merit and should be rejected.

CONCLUSION

The Staff has considered the relevant arguments contained in SRIC's Decommissioning Brief, SRIC's Qualifications Brief, and HRI's Financial Response (its combined rebuttal). As discussed above, Intervenors have failed to identify any financial or technical qualification issues, or any decommissioning matters, which warrant revocation of the license. Accordingly, the Staff requests the Presiding Officer to deny the relief sought by Intervenors.

Respectfully submitted,


for John T. Hull
Counsel for NRC Staff

Dated at Rockville, Maryland
this 18th day of February, 1999

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

DOCKETED
USNRC

'99 FEB 19 A9:36

BEFORE THE PRESIDING OFFICER

In the Matter of)
) Docket No. 40-8968-ML
HYDRO RESOURCES, INC.)
2929 Coors Road, Suite 101) (Re: Leach Mining and Milling License)
Albuquerque, New Mexico 87120)

OFFICE OF SECRETARY
RULEMAKING AND
ADJUDICATIONS STAFF

CERTIFICATE OF SERVICE

I hereby certify that copies of "NRC STAFF'S RESPONSE TO INTERVENORS' PRESENTATIONS ON TECHNICAL QUALIFICATION, FINANCIAL, AND DECOMMISSIONING ISSUES" in the above-captioned proceeding have been served on the following by U.S. Mail, first class, or as indicated by a single asterisk through deposit in the Nuclear Regulatory Commission's internal mail system, or as indicated by double asterisks via e-mail and express mail this 18th day of February 1999:

Administrative Judge
Peter B. Bloch*
Presiding Officer
Atomic Safety and Licensing Board
Mail Stop T-3 F23
U.S. Nuclear Regulatory Commission
Washington, D. C. 20555
FAX: 301-415-5595

Jep Hill, Esq.
Jep Hill and Associates
P.O. Box 2254
Austin, Texas 78768-2254

Administrative Judge
Thomas D. Murphy*
Special Assistant
Atomic Safety and Licensing Board
Mail Stop T-3 F23
U.S. Nuclear Regulatory Commission
Washington, D. C. 20555

Richard F. Clement, Jr.
President
Hydro Resources, Inc.
2929 Coors Road
Suite 101
Albuquerque, New Mexico 87120

Diane Curran, Esq.
Harmon, Curran, Spielberg,
& Eisenberg, L.L.P.
2001 S Street, N.W., Suite 430
Washington, D. C. 20009

Mitchell W. Capitan, President
Eastern Navajo-Diné Against
Uranium Mining
P.O. Box 471
Crownpoint, New Mexico 87313

Douglas Meiklejohn, Esq.**
Johanna Matanich, Esq.
New Mexico Environmental
Law Center
1405 Luisa Street, Suite 5
Santa Fe, New Mexico 87505
FAX: 505-989-3769

W. Paul Robinson
Chris Shuey
Southwest Research
and Information Center
P. O. Box 4524
Albuquerque, New Mexico 87106

Anthony J. Thompson, Esq.**
Counsel for Hydro Resources, Inc.
Shaw, Pittman, Potts & Trowbridge
2300 N Street, N.W.
Washington, D. C. 20037-1128
FAX: 202-663-8007

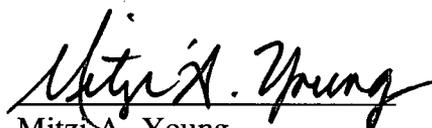
Secretary* (2)
Attn: Rulemakings and
Adjudications Staff
Mail Stop: OWFN-16 C1
U.S. Nuclear Regulatory Commission
Washington, D. C. 20555

Roderick Ventura**
Samuel D. Gollis
DNA - People's Legal Services, Inc.
P. O. Box 306
Window Rock, Arizona 86515
FAX: 520-871-5036

Office of Commission Appellate
Adjudication*
Mail Stop: OWFN-16 C-1
U.S. Nuclear Regulatory Commission
Washington, D. C. 20555

Adjudicatory File* (2)
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Washington, D. C. 20555

Atomic Safety and Licensing Board
Panel*
Mail Stop: T-3 F23
U.S. Nuclear Regulatory Commission
Washington, D. C. 20555


Mitzi A. Young
Counsel for NRC Staff

HRI, INC.

(A Subsidiary of Uranium Resources, Inc.)

2929 Coors Road NW
Suite 101
Albuquerque, N.M. 87120-2929
Telephone: (505) 833-1777
Fax: (505) 833-0777

12750 Merit Drive
Suite 1020, LB 12
Dallas, Texas 75251
Telephone: (972) 387-7777
Fax: (972) 387-7779

P.O. Box 777
Crownpoint, New Mexico 87313
Telephone: (505) 786-5845
Fax: (505) 786-5555

June 25, 1997

40-8907

Mr. Robert Carlson, Project Manager
U. S. Nuclear Regulatory Commission
Office of Nuclear Material Safety & Safeguards
Two White Flint North
Mail Stop T-7J9
11545 Rockville Pike
Rockville, MD 20852

Dear Mr. Carlson:

At the request of Mark Pelizza, I am sending to you via U.S. mail the following:

- June 2, 1997 Letter and enclosures to Mr. Richard Ohrbom regarding DP-558 Churchrock Section 8 Financial Assurance Plan
- June 13, 1997 Letter to Ms. Katherine Everette regarding Response to Q1/92 and the associated Churchrock Section 17 and 8 Feasibility Study

Please call this office if you have any questions regarding this matter.

