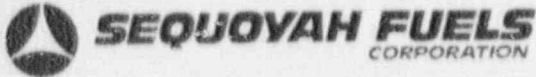


40-8027



February 6, 1991

Certified Mail
Return Receipt Requested

Mr. Robert D. Martin
Regional Administrator
U.S. NUCLEAR REGULATORY COMMISSION
Region IV
611 Ryan Plaza Drive, Suite 1000
Arlington, Texas 76011

Dear Mr. Martin:

For the past several years, Sequoyah Fuels Corporation (SFC) has pursued the remediation of Raffinate Pond No. 2 and the removal of a 20 year accumulation of raffinate sludge. Beginning in 1988, SFC took a more aggressive approach to resolving these issues. Central to this effort has been the contract between SFC and Quivira Mining Company to ship the sludges removed from Ponds 4 and 2 to Quivira's mill for reprocessing and recovery of the uranium.

This contract was predicated on Quivira's ability to dispose of the tailings resulting from the reprocessing operations onto the existing mill tailings impoundment. Recent NESHAP rules under EPA's Clean Air Act regulations require Quivira to cease use of the existing mill tailings impoundment, and instead, to construct double lined 'disposal cells' to accommodate new production tailings. Significantly, these new rules require Quivira to apply to the EPA for a construction permit before beginning construction on these new cells.

Quivira presented such an application to the EPA and EPA responded with a series of questions which include both regulatory definitions and economic questions, rather than questions addressing technical issues. Quivira, which presently contributes little to these tailings itself, obviously became concerned at this turn of events and, in order to limit their potential liability, has suspended further receipts of raffinate sludge until these issues are resolved.

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ADD: CHARLES HAUGHNEY

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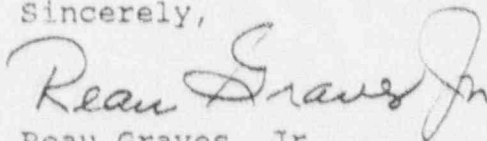
Mr. Robert D. Martin
February 6, 1991
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As a result of Quivira's suspension of our shipments of raffinate sludge to their facility, SFC has little choice but to temporarily suspend operations involving sludge concentration and Pond 2 remediation. Further, to avoid the situation we found ourselves in last spring involving excessive rainfall and limited liquid storage capacity, it seems imprudent at this time to fill our only pond having excess capacity for new rainfall accumulation (Pond 4), with sludge from Pond 2.

Our short-term plan is to defer progress on Pond 2 remediation and raffinate sludge processing until we can obtain relief from Quivira to resume shipments to their mill. Additionally, we will work with Quivira to assist in their responses to the EPA.

I have discussed this issue with Bill Beach of your staff, and communicated our high level of concern over not being able to continue to progress in these areas. Please feel free to call me at 918/489-3206, should you have questions or comments.

Sincerely,



Reau Graves, Jr.
President

RG:nv

xc: Charles J. Haughney, NRC - NMSS
Keith E. Asmussen, General Atomics