

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE  
ATOMIC SAFETY AND LICENSING BOARD

\_\_\_\_\_  
In the Matter of )  
 )

SEQUOYAH FUELS CORPORATION )  
and GENERAL ATOMICS )

) Docket No. 40-8027-EA

(Sequoyah Facility in )  
Gore, Oklahoma) )  
\_\_\_\_\_ )

) February 14, 1994

STATE OF OKLAHOMA )  
 )  
COUNTY OF SEQUOYAH )

Reau Graves, Jr., being first duly sworn, deposes and says:

1. This Affidavit is submitted as part of the Motion of General Atomics for Summary Disposition or For an Order of Dismissal.

2. I am a member of the Board of Directors of Sequoyah Fuels Corporation.

3. Sequoyah Fuels Corporation ("Licensee") is the holder of Source Material License No. SUB-1010 (the "License") issued by the Nuclear Regulatory Commission ("NRC") pursuant to 10 CFR Part 40. The License authorized the Licensee to possess and use source material in the production of uranium hexafluoride (UF<sub>6</sub>) and depleted uranium tetrafluoride (DUF<sub>4</sub>). The License for UF<sub>6</sub> production was originally issued on February 20, 1970 by the Atomic Energy Commission.

4. Sequoyah Fuels Corporation is the sole licensee named in the License.

5. For several years, and until July 6, 1993, Sequoyah Fuels Corporation was engaged in the activities described above at its facility in Gore, Oklahoma (the "Sequoyah Facility").

6. On June 20, 1988, Sequoyah Holding Corporation ("SHC") was incorporated in the State of Delaware. SHC was, and is a wholly-owned subsidiary of General Atomics. From June 30, 1988 to January 28, 1992, I served as Chairman of SHC.

7. On or shortly after October 18, 1988, I forwarded a letter to Leland C. Rouse of the Nuclear Regulatory Commission Staff. A copy of that letter is attached hereto. That letter requested that NRC provide its advance consent to the transfer of control of Sequoyah Fuels Corporation, then a wholly-owned subsidiary of Kerr-McGee Corporation ("Kerr-McGee"), to SHC. In that letter, SHC also requested that NRC confirm that, through an amendment to Chapter 7.5 of the License, "Kerr-McGee will be released from its obligation to provide the NRC assurance of proper decommissioning and reclamation of the Sequoyah Facility." (Letter from Graves to Rouse, at page 3). This amendment, along with several other revisions to the License, was reflected in SHC's application for amendment of the License, which was also dated October 18, 1988.

8. Sometime prior to the filing of my October 18, 1988 letter, I had met with representatives of the NRC in the Washington, D.C. area to discuss the acquisition of Sequoyah Fuels Corporation by SHC. We specifically discussed the question of whether or not the NRC would require a guarantee by General

Atomics of decommissioning costs. At the time, I was familiar with the guarantee of those costs that had been required of Kerr-McGee. It was my opinion then, as it is now, that if a guarantee had been required of General Atomics, the acquisition would not have taken place.

9. By letter to me dated October 27, 1988, NRC approved the transfer of control of Sequoyah Fuels Corporation from Kerr-McGee to SHC. A copy of that letter is attached. By letter dated October 28, 1988, NRC also approved the proposed amendments to the License, including the revisions to Chapter 7.5 which effected the release of Kerr-McGee. The revisions to Chapter 7.5 approved by the NRC did not substitute General Atomics for Kerr-McGee and did not in any way impose an obligation on General Atomics that was similar to the one from which Kerr-McGee was being released. Moreover, no other conditions were placed upon the License which created any such obligation on the part of General Atomics.

