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**Kennecott
Energy**

September 22, 1998

Joseph J. Holonich, Chief
Uranium Recovery Branch
Division of Waste Management
U. S. Nuclear Regulatory Commission
Mail Stop T7J-9
Washington, D. C. 20555

**Subject: Sohio Western Mining Company
 L-Bar, NM
 License SUA-1472
 Docket 40-8904
 Annual Surety Revision**

Dear Mr. Holonich:

Sohio Western Mining Company has reviewed its 1998 financial surety arrangement for the L-Bar, New Mexico Site, as required by Condition 25 of License SUA-1472, and consistent with 10 CFR 40, Appendix A, Criteria 9 and 10. Our review has been guided by NRC Generic Letter 97-03. It is SOHIO's desire to revise the 1998 surety amounts by an amount reflecting cost escalation as specified by the Consumer Price Index (Bureau of Labor Statistics) of 1.7% for the period September 1997 through August 1998. SOHIO also proposes to place a surety bond in place of the letter of credit vehicle used previously.

This revision is based upon the estimated contractual costs of addressing degradation issues as specified in a letter to NRC dated September 15, 1997, which references an earlier NRC letter dated April 11, 1996, and a discussion with staff, August 18-19, 1997. These adjusted items are summarized below, and are based on estimated 1999 costs, which will include the majority of the remaining reclamation construction. A 15% contingency is provided for the anticipated civil contract costs. Groundwater monitoring costs for 1999, assuming closure is effected during the year, have also been estimated. Finally, the revision includes an allowance for the long-term surveillance (LTS) fee, which was \$594,165.00 as of September 1997.

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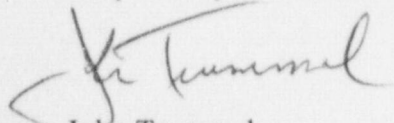
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| ESTIMATED 1998 COSTS | | |
|------------------------|------------------|--------------|
| ITEM | UNITS | COST |
| Cover Repairs | 350,000 cy | \$ 1,281,420 |
| Subgrade Preparation | 110 ac | 279,675 |
| Pond Closures | 100,000 cy | 286,794 |
| Riprap/Filter | 12,550/8,380 cy | 446,921 |
| South Channel Berm | 13,500 cy | 49,426 |
| Fencing | 20,000 lf | 81,360 |
| | Subtotal | 2,425,596 |
| Contingency | 15% | 363,840 |
| | Total Civil Work | 2,789,436 |
| Groundwater Monitoring | | 30,510 |
| LTS Fee | | 604,266 |
| Total 1998 Surety | | 3,424,212 |

Upon receipt of your approval of this proposed revision, we will submit a surety bond in this amount effective December 30, 1998. We will appreciate any efforts to expedite this approval, as there will be some administrative time required to change over from the letter of credit to a surety bond before year-end.

If you have any questions, please call me at 307-687-6052.

Respectfully submitted:



John Trummel

On behalf of SOHIO Western Mining Company

cc: Kelly Tilford, Duke Engineering and Services
Ken Done, Utah Copper