

STATE OF COLORADO

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Dedicated to protecting and improving the health and environment of the people of Colorado

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Colorado Department
of Public Health
and Environment

January 18, 2010

John S. Hamrick, VP Mill Operations
Cotter Corporation
P.O. Box 1750
Canon City, CO 81215

Mill Reclamation Surety Offset

Dear John:

In looking over the email and attachment from 1/11/11, along with the Mill Facilities removal table from your 12/13/10 email, I had a few questions.

The four projects to be completed for credit towards surety before the end of December were:

- Four ore pads
- CCD Tanks
- CCD soils
- Secondary impoundment interim cover

In your email you list completion of the CCD Tanks and the secondary impoundment interim cover. You identify that you are 50% done with the CCD soils. You have provided photographic documentation of the CCD tanks removal, and we have observed the first lift of random fill on the secondary. It is our conclusion that you did not meet the December deadline for two of these four projects. The Department continues to voice its concern that there are not enough resources being brought to the project to meet the timely decommissioning requirements in Part 3 of the regulations.

As part of the documentation of decommissioning for license termination and site closure, documentation of your decommissioning activities is required. For each decommissioning activity, you should have a work plan and post-project completion report detailing the activities performed, with relative data supporting the completion. NUREG-1757, Vols. 1 and 2 may be of some assistance in this area. It is not clear to us how you are going to demonstrate cleanup of the ore pads and CCD area soils without a final status survey plan, submittal of draft Criteria 6(6) values for uranium and thorium-230 in those areas, and how you will keep the areas from becoming contaminated again. Gamma surveys alone are not sufficient to document final cleanup; they must be supported by soil sample analysis that meets LC 11.1 and 29.1. Please also provide records of transfer of any source material from the site to other parties in the reports for the ore pads.

John S. Hamrick, VP Mill Operations
January 18, 2011
Page 2

If we receive the completion reports for the CCD Tanks and the secondary impoundment interim cover by the end of January, we will allow you credit for the \$950,000 estimated for financial assurance for those two projects. However, the remainder of the deferred surety of \$1,080,000 is to be obtained and documented to us as soon as possible.

In addition to the ore pads and CCD tank soils, projects that are to be completed by July 2011, include:

- Secondary crusher
- Grind/leach building
- Catalyst building
- SX building
- Misc buildings
- Zirconium building
- Silica building

You have recently submitted four plans for Department review, which should be complete this week or next week. They are for the boiler house, sulfation bldg/rubber shop, grind and leach bldg, and catalyst plant.

In your email you include completion for portions of the grind/leach building, miscellaneous buildings, and the kiln building. Note that the kiln building was not included in the financial assurance estimate as it had been taken down before the estimate was completed and was not included in the estimate. In addition, many of the projects you completed were not in your proposed list for completion by July, 2011 including:

- Secondary bag house
- Secondary crusher conveyor
- Grind/leach conveyor
- Primary crusher-day ore bin
- Old mill electric shop
- Old mill office/shop
- Schwartz ore crusher area

We understand that these were done first as a lead up to the CCD tanks demo project and were used to shakedown the process. While we applaud the completion of any decommissioning activity, it is of some concern that you did not update the current schedule and plan to include these activities for decommissioning planning and funding credit. Please provide a summary report of these activities with supporting data and in July we will credit the surety for the work completed.

You originally agreed to submit your decommissioning schedule to us in September. We received a partial schedule in mid-December. However, it appears that this is not the work schedule you are following.

You have committed to a complete project work schedule by March, and I ask that by the end of January you provide us with a work schedule for the work completed and to be performed between now and July that will offset the \$2 million surety due in July.

John S. Hamrick, VP Mill Operations
January 18, 2011
Page 3

Please contact me if you have any questions.

A handwritten signature in blue ink, appearing to read "Steve Tarlton". The signature is stylized and cursive.

Steve Tarlton, Manager
Radiation Program

Cc: Tom Roan, AGO
Amory Quinn, General Atomics