Sincerely,

Diana L. Goodier
Administrative Assistant

/dlg
Encl.

11/1/95

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PDR ADOCK 04008907
PDR



HRI, INC.

COPY

(A Subsidiary of Uranium Resources, Inc.)

2929 Coors Road NW
Suite 101
Albuquerque, N.M. 87120-2929
Telephone: (505) 833-1777
Fax: (505) 833-0777

12750 Merit Drive
Suite 1020, LB 12
Dallas, Texas 75251
Telephone: (972) 387-7777
Fax: (972) 387-7779

P.O. Box 777
Crownpoint, New Mexico 87313
Telephone: (505) 786-5845
Fax: (505) 786-5555

June 13, 1997

Ms. Katherine Everette
New Mexico Environment Department
Ground Water Section
Water Resources Specialist
P.O. Box 26110, Runnells Building
Santa Fe, New Mexico 87502

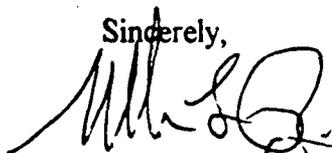
Dear Ms. Everette:

For your review, please find enclosed HRI's Response to NRC Q1/92, and the associated Churchrock Section 17 and 8 Feasibility Study. It is from this study that I constructed the Section 8 restoration costs that were provided to NMED on June 2. The numbers you were supplied are different in that Section 17 reclamation costs have been removed and I have increased ground water pore volumes from four (4) to nine (9).

It should be emphasized that the cost estimate you currently have is a preliminary one. There will be a number of factors that will influence this cost once the as-built design is finished (i.e., number of evaporation ponds, plant size, waste disposal chosen, exact ore zone configuration). We will submit an updated estimate after initial construction is complete and annually thereafter.

Please feel free to contact me after reviewing this information.

Sincerely,



Mark S. Pelizza
Vice President
Health, Safety and Environmental Affairs

MSP/dlg
Encl.

COPY

HRI, INC.

(A Subsidiary of Uranium Resources, Inc.)

2929 Coors Road NW
Suite 101
Albuquerque, New Mexico 87120
Telephone: (505) 833-1777
Fax: (505) 833-0777

12750 Merit Drive
Suite 1020, LB 12
Dallas, Texas 75251
Telephone: (972) 387-7777
Fax: (972) 387-7779

P.O. Box 777
Crowpoint, New Mexico 87313
Telephone: (505) 786-5845
Fax: (505) 786-5555

Mark S. Pelizza
Vice President
Health, Safety and Environmental Affairs

June 2, 1997

Mr. Richard Ohrbom
Ground Water Pollution Prevention Section
New Mexico Environment Department
Harold Runnels Building
1190 St. Francis Drive
P.O. Box 26110
Santa Fe, New Mexico 260110

Re: DP-558 Churchrock Section 8 Financial Assurance Plan

Dear Mr. Ohrbom:

For the purpose of compliance with Sections 74-6-5 and 74-6-9 of the Water Quality Act and Sections 3106.C.7 and 3107.A.4, A.10, A.11, and 5210.B.17 of the WQCC Regulations, this letter, with attachments, will comprise HRI's Financial Assurance Plan ("the Plan") for the subject discharge plan.

The costs associated with the plan, found in Attachment 1, consider the expenses that will be incurred to restore the entire Section 8 property after full mine development based on current assumptions. Because this development will proceed over a number of years, HRI would propose to initially bond one-half of the total projected cost, with a subsequent review one every twelve months. The annual review shall include an adjustment due to inflation, new technologies, or New Mexico Environment Department (NMED) approved revisions to the closure plan. The financial assurance shall be released or modified when the NMED determines by closure review that closure measures covered by the financial assurance have been completed. The form of financial assurance will be acceptable to the NMED.

The financial assurance closure plan is broken into three distinct phases.

Phase 1 includes Ground Water Restoration and Surface Reclamation. Included in Phase 1 is:

- Ground water remediation of each mining zone after in-situ mining ceases.

Letter to Richard Ohrbom

June 2, 1997

Page 2

- The removal and disposal of all materials capable of creating leachate which contains any contaminants listed in § 3103 of the WQCC regulations.

These costs were developed based on a number of assumptions as follows:

- Nine pore volumes of restoration as required by NRC.
- All capital expenditures sunk at the time restoration begins, (i.e., plant, wellfield restoration equipment).
- Nominal waste accumulated at the end of the project.
- Water treatment by reverse osmosis (R.O.) and brine concentration.
- Ground water restoration completed in 60 months.
- Surface remediation completed in month 49 through 60.

The numbers shown in Attachment 1 are consistent to the Churchrock Yellowcake Slurry economic case that was evaluated by the NRC.

