



VIA EMAIL AND U.S. MAIL

June 30, 2011

Mr. Steve Tarlton
Manager, Radiation Program
Colorado Department of Public Health and Environment
4300 Cherry Creek Drive South
Denver, CO 80246-1530



Re: RML 369-01, License Condition 30.5, Annual Surety Update

Dear Mr. Tarlton:

License Condition 30.5 of the Radioactive Materials License ("RML") 369-01 requires an annual surety update be submitted by Cotter Corporation (N.S.L.) ("Cotter") in accordance with 6. C.C.R. 1007-1 § 3.9.5.6. This letter is provided in compliance with that requirement.

As of June 30, 2010, Cotter and the Colorado Department of Public Health and Environment (the "Department") agreed on the RML surety at the Cañon City Milling Facility ("CCMF"). The Remedial Action Plan ("RAP") surety remains under discussion between Cotter and the Department.

Cotter provided the Department with a line item estimate in support of the RML surety in January 2010. During this past year, Cotter completed substantial demolition and cleanup work. The enclosed table shows completed work and work that will be completed by October 29, 2011. A 3.3% inflation rate was applied to the existing surety amount using the Consumer Price Index – Urban from June 30, 2010 to present.

Please note the following:

- A surety credit for soil excavation is not being requested at this time.
- Demolition of the Fine Ore Bins will be completed by July 31, 2011.
- The Solvent Extraction Building demolition will be completed by August 31, 2011.
- Product Building demolition will be completed by October 29, 2011.

An additional \$102,000 has been added to the existing RML surety to further investigate a localized area of Trichloroethylene ("TCE") recently identified as a contaminant in the groundwater at CCMF. Cotter's January 2010 surety estimate included capital, operation and maintenance costs for treatment of groundwater from beneath the golf course. The estimate also included costs for a complete pump and treat system including extraction wells, monitoring wells, pumps and associated piping. Please refer to Table 5-8 in Engineering Analytic Inc.'s support document for cost details. A complete pump and treat system for treatment of

Mr. Steve Tarlton
June 30, 2011
Page 2

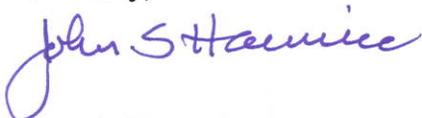
groundwater from beneath the golf course is not applicable at this time. Thus, Cotter proposes to use the same system costs to account for TCE treatment, if it becomes necessary.

As set forth in the enclosed table, the total proposed surety increase to the RML bond is \$781,951.

Finally, the present Long Term Care Fund ("LTCF") is the amount determined by the Nuclear Regulatory Commission in the *Final Generic Environmental Impact Statement*, NUREG -0706 to cover post-license termination activities required for long-term management of the lands necessary for the disposal of By-Product Material. When all remediation activities have been completed, the site-specific LTCF is calculated based on conditions and site oversight activities that will exist at the time of license termination. The present value of the amount held in the LTCF by the State of Colorado is equal to or greater than the 1978 NRC-specified amount of \$250,000 in accordance with the guidance and regulations promulgated by NRC.

Please call me at 719-275-7413 (ext. 202) if you have any questions.

Sincerely,



John S. Hamrick
Vice President, Mill Operations

Enclosure

Cotter Surety Update Calculations				30-Jun-11
	Burden rate:	1.7275		
Project	Surety Estimate	Burdened Cost*	