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Kennecott Energy

September 18, 1997

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 1997 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 proposed to revise the Letter of Credit by increasing the amount to \$3,367,547.00, effective December 30, 1997, for the year 1998.

This revision is based upon the estimated contractual costs of addressing degradation issues identified by NRC in a letter dated April 11, 1996, and discussed in a meeting with NRC staff, August 18-19, 1997. These items are summarized below, and are based on estimated 1998 costs; therefore, an inflation factor is not needed. A 15% contingency is provided for the anticipated civil contract costs. Groundwater monitoring costs for 1998, assuming closure is effected during the year, has 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.

ESTIMATED 1998 COSTS		
ITEM	UNITS	COST
Cover Repairs	350,000 cy	\$ 1,260,000
Subgrade Preparation	110 ac	275,000
Pond Closures	100,000 cy	282,500
Riprap/Filter	12,550/8,380 cy	439,450

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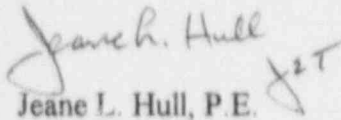
Annual Surety Revision
September 18, 1997
Page 2

South Channel Berm	13,500 cy	48,600
Fencing	20,000 lf	80,000
	Subtotal	2,385,550
Contingency	15%	357,832
	Total Civil Work	2,743,382
Groundwater Monitoring		30,000
LTS Fee		594,165
Total 1998 Surety		\$3,367,547

Upon receipt of your approval of this proposed revision, we will submit a new Letter of Credit effective December 30, 1997.

If you have any questions, please call me at (307) 687-6003.

Respectfully submitted,



Jeane L. Hull, P.E.
Director HSEQ
On behalf of Sohio Western Mining Company

cc: D. B. Crouch-INTERA