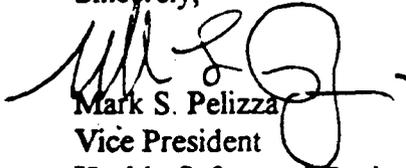
Phase 2 of the plan consists of post-restoration stability sampling. Two years of quarterly sampling are provided for.

Phase 3 is well plugging. Funds to plug 1,157 cased wells are provided for. The costs are consistent to the Churchrock Yellowcake Slurry economic case that was evaluated by the NRC.

It should be noted that the amounts in this Financial Assurance Plan will be subject to refinement up to the point that mining begins. At this point, we believe we have presented a conservative case. A number of factors could affect the final estimate including the restoration processes used (i.e., ground water sweep vs. R.O. and brine concentration), liquid disposal available, as-built wellfield and plant configuration and various regulatory requirements. After the NRC-required restoration demonstration, the project cost will certainly be re-evaluated based on the results of that test.

Please feel free to contact me with questions or comments pertaining to this plan.

Sincerely,



Mark S. Pelizza

Vice President

Health, Safety and Environmental Affairs

Encl.

cc Richard F. Clement, Jr./HRI, Inc./Albuquerque, NM
Jep Hill/Jep Hill and Associates/Austin, TX

ATTACHMENT 1
FINANCIAL ASSURANCE PLAN

, Inc.
Churchrock Section 8
Financial Assurance Plan

Month from Start	1	2	3	4	5	6	7	8	9	10	11	12
Ground Water Restoration (9 P.V.) & Surface Reclamation												
Labor	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034
Auxiliary Costs	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353
Environmental	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Electrical & Water	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908
Chemicals	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Wellfield Hardware Maintenance	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721
Plant Hardware Maintenance	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325
Ancillary Plant Costs	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Vehicle Charges	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Totals	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341
Cumulative Totals	\$68,341	\$136,682	\$205,023	\$273,364	\$341,705	\$410,046	\$478,387	\$546,728	\$615,069	\$683,410	\$751,751	\$820,092
Stability Sampling Quarterly for 2 Years												
Labor												
Laboratory Fees												
Mic.												
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plugging (1157 Wells)												
Cement Service												
Cement												
Dirt Work												
Surveying												
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Totals	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341
Project Cumulative Total	\$68,341	\$136,682	\$205,023	\$273,364	\$341,705	\$410,046	\$478,387	\$546,728	\$615,069	\$683,410	\$751,751	\$820,092

Month from Start	13	14	15	16	17	18	19	20	21	22	23	24
Ground Water Restoration (9 P.V.) & Surface Reclamation												
Labor	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034
Auxiliary Costs	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353
Environmental	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Electrical & Water	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908
Chemicals	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Wellfield Hardware Maintenance	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721
Plant Hardware Maintenance	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325
Ancillary Plant Costs	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Vehicle Charges	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Totals	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341
Cumulative Totals	\$888,433	\$956,774	\$1,025,115	\$1,093,456	\$1,161,797	\$1,230,138	\$1,298,479	\$1,366,820	\$1,435,161	\$1,503,502	\$1,571,843	\$1,640,184
Stability Sampling Quarterly for 2 Years												
Labor												
Laboratory Fees												
Mic.												
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plugging (1157 Wells)												
Cement Service												
Cement												
Dirt Work												
Surveying												
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Totals	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341	\$68,341
Project Cumulative Total	\$888,433	\$956,774	\$1,025,115	\$1,093,456	\$1,161,797	\$1,230,138	\$1,298,479	\$1,366,820	\$1,435,161	\$1,503,502	\$1,571,843	\$1,640,184

Month from Start	25	26	27	28	29	30	31	32	33	34	35	36
Ground Water Restoration (9 P.V.) & Surface Reclamation												
Labor	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034
Auxiliary Costs	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353
Environmental	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Electrical & Water	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908
Chemicals	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Wellfield Hardware Maintenance	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721
Plant Hardware Maintenance	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325
Ancillary Plant Costs	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Vehicle Charges	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Totals	\$68,341											
Cumulative Totals	\$1,708,525	\$1,776,866	\$1,845,207	\$1,913,548	\$1,981,889	\$2,050,230	\$2,118,571	\$2,186,912	\$2,255,253	\$2,323,594	\$2,391,935	\$2,460,276
Stability Sampling Quarterly for 2 Years												
Labor												
Laboratory Fees												
Mic.												
Totals	\$0											
Cumulative Totals	\$0											
Plugging (1157 Wells)												
Cement Service												
Cement												
Dirt Work												
Surveying												
Totals	\$0											
Cumulative Totals	\$0											
Project Totals	\$68,341											
Project Cumulative Total	\$1,708,525	\$1,776,866	\$1,845,207	\$1,913,548	\$1,981,889	\$2,050,230	\$2,118,571	\$2,186,912	\$2,255,253	\$2,323,594	\$2,391,935	\$2,460,276

Month from Start	37	38	39	40	41	42	43	44	45	46	47	48
Ground Water Restoration (9 P.V.) & Surface Reclamation												
Labor	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034	\$25,034
Auxiliary Costs	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353	\$353
Environmental	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Electrical & Water	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908
Chemicals	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Wellfield Hardware Maintenance	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721
Plant Hardware Maintenance	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325
Ancillary Plant Costs	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Vehicle Charges	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Totals	\$68,341											
Cumulative Totals	\$2,528,617	\$2,596,958	\$2,665,299	\$2,733,640	\$2,801,981	\$2,870,322	\$2,938,663	\$3,007,004	\$3,075,345	\$3,143,686	\$3,212,027	\$3,280,368
Stability Sampling Quarterly for 2 Years												
Labor												
Laboratory Fees												
Mic.												
Totals	\$0											
Cumulative Totals	\$0											
Plugging (1157 Wells)												
Cement Service												
Cement												
Dirt Work												
Surveying												
Totals	\$0											
Cumulative Totals	\$0											
Project Totals	\$68,341											
Project Cumulative Total	\$2,528,617	\$2,596,958	\$2,665,299	\$2,733,640	\$2,801,981	\$2,870,322	\$2,938,663	\$3,007,004	\$3,075,345	\$3,143,686	\$3,212,027	\$3,280,368

Month from Start	49	50	51	52	53	54	55	56	57	58	59	60
Ground Water Restoration (9 P.V.) & Surface Reclamation												
Labor	\$102,406	\$102,406	\$102,406	\$102,406	\$102,406	\$102,406	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000
Auxiliary Costs	\$14,961	\$14,961	\$14,961	\$14,961	\$14,961	\$14,961	\$14,178	\$14,178	\$14,178	\$14,178	\$14,178	\$14,178
Environmental	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750
Electrical & Water	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$26,908	\$14,128
Chemicals	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Wellfield Hardware Maintenance	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$4,721	\$2,374
Plant Hardware Maintenance	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$4,325	\$1,075	\$1,075	\$1,075	\$1,075	\$1,075	\$1,075
Ancillary Plant Costs	\$8,490	\$8,490	\$8,490	\$8,490	\$8,490	\$8,490	\$5,490	\$5,490	\$5,490	\$5,490	\$5,490	\$5,490
Vehicle Charges	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$450	\$450	\$450	\$450	\$450	\$450
Totals	\$166,761	\$166,761	\$166,761	\$166,761	\$166,761	\$166,761	\$114,572	\$114,572	\$114,572	\$114,572	\$114,572	\$99,445
Cumulative Totals	\$3,447,129	\$3,613,890	\$3,780,651	\$3,947,412	\$4,114,173	\$4,280,934	\$4,395,506	\$4,510,078	\$4,624,650	\$4,739,222	\$4,838,667	\$4,922,810
Stability Sampling Quarterly for 2 Years												
Labor												\$17,500
Laboratory Fees												\$5,000
Mic.												\$2,000
Totals	\$0	\$24,500										
Cumulative Totals	\$0	\$24,500										
Plugging (1157 Wells)												
Cement Service												
Cement												
Dirt Work												
Surveying												
Totals	\$0											
Cumulative Totals	\$0											
Project Totals	\$166,761	\$166,761	\$166,761	\$166,761	\$166,761	\$166,761	\$114,572	\$114,572	\$114,572	\$114,572	\$99,445	\$108,643
Project Cumulative Total	\$3,447,129	\$3,613,890	\$3,780,651	\$3,947,412	\$4,114,173	\$4,280,934	\$4,395,506	\$4,510,078	\$4,624,650	\$4,739,222	\$4,838,667	\$4,947,310

Month from Start	61	62	63	64	65	66	67	68	69	70	71	72
Ground Water Restoration (9 P.V.) & Surface Reclamation												
Labor												
Auxiliary Costs												
Environmental												
Electrical & Water												
Chemicals												
Wellfield Hardware Maintenance												
Plant Hardware Maintenance												
Ancillary Plant Costs												
Vehicle Charges												
Totals	\$0											
Cumulative Totals	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810	\$4,922,810
Stability Sampling Quarterly for 2 Years												
Labor						\$10,000						\$10,000
Laboratory Fees			\$5,000			\$5,000			\$5,000			\$5,000
Mic.			\$2,000			\$2,000			\$2,000			\$2,000
Totals	\$0	\$0	\$7,000	\$0	\$0	\$17,000	\$0	\$0	\$7,000	\$0	\$0	\$17,000
Cumulative Totals	\$24,500	\$24,500	\$31,500	\$31,500	\$31,500	\$48,500	\$48,500	\$48,500	\$55,500	\$55,500	\$55,500	\$72,500
Plugging (1157 Wells)												
Cement Service												
Cement												
Dirt Work												
Surveying												
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Totals	\$0	\$0	\$7,000	\$0	\$0	\$17,000	\$0	\$0	\$7,000	\$0	\$0	\$17,000
Project Cumulative Total	\$4,947,310	\$4,947,310	\$4,954,310	\$4,954,310	\$4,954,310	\$4,971,310	\$4,971,310	\$4,971,310	\$4,978,310	\$4,978,310	\$4,978,310	\$4,995,310