10. On November 4, 1988, SHC purchased Sequoyah Fuels Corporation from Kerr-McGee.

11. On August 29, 1989 New Sequoyah Fuels Corporation ("NSFC") was incorporated in Delaware.

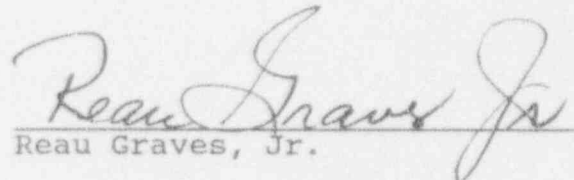
12. On December 29, 1989, NRC amended the Sequoyah License to authorize a change in the Licensee's name to NSFC, the incorporation of NSFC, and a transfer of assets to NSFC. On December 31, 1989, Sequoyah Fuels Corporation and NSFC entered into a Transfer Agreement in which Sequoyah Fuels Corporation

transferred its assets and ongoing business (excluding certain farm-related business and assets and certain conversion contracts with international customers) to NSFC.

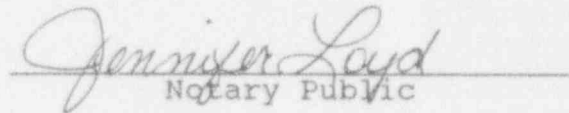
13. On March 26, 1990, NRC amended the Sequoyah License to authorize the change of the Licensee's name from NSFC to "Sequoyah Fuels Corporation." The former Sequoyah Fuels Corporation changed its name to "Sequoyah Fuels International Corporation" ("SFIC").

14. Sequoyah Fuels Corporation is now a wholly-owned subsidiary of SFIC. SFIC is a wholly-owned subsidiary of Sequoyah Holding Corporation ("SHC"). SHC is a wholly-owned subsidiary of General Atomics.

FURTHER, AFFIANT SAYETH NOT.

  
Reau Graves, Jr.

Subscribed and sworn to before me on this 14th day of February, 1994.

  
Notary Public

My commission expires on 9-28-95.

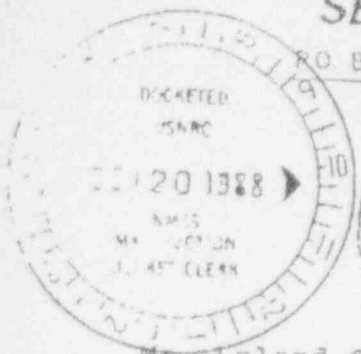
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40-8027  
PDR/LPDR

# SEQUOYAH HOLDING CORPORATION

PO. BOX 610 • 149 AND HIGHWAY 10 • GORE, OKLAHOMA 74435

PHONE: (918) 489-5511 • FAX: (918) 489-5620



October 18, 1988

Mr. Leland C. Rouse, Chief  
U.S. Nuclear Regulatory Commission  
Fuel Cycle Safety Branch  
Division of Industrial and Medical Nuclear Safety  
Office of Nuclear Material Safety & Safeguards  
Washington, DC 20555

Re: License SUB-1010; Docket 40-8027  
Transfer of Control of Licensee

Dear Mr. Rouse:

Sequoyah Holding Corporation ("Holding"), a corporation organized under the laws of the State of Delaware, hereby seeks the consent of the Nuclear Regulatory Commission ("NRC"), pursuant to the Atomic Energy Act of 1954 and the regulations promulgated thereunder, to a transfer of control of Sequoyah Fuels Corporation ("Sequoyah"), a corporation organized under the laws of the State of Delaware. Sequoyah presently is a wholly-owned subsidiary of Kerr-McGee Corporation ("Kerr-McGee"), a corporation organized under the laws of the State of Delaware. Sequoyah is the present holder of NRC Source Material License Number SUB-1010 (the "License"). Holding has entered into an acquisition agreement with Kerr-McGee, pursuant to which, subject to the approval of the NRC, Holding will acquire all of the outstanding stock of Sequoyah.

Holding is a wholly-owned subsidiary of General Atomics ("GA"), a corporation organized under the laws of the State of California, which is itself a wholly-owned subsidiary of General Atomic Technologies Corporation ("GATC"), a corporation organized under the laws of the State of Wyoming. The capital stock of GATC is owned 79.5% by Tenaya Corporation, a corporation organized under the laws of the State of Delaware, 20.01% by Linden S. Blue, a United States citizen and .49% by James N. Blue, a United States citizen. Tenaya is a holding company for investments of the family of James N. Blue. Mr. Blue owns 60.6% of the voting stock of Tenaya, his wife Anne P. Blue, a citizen of the Federal Republic of Germany, owns 18.2%, and 21.2% is held in trust for the benefit of their children. Holding is not

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Approval: [Signature]

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owned, controlled or dominated by an alien, a foreign corporation or a foreign government. Further information concerning Holding is provided in Appendix A.

