



UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION IV
URANIUM RECOVERY FIELD OFFICE
BOX 26326
DENVER, COLORADO 80226

OCT 29 1992

Petrotomics Company

Docket No. 40-6659
SUA-551

Petrotomics Company
ATTN: Ron Juday, Supervisor
Post Office Box 8509
Shirley Basin, Wyoming 82615

Dear Mr Juday:


The NRC has completed a review of the Parent Company Guarantee (PCG) and supporting documents which were submitted by Texaco, Inc. in letters dated July 7 and September 30, 1992. Our initial review found two omissions, which were subsequently provided in the September 30 submittal. After a more detailed review, we have found a number of additional discrepancies. While some of these items are simply editorial corrections, others are required to be submitted before the PCG may be accepted. We are therefore unable to approve the PCG as submitted.

The items which must be addressed are identified in the enclosure to this letter. The basic format and approach of the PCG as submitted is acceptable. These additional items are required to support statements or figures used in the PCG, or to correct inconsistencies or omissions. In addition, most of these documents must be submitted each year with the annual surety update, so it is important to ensure they are correct at the outset.

Should you have any questions, please contact Paul Michaud at (303) 231-5809.

Sincerely,

200040


Ramon E. Hall
Director

Enclosure:
As stated

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PDR ADDCK 04006659
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Petrochemicals Company

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OCT 29 1992

cc:

J. A. Van Volkinburg, Texaco

J. Hough, RCPD, WY

WDEQ

Petrotomics Company

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OCT 29 1992

hcc:

PDR/DCS

URFO r/f

LJCallan, RIV

LiUR Branch, LLWM, SE2

PWMichaud

CDMiller-Corbett

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PM:URFO
PWMichaud/lv
10/21/92

PM:URFO *cmc*
CDMiller-Corbett
10/21/92

EBH
DD:URFO
EFHawkins
10/21/92

EBH
D:URFO:RIV
REHall
10/21/92

Enclosure

The NRC reviewed the Parent Company Guarantee (PCG) submitted by Texaco, Inc. on behalf of its subsidiary, Petrotomics Company, in letters dated July 7 and September 30, 1992. In this review, reference and comparison were made to the NRC's "Technical Position on Financial Assurances for Reclamation, Decommissioning, and Long-Term surveillance and Control of Uranium Recovery Facilities; October 1988." The items identified below are required to be addressed before the PCG may be accepted as a surety arrangement.

1. Texaco Inc.'s financial statements for the year ending December 31, 1991, upon which figures used in the financial tests were based, were not submitted to the NRC. The year end financial statements must also be submitted each year with the annual surety update.
2. The independent auditor's report on the financial statements for the year ending December 31, 1991, which was referenced as having been issued on February 27, 1992, was not submitted to the NRC. This report must also be submitted each year with the annual surety update.
3. The letter from Arthur Andersen & Co. dated July 7, 1992, does not contain the wording recommended in Appendix C of the NRC Technical Position referenced above, nor was a Schedule Reconciling Amounts in the CFO's Letter to Amounts in the Financial Statements prepared. An Auditor's Special Report and Schedule Reconciling Amounts must also be submitted each year with the annual surety update.
4. The letter from the Chief Financial Officer of Texaco, dated July 7, 1992, refers to Petrotomics as a "going concern" in the third paragraph. The recommended wording in the NRC Technical Position is to state that Petrotomics has a "positive tangible net worth." This statement was also omitted from the PCG document as discussed in item 6.(d) below. These statements of Petrotomics' positive tangible net worth are required.
5. Whenever reference was made to NRC Source Material License SUA-551 in any of the documents, reference to Amendment No. 34 was also made. This is not appropriate for two reasons; (1) if the PCG is approved, an amendment will be issued to the license, voiding the referenced amendment number and (2) Recitals 12 and 15 of the PCG document expressly bind the guarantor notwithstanding, and waive notice of acceptance of, amendments of the license.
6. Discrepancies identified within the PCG document submitted to the NRC on July 7, 1992, are listed below:
 - (a) The last sentence in Recital No. 1 should be deleted. The financial test criteria are expressed later in the document, and 10 CFR 40, Appendix A does not actually contain the financial test criteria.

- (b) In Recital No. 1, the notation "11.A.2" should be deleted from the first paragraph, since 10 CFR 40, Appendix A, contains no such section.
- (c) In Recital No. 3, you need only state the financial test criteria which are actually being used; the entire section (b) should be deleted. Also, the sentence which begins "Guarantee shall meet . . ." is an informational statement from the recommended wording, and should not be included.
- (d) Recital No. 4 should also include the sentence "Guarantor also certifies that the licensee for which this guarantee is being made has a positive tangible net worth."
- (e) The last line in Recital No. 8 refers to "Petrotomics Company." This should be changed to "Petrotomics" in order to be consistent with the remainder of the document.
- (f) In Recital No. 11, line 4, the period after the word "number" should be removed.
- (g) There is no Effective Date above the signatures on the last page.
- (h) The signature page should also contain two signatures of authorized licensee (Petrotomics) persons.