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July 3, 1998

BY FEDERAL EXPRESS

Joseph J. Holonich
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Division of Waste Management
Office of Nuclear Material Safety
and Safeguards
United States Regulatory Commission
Mail Stop T7J9
11545 Rockville Pike, Room T7E47
Rockville, Maryland 20852

Re: Grace Energy - License SUA-1480

Dear Mr. Holonich:

On behalf of the Estate of Michael P. Grace, I am submitting a request for a License Amendment for Source Material License SUA-1480 in order to commence reclamation of the Grace Energy sites with the ultimate goal of terminating the NRC license for these sites.¹ This letter is accompanied by an Environmental Report, ETEC's Closure Plan and references the Preliminary Site Assessments prepared for the sites by Rio Algom on July 1, 1996, a copy of which has already been provided to your office.

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By way of background, Mr. Grace, the principal of Grace Energy, died in April, 1995. Mr. Grace was the holder of Source Material License SUA-1480 issued by the

¹ The Grace Energy sites' locations are described in the Preliminary Site Assessment Report prepared by Rio Algom Environmental Services on July 1, 1996. The sites are relatively small in size and are located in remote areas.

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NRC pursuant to 10 C.F.R. Part 40. At the time of his death, Grace Energy was alleged to be in non-compliance with certain requirements of SUA-1480. The Executors of the Michael Grace Estate obtained assurance from NRC on June 20, 1995 that the NRC recognized that the Executors of the Estate had no personal responsibility for the liabilities of the Estate and would look no further than Mr. Grace's Estate for compliance with License SUA-1480. Similar assurance was provided by the State of New Mexico on July 14, 1995.

The executors of the Grace Estate commissioned a survey of the three Grace Energy sites subject to NRC License SUA-1480 by Rio Algom Environmental Services. This report provided a basis for the reclamation required at the sites. The primary focus of the report indicated the desirability of reclaiming contaminated soils and plugging wells at the sites. NRC reviewed the Rio Algom report and pointed out that on-site stabilization would require the additional costs of long-term care by the U.S. Department of Energy. Based upon this fact, the NRC requested that the Executors begin to pursue options for off-site disposal.

The Executors secured agreement with Quivira Mining Company to receive and dispose the contaminated soils from the Grace sites. Quivira is licensed to receive and dispose of this material. The Executors also obtained proposals from reclamation contractors to accomplish reclamation activities at the sites. The proposals were reviewed with NRC staff and the Executors selected ETEC, Inc. to conduct the reclamation. The enclosed Closure Plan tracks the ETEC proposal very closely.

The Executors then petitioned the Probate Court in California which has jurisdiction over Mr. Grace's Estate, for funds to conduct the reclamation and disposal activities within the parameters of the ETEC proposal. The Probate Court allowed up to \$300,000 for such activities. Additional funds are not available given other priority claims against the Grace Estate. According to the Estate's probate counsel, additional funding for reclamation would effectively render the Estate of Michael Grace insolvent.

Based upon the Rio Algom Report, ETEC's proposal and discussions with NRC staff, the Executors proposed that the primary focus of the reclamation be to remove approximately 800 cubic yards of contaminated soils from the sites. The second effort will be to plug wells to the extent possible. Rio Algom's report identified approximately 800 cubic yards of contaminated soils and approximately 29 wells that were created by the Grace Energy activities. In the event that monies are available to conduct additional reclamation, the Estate would propose to work with NRC and its contractor to identify the areas in which to expend these funds that would best promote the public health and safety.

Joseph J. Holonich
July 3, 1998
Page 3

Given that the Estate has limited funds to conduct reclamation at the Grace sites, it is requested that NRC continue to work with the Estate to maximize the funds available to accomplish the best remediation possible. The relatively small amount of remediation required, and remoteness of these sites would suggest that the remediation can be accomplished without a significant impact on the environment.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Jon J. Indall', written in a cursive style.

Jon J. Indall

JJI/cat

Enclosure

cc: Caleb Loring (w/encl.)
Gary Williams (w/encl.)

ENVIRONMENTAL REPORT LICENSE SUA-1480

The Estate of Michael P. Grace, licensee under NRC License SUA-1480 submits the following Environmental Report in conjunction with its application to amend License SUA 1480 to allow the reclamation of the Grace Energy sites as identified in the Rio Algom Preliminary Site Assessments Report dated July 1, 1996 ("Rio Algom Report"). The reclamation of the Grace Energy sites will be conducted according to the ETEC Closure Plan submitted herewith ("Closure Plan").

A. Description of Proposed Actions.

As set forth in the Closure Plan, the primary focus of the reclamation of the Grace Energy sites will be to remove approximately 800 cubic yards of contaminated soils from the sites for off-site disposal. The off-site disposal site is Quivira Mining Company, Ambrosia Lake, New Mexico. Non-contaminated debris and trash will be collected and buried on site.

To the extent that reclamation funds remain available, wells will be plugged at the sites.

A more detailed description of proposed actions is contained in the Closure Plan.

B. Purpose of Proposed Actions.

The purpose of the proposed actions is to reclaim the Grace Energy sites to the extent allowed by available funds and to terminate NRC License SUA-1480.

C. Description of Environment Affected.

The Grace Energy sites are located in remote, rural areas in New Mexico. Specific site descriptions are contained in the Rio Algom Report. Prior to the Grace

Energy activities at these sites, they were believed to be primarily used for cattle grazing activities. There is not significant population near any of the sites.

D. Impact of Proposed Action on the Environment.

1. The proposed action should have a positive impact on the areas affected by Grace Energy. The Rio Algom Report describes the specific areas of environmental concern at each site. Should the proposed reclamation activities requested by the License Amendment be approved, contaminated soils at the sites will be removed to a licensed disposal facility; wells will be plugged; and waste and debris covered.

2. An archeological survey and historical report has been commissioned to assure that cultural resources will be protected. Upon completion, this survey will be supplied to NRC and the appropriate SHPOs.

3. Existing ranch roads will be used to access the sites and the creation of new roads is not anticipated. Some dust will be created, but truck traffic at Sites 1 and 2 will be very limited. Truck traffic at Site 3 (Magdalena) will be heavier but is not expected to exceed more than 10 trips per day to the disposal site.

4. Discussions with NRC staff indicate that the proposed plan should not affect any endangered species.

E. Alternatives to the Proposed Action.

1. **On-site disposal.** On-site disposal would eliminate truck traffic required to remove contaminated soils to the disposal site. However, because of long-term monitoring financing requirements, on-site disposal of contaminated soils is not a viable alternative.

2. **No reclamation.** The sites could remain in their present state, but this would not accomplish license reclamation objectives.

3. The proposed action should enhance the long-term productivity of the sites. No irreversible or irretrievable commitments of resources should be involved in the implementation of the proposed action.

17. **Analysis.**

On balance, the proposed action provides the best alternative to obtain the objective of reclaiming the Grace Energy sites to the extent the Grace Estate has available funding. The proposed action described in the Closure Plan provides for a reasonable approach to accomplish reclamation, particularly in light of NRC's direction that any contaminated soils be disposed of off-site.

G. Status of Compliance.

The Executors have contracted on behalf of the Michael Grace Estate with ETEC, Inc. to perform the reclamation activities at the Grace Energy sites. ETEC has contracted with an archeological survey firm to conduct the required archeological surveys. ETEC will also obtain DOT manifests in order to transport the contaminated soils to the Quivira disposal site. Any further permitting or approval requirements will be discussed in the Closure Plan.

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