Month from Start	73	74	75	76	77	78	79	80	81	82	83	84	Total
Ground Water Restoration (9 P.V.) & Surface Reclamation													
Labor													
Auxiliary Costs													
Environmental													
Electrical & Water													
Chemicals													
Wellfield Hardware Maintenance													
Plant Hardware Maintenance													
Ancillary Plant Costs													
Vehicle Charges													
Totals													\$4,922,810
Cumulative Totals	\$4,922,810												
Stability Sampling Quarterly for 2 Years													
Labor						\$10,000							\$17,500
Laboratory Fees			\$5,000			\$5,000			\$5,000				\$5,000
Mic.			\$2,000			\$2,000			\$2,000				\$2,000
Totals	\$0	\$0	\$7,000	\$0	\$0	\$17,000	\$0	\$0	\$7,000	\$0	\$0	\$24,500	\$128,000
Cumulative Totals	\$72,500	\$72,500	\$79,500	\$79,500	\$79,500	\$96,500	\$96,500	\$96,500	\$103,500	\$103,500	\$103,500	\$128,000	
Plugging (1157 Wells)													
Cement Service													\$404,950
Cement													\$453,185
Dirt Work													\$231,400
Surveying													\$40,495
Totals	\$0	\$1,130,030											
Cumulative Totals	\$0	\$1,130,030											
Project Totals	\$0	\$0	\$7,000	\$0	\$0	\$17,000	\$0	\$0	\$7,000	\$0	\$0	\$0	\$1,154,530
Project Cumulative Total	\$4,995,310	\$4,995,310	\$5,002,310	\$5,002,310	\$5,002,310	\$5,019,310	\$5,019,310	\$5,019,310	\$5,026,310	\$5,026,310	\$5,026,310	\$5,026,310	\$6,180,840

40-8 968

HRI, INC.

(A Subsidiary of Uranium Resources, Inc.)

2929 Coors Road NW
Suite 101
Albuquerque, N.M. 87120-2929
Telephone: (505) 833-1777
Fax: (505) 833-0777

12750 Merit Drive
Suite 1020, LB 12
Dallas, Texas 75251
Telephone: (972) 387-7777
Fax: (972) 387-7779

P.O. Box 777
Crownpoint, New Mexico 87313
Telephone: (505) 786-5845
Fax: (505) 786-5555

December 11, 1998

Mr. Robert Carlson
Project Manager
Office of Nuclear Materials Safety & Safeguards
U.S. Nuclear Regulatory Commission
2 White Flint North
11545 Rockville Pike
Mail Stop T-7J9
Washington, D.C. 20852

Ms. Katherine Yuhas
Geochemist
Ground Water Quality Bureau
New Mexico Environment Department
Harold Runnels Building
1190 St. Francis Drive
P.O. Box 26110
Santa Fe, New Mexico 260110

Re: Performance Bond & Trust Agreement Formats

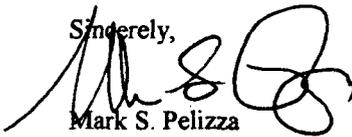
Dear Mr. Carlson & Ms. Yuhas:

Please find attached draft versions of a Performance Bond, Performance Guarantee Bond and Trust Agreement that HRI would propose for the Crownpoint Uranium Project - License SUA-1508 (including the Churchrock location, DP-558).

Two forms of surety are provided for in the attached documents. The Performance Bond is designed to cover plugging and abandonment and, presumably, would only be required by NMED through DP-558. The Performance Guarantee Bond would provide surety for all other restoration and decommissioning required by License SUA-1508 and DP-558 and would need concurrence from both the NRC and NMED. Given that the form (and subsequently the amount) of surety will meet both NRC and NMED requirements, the Trust Agreement would be written so the trust fund is for the benefit of NMED. In other words, the sureties must be acceptable to both NRC and NMED yet in the event of default by HRI the funds would be made available through NMED.

Please feel free to contact me to discuss this matter.

Sincerely,



Mark S. Pelizza
Vice President
Health, Safety and Environmental Affairs

Cc: Richard Clement

NL05

9901200212 981211
PDR ADDCK 04008968
C PDR

DRAFT

PERFORMANCE BOND

Date bond executed: _____

Effective date: _____

Principal: HRI, Inc., 2929 Coors NE, #120, Albuquerque, New Mexico 87120

Type of organization: Corporation

State of incorporation: Delaware

Surety(ies): United States Fidelity and Guaranty Insurance Company- Commercial Surety, 6225 Smith Avenue, Baltimore, Maryland 21209

NMED Discharge No. 558, name, address, and plugging and abandonment amount(s) for each injection well guaranteed by this bond: _____

Total penal sum of bond: \$ _____

Surety's bond number: _____

Know All Persons By These Presents.

That We, the Principal and Surety(ies) hereto are firmly bound to the New Mexico Environment Department [hereinafter called "NMED"], in the above penal sum for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns jointly and severally; provided that, where the Surety(ies) are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sum only as is set forth opposite the name of such Surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sum.