Holding has simultaneously filed, with the consent of Kerr-McGee and Sequoyah Fuels Corporation, an application for an amendment to the License seeking to delete references to Sequoyah's current parent company, Kerr-McGee, to reflect the new ownership of Sequoyah. As reflected in the letters from Mr. Randolph and Mr. Luke attached to the application for amendment, Sequoyah and Kerr-McGee consent to this request for consent to a transfer of control of Sequoyah. ←

Holding will acquire Sequoyah which owns and operates the Sequoyah facility situated near Gore, Oklahoma and consists of a uranium hexafluoride conversion facility and a depleted UF<sub>4</sub> facility (the "Sequoyah Facility") and the ranches in the vicinity owned by Sequoyah. Holding will not acquire the Cimarron Facility, the Wyoming properties and other properties which have been owned by Sequoyah and which have been transferred to other Kerr-McGee entities.

The Sequoyah Facility will continue to be operated in the same manner as it has been operated; nothing will change in the manner in which Sequoyah, as the licensee, conducts its operations and discharges its obligations under the License. No major changes are anticipated in the on-site operating and management personnel of Sequoyah, other than that the President of Sequoyah will no longer be an employee of Kerr-McGee. As set forth in Appendix A, the President of both Sequoyah and Holding will be Reau Graves, Jr. Mr. Graves is also a Senior Vice President and Director of GA.

The only other changes will be in the ownership of the stock of Sequoyah and the directors of Sequoyah as set forth in Appendix A. The oversight responsibilities and obligations of off-site personnel who are currently employees of Kerr-McGee will be assumed by employees of GA, as set forth in the application for an amendment to the License, filed simultaneously with this request for consent.

Sequoyah currently has numerous contracts with a number of utilities and other domestic and foreign corporations. These contracts will remain in place following the acquisition and will be the basis of Sequoyah's ability to finance its on-going operations and to comply with the safety and other requirements of the License. Holding will submit to the NRC copies of audited financial statements for itself and Sequoyah within 90 days of December 31, 1988, the close of Holding's and Sequoyah's fiscal years. Holding and Sequoyah will submit such financial statements to the NRC within 90 days of the close of each fiscal year, until the



time that Sequoyah files with the NRC a decommissioning funding plan pursuant to 10 C.F.R. § 40.36 (as published in the Federal Register on June 27, 1988). The License is currently scheduled to expire September 30, 1990. Sequoyah will submit to the NRC a decommissioning funding plan pursuant to 10 C.F.R. § 40.36 at the time it submits a renewal application for the License.

Sequoyah and Quivira Mining Company ("QMC") have executed a Source Material Toll Milling Contract, dated September 28, 1987 (the "Contract"), which provides that the Quivira Uranium Mill continue to accept the Sequoyah Facility's raffinate and fluoride sludges for uranium recovery. The Contract remains in effect through December 1, 1992, and provides for year by year extensions for so long as QMC is allowed to process source material. Sequoyah may terminate the Contract at any time; however, QMC may not terminate the Contract until December 1, 1992, and may do so only if QMC elects to permanently cease the operation of the mill. If QMC terminates the Contract, QMC will leave in place such portion of the mill facilities sufficient to handle Sequoyah's anticipated processing requirements and the parties will mutually agree upon a rental rate for the continued use of those facilities. The Contract and all its provisions shall inure to the benefit of, and shall be binding upon, the respective parties, their successors and assigns and, except for the sale or transfer of the mill, neither party can assign the Contract without the written consent of the other.

Sequoyah has established a policy of accruing decommission and reclamation expense for specific waste disposal projects and decommissioning activities, and intends to continue this policy upon transfer of ownership. These accruals are made based on units of production or a fixed monthly charge depending on the nature of the account. The sum of the balance of these accounts appears on Sequoyah's balance sheet as a Decommission and Reclamation Reserve. As work is performed on a specific project for which a reserve has been established, the related expense is funded from working capital and the balance of the reserve account is reduced. In the unlikely event the Sequoyah Facility would be required to decommission prematurely, the related cost would be funded from working capital.

Holding requests that the NRC confirm that, at the time an amendment to the License is issued pursuant to the application submitted on the same date as this letter, Kerr-McGee will be released from its obligation to provide the NRC assurance of proper decommissioning and reclamation of the Sequoyah Facility, and, that in accordance with that release, the third paragraph in Chapter 7.5 will be deleted.

After the NRC has consented to the transfer of control of Sequoyah and has issued an amendment to the License, the transaction will be consummated. Holding will immediately notify the NRC of the closing when it occurs.

SEQUOYAH HOLDING CORPORATION

By Reau Graves Jr  
President

STATE OF OKLAHOMA )  
                                  )  
COUNTY OF SEQUOYAH )

On this 8 day of October 1988, before me, L. M. Dixon, a Notary Public for the State of Oklahoma, personally appeared Reau Graves, Jr. who being duly sworn, stated that he is President of Sequoyah Holding Corporation, that he has read the foregoing letter to Leland C. Rouse and that the information and statements therein are true and correct to the best of his knowledge and belief.

L. M. Dixon  
Notary Public





UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20558

OCT 27 1988

Docket No: 40-8027  
License No: SUB-1010

Sequoyah Holding Corporation  
ATTN: Mr. Reeu Graves, Jr., President  
P. O. Box 610  
Gore, Oklahoma 74435

Gentlemen:

In accordance with your letter dated October 18, 1988, we have reviewed your request for NRC consent to the transfer of control of Sequoyah Fuels Corporation from Kerr-McGee Corporation to Sequoyah Holding Corporation. We understand that the proposed transfer will be a purchase of the outstanding stock of Sequoyah Fuels Corporation.

In your letter, you have stated that there will be no change to operations or in the existing conditions of the license affecting health and safety requirements and no major changes for the current onsite operating and management personnel. The President of Sequoyah Fuels Corporation, who is presently a Kerr-McGee employee, will be replaced by an employee of General Atomics. Kerr-McGee corporate positions with oversight and audit responsibilities will be assumed by General Atomics corporate staff.

Based upon the information submitted, we have determined that the transfer of control is in accordance with the provisions of Title 10, Code of Federal Regulations, Section 40.46. We find that there will be no adverse impact on the public health and safety or the common defense and security as a result of the transfer of control of Sequoyah Fuels Corporation by virtue of the change in stock ownership. Accordingly, pursuant to 10 CFR 40.46, the Commission hereby consents to Sequoyah Holding Corporation acquiring control of Sequoyah Fuels Corporation. The consent is subject to the issuance of a license amendment and commitments to submit financial statements for Sequoyah Holding Corporation and Sequoyah Fuels Corporation and to maintain the decommissioning and reclamation reserves. Sequoyah Holding Corporation's commitment for Sequoyah Fuels Corporation to submit a decommissioning funding plan at the time Sequoyah Fuels Corporation submits a license renewal application will become a condition in the license.

By separate letter, a license amendment reflecting changes in ownership and corporate oversight is being issued prior to the stock transfer. The amendment will become effective at the time of stock transfer. We understand that you will notify NRC at the time the transaction is consummated.

OCT 27 1988

Sequoyah Holding Corporation 2

For your information, a copy of the staff assessment concerning this decision is enclosed. If you should have any questions regarding this matter, please contact Mr. Scott Pennington on (301) 492-0693 or me on (301) 492-0642.

FOR THE NUCLEAR REGULATORY COMMISSION

*Leland C. Rouse*  
Leland C. Rouse, Chief  
Fuel Cycle Safety Branch  
Division of Industrial and  
Medical Nuclear Safety, NMSS

Enclosure:  
Staff Assessment of Acquisition  
cc w/encl: Dr. John C. Stauter  
Sequoyah Fuels Corporation