Whereas said Principal is required, under the New Mexico Water Quality Control Commission Regulations, as amended, to have a discharge plan or comply with provisions to operate each injection well identified above, and

Whereas said Principal is required to provide financial assurance for plugging and abandonment as a condition of the discharge plan, and

Whereas said Principal shall establish a standby trust fund as required when a surety bond is used to provide such financial assurance;

Now, Therefore, the conditions of this obligation are such that if the Principal shall faithfully perform plugging and abandonment, whenever required to do so, of each injection well for which this bond guarantees plugging and abandonment, in accordance with the plugging and abandonment plan and other requirements of the discharge plan as may be amended, pursuant to all applicable laws, statutes, rules and regulations, as such laws, statutes, rules, and regulations may be amended,

DRAFT

Or, if the Principal shall provide alternate financial assurance as specified in New Mexico Water Quality Control Commission Regulations §3107.A.11 and obtain the NMED Secretary's written approval of such assurance, within 90 days after the date of notice of cancellation is received by both the Principal and the NMED Secretary from the Surety(ies), then this obligation shall be null and void, otherwise it is to remain in full force and effect.

The Surety(ies) shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above.

Upon notification by the NMED Secretary that the Principal has been found in violation of the plugging and abandonment requirements of Mexico Water Quality Control Commission Regulations for an injection well which this bond guarantees performances of plugging and abandonment, the Surety(ies) shall either perform plugging and abandonment in accordance with the plugging and abandonment plan and other discharge plan requirements or other requirements or place the amount for plugging and abandonment into a standby trust fund as directed by the NMED Secretary.

Upon notification by the NMED Secretary that the Principal has failed to provide alternate financial assurance as specified in Mexico Water Quality Control Commission Regulations §3107.A.11, and obtain written approval of such assurance from the NMED Secretary during the 90 days following receipt by both the Principal and the NMED Secretary of a notice of cancellation of the bond, the Surety(ies) shall place funds in the amount guaranteed for the injection well(s) into the standby trust fund as directed by the NMED Secretary.

The surety(ies) hereby waive(s) notification of amendments to plugging and abandonment plans, discharge plans, applicable laws, statutes, rules, and regulations and agrees that no such amendment shall in any way alleviate its (their) obligation on this bond.

The liability of the Surety(ies) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the bond, but in no event shall the obligation of the Surety(ies) hereunder exceed the amount of said penal sum.

The Surety(ies) may cancel the bond by sending notice by certified mail to the owner and operator and to the NMED Secretary provided, however, that cancellation shall not occur during the 120 days beginning on the date of receipt of the notice of cancellation by both the Principal and the NMED Secretary, as evidenced by the return receipts.

The Principal may terminate this bond by sending written notice to the Surety(ies), provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by the NMED Secretary.

In Witness Whereof, The Principal and Surety(ies) have executed this Performance Bond and have affixed their seals on the date set forth above.

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PERFORMANCE GUARANTEE BOND

Date bond executed: _____

Effective date: _____

Principal: HRI, Inc., 2929 Coors NE, #101, Albuquerque, New Mexico 87120

Type of organization: Corporation

State of incorporation: Delaware

Surety(ies): United States Fidelity and Guaranty Insurance Company, Commercial Security, 6225 Smith Avenue, Baltimore, Maryland 21209

NMED Discharge No. 558, name, address, and closure activities and, if applicable, long-term care cost amount(s) for each facility guaranteed by this bond: _____

Total penal sum bond: \$ _____

Surety's bond number: _____

Know All Person By These Presents, That we, the Principal and Surety(ies) hereto are firmly bound to the New Mexico Environment Department (hereinafter called "NMED"), in the above penal sum for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns jointly and severally; provided that, where the Surety(ies) are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sum only as is set forth opposite the name of such Surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sum.

WHEREAS, the NMED, an agency of the State of New Mexico, has promulgated regulations in the New Mexico Water Quality Control Commission Regulations. These regulations applicable to the Principal require that a discharge plan for a facility shall provide assurance that funds will be available when needed in accordance with the approved Closure Plan.

Whereas, said Principal is required under these regulations, to have a discharge plan in order to own or operate the Churchrock In Situ mine identified above, and

Whereas said Principal is required to provide financial assurance for closure activities as a condition of the discharge plan, and

Whereas said Principal shall establish a standby trust fund as required when a surety bond is used to provide such financial assurance;

NOW, THEREFORE, the conditions of this obligation are such that if the Principal shall faithfully perform closure activities, whenever required to do so, of the Churchrock In Situ mine for which this bond guarantees closure activities in accordance with discharge plan conditions, pursuant to all applicable laws, statutes, rules, and regulations, as such laws, statutes, rules, and regulations may be amended,

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Or, if the Principal shall provide alternate financial assurance as specified in New Mexico Water Quality Control Commission Regulations §3107.A.11 and obtain the NMED Secretary's written approval of such assurance, within 30 days after the date of notice of cancellation is received by both the Principal and the NMED Secretary from the Surety(ies), then this obligation shall be null and void, otherwise it is to remain in full force and effect.

The Surety(ies) shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above.

Upon notification by the NMED Secretary that the Principal has been found in violation of the discharge plan conditions of New Mexico Water Quality Control Commission Regulations §3107.A.11, for a facility for which this bond guarantees performance of closure activities the Surety(ies) shall either perform in accordance with discharge plan requirements and the regulations, or place the amount guaranteed for the Churchrock In Situ mine into the standby trust fund as directed by the NMED Secretary.

Upon notification by the NMED Secretary that Principal has failed to provide alternate financial assurance as specified in New Mexico Water Quality Control Commission Regulations §3107.A.11, and obtain written approval of such assurance from the NMED Secretary during the 30 days following receipt by both the Principal and the NMED Secretary of a notice of cancellation of the bond, the Surety(ies) shall place funds in the amount guaranteed for the Churchrock In Situ mine into the standby trust fund as directed by the NMED Secretary.

The Surety(ies) hereby waive(s) notification of amendments to closure plans, discharge plans, applicable laws, statutes, rules, and regulations and agrees that no such amendment shall in any way alleviate its (their) obligation on this bond.

The liability of the Surety(ies) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the bond, but in no event shall the obligation of the Surety(ies) hereunder exceed the amount of said penal sum.

The Surety(ies) may cancel the bond by sending notice of cancellation by certified mail to the discharge plan holder and to the NMED Secretary, provided, however, that cancellation shall not occur during the 90 days beginning on the date of receipt of the notice of cancellation by both the Principal and the NMED Secretary, as evidenced by the return receipts.

The Principal may terminate this bond by sending written notice to the Surety(ies), provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by the NMED Secretary.

In Witness Whereof, the Principal and Surety(ies) have executed this Performance Guarantee Bond and have affixed their seals on the date set forth above.

TRUST AGREEMENT

TRUST AGREEMENT, the "Agreement" entered into as of _____, by and between HRI, INC., a Delaware corporation, the "Grantor", and NationsBank of Texas, N.A., the "Trustee".

WHEREAS, the New Mexico Environment Department ("NMED"), an agency of the State of New Mexico, has established certain regulations pursuant to the New Mexico Water Quality Control Commission Regulations §3107.A.11 applicable to the Grantor, requiring that a discharge plan holder of a uranium recovery facility shall provide assurance that funds will be available when needed in accordance with the approved closure plan, and (if applicable) also for any long-term surveillance and control of the uranium recovery facility.

WHEREAS, the Grantor has elected to establish a trust to provide all or part of such financial assurance for the facilities identified herein,

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee.

Now, therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

(a) The term "Grantor" means the discharge plan holder who enters into this Agreement and any successors or assigns of the Grantor.

(b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Identification of Facilities and Cost Estimates. This Agreement pertains to the facilities and/or sites and NMED approved cost estimates identified in Discharge Plan 558 and shown in Schedule A.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, the "Fund", for the benefit of NMED. The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided.

Section 4. Payments Comprising the Fund. Payments made to the Trustee for the fund shall consist of cash or securities acceptable to the Trustee. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any

responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by NMED.

Section 5. Payment for Decontamination, Decommissioning, Reclamation, Disposal, Restoration and (if applicable) Long-Term Surveillance and Control. The Trustee shall make payments from the Fund as the NMED Secretary shall direct, in writing, to provide for the payment of the costs of closure, and (if applicable) long-term surveillance and control of the facilities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the NMED Secretary from the Fund for expenditures in such amounts as the NMED Secretary shall direct in writing. In addition, the Trustee shall refund to the Grantor such amount as the NMED Secretary specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this Section. In investing, reinvesting exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

(i) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a-2(a), shall not be acquired or held unless they are securities or other obligations of the Federal or a State government;

(ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal or State government; and

(iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provision thereof, to be commingled with the assets of other trusts participating therein, and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed,

underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issues by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. The Trustee shall annually, at least 30 days prior to the anniversary date of establishment of the Fund, furnish to the Grantor and to the NMED Secretary a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days prior to the anniversary date of establishment of the

Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NMED Secretary shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to matters disclosed in the Statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to the court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in writing sent to the Grantor, the NMED Secretary, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Exhibit A or such other designees as the Grantor may designate by amendment to Exhibit A. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by the NMED Secretary to the Trustee shall be in writing, signed by the NMED Secretary, or his designee(s), and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or NMED hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or the NMED except as provided for herein.

Section 15. Notice of Nonpayment. The Trustee shall notify in writing the Grantor and the NMED Secretary, by certified mail within 10 days following the expiration of the 30-day period after the anniversary of the establishment of the Trust, if no payment is received from the Grantor during that period. After the pay-in period is completed, the Trustee shall not be required to send a notice of nonpayment.

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Section 16. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the NMED Secretary, or by the Trustee and the NMED Secretary if the Grantor ceases to exist.

Section 17. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 16, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the NMED Secretary, or by the Trustee and the NMED Secretary if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 18. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or the NMED Secretary issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event that Grantor fails to provide such defense.

Section 19. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of New Mexico.

Section 20. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals to be hereunto affixed and attested as of the date first above written.

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GRANTOR

BY: _____
Name _____
Title _____

ATTEST:

(seal)

Name _____
Title _____

State of _____
County of _____

On this _____, 19__, before me personally came Thomas H. Erlich to me known, who, being by me duly sworn, did depose and say that he is Vice President, Chief Financial Officer of HRI, Inc., the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that is was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Notary Public

My Commission Expires

TRUSTEE

By:

Name _____
Title _____

ATTEST

(seal)

Name _____
Title _____

State of _____
County of _____

On this _____, 19__, before me personally came [name of licensee] to me known, who, being by me duly sworn, did depose and say that she/he resides at [address], that she/he is [title] of [Corporation], the corporation described in and which executed the above instrument; that she/he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that is was so affixed by order of the Board of Directors of said corporation, and that she/he signed her/his name thereto by like order.

Notary Public

My Commission Expires

**TECHNICAL POSITION
ON FINANCIAL ASSURANCES FOR
RECLAMATION, DECOMMISSIONING,
AND LONG-TERM
SURVILLANCE AND CONTROL
OF URANIUM RECOVERY FACILITIES**

**Division of Low-Level Waste Management
and Decommissioning
U.S. Nuclear Regulatory Commission**

October 1988

ABSTRACT

This Technical Position provides guidance, to uranium recovery facility licensees and license applicants, for establishing and maintaining financial assurance for the decommissioning, reclamation, and long-term surveillance and control of such sites.

The U.S. Nuclear Regulatory Commission (NRC) staff views this document as a regulatory tool, for applicants, licensees, and NRC staff, for implementing Title 10, Code of Federal Regulations (10 CFR) Part 40, Criteria 9 and 10 of Appendix A, entitled "Criteria Relating to the Operation of Uranium Mills and the Disposition of Tailings or Wastes Produced by the Extraction or Concentration of Source Material from Ores Processed Primarily for Their Source Material Content."

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- A. Soil samples for radium - 226
- B. Decommissioning equipment and building smear samples
- C. Gamma survey
- D. Environmental monitoring

Costs of labor, materials and analysis for continuation of environmental monitoring and inspection program throughout reclamation

E. Total cost

- 1. Number of each kind of sample listed above
- 2. Unit cost for sample and analysis (price per sample)
- 3. Total cost for radiological survey

4.1.6 Project Management and Miscellaneous Costs

Itemize estimated costs associated with project management, engineering changes, mobilization costs, legal expenses, power costs during reclamation, quality control radiological safety costs, etc.

4.1.7 Labor and Equipment Overhead, Contractor Profit

Overhead costs for labor and equipment and contractor profit may be calculated as separate items or loaded into hourly rates. If included in hourly rates, the unit costs should identify the percentages applied for each area.

4.1.8 Long-Term Surveillance and Control (for Mills Only)--Criterion 10
Specifies a Minimum of \$250,000 in 1978 Dollars (\$407,960 in December 1986 Dollars)

Long-term surveillance and control fund covers the cost of government agency site inspection, monitoring, and control measures, if necessary.

Certain additional measures may be required at some sites. The cost of these measures should be added to the basic cost of annual inspection of the site by government authorities, as required under Criterion 10. Costs for these measures should be funded entirely from earnings of the long-term surveillance and control fund, without using fund principal. These measures include, but are not limited to:

- A. Unit cost of repairing or replacing fencing, including length of fence;

B. Limited long-term ground-water monitoring to confirm that no ground-water problems exist at the site; and

C. Additional control measures, if needed.

4.1.9 Contingency

The licensee should include a contingency amount to the total cost estimate for the final site closure. The staff currently considers a 15 percent engineering contingency to be an acceptable minimum amount. Additionally, the licensee should include a 10 percent minimum contingency for contract administration, in the event the licensee defaults, and the State or Federal Government is required to administer a contract to carry out the licensee's reclamation and decommissioning responsibility.

4.1.10 Adjustments to Surety Amounts

The licensee is required by 10 CFR 40, Appendix A, Criteria 9 and 10 to adjust its cost estimates annually to account for inflation and changes in reclamation plans. The submission should be in the form of a request for amendment to the license.

A. Adjustments for inflation

The licensee should submit a revised surety incorporating adjustments to the cost estimates for inflation ninety (90) days before each anniversary of the effective date of the surety instrument or as specified in the license. The adjustment should be made using the inflation rate indicated by the change in the Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics.

B. Changes in Plans

- Changes in the process such as size or method of operation.
- Licensee-initiated changes in reclamation plans or reclamation/decommissioning activities performed.
- Adjustments to reclamation plans required by the NRC.
- Proposed revisions to reclamation plans should be thoroughly documented and cost estimates and the basis for cost estimated detailed for NRC review and approval. Where a licensee is authorized by the NRC to secure a surety arrangement with the State, no reduction to the surety amount shall be initiated without prior NRC approval. Copies of all correspondence relating to the surety between the licensee and the State shall be provided to the NRC. If authorized by the NRC to maintain a surety with the State as the beneficiary, it is the responsibility of the licensee to provide the NRC with verification of same, ensure that the agreement with the State specifically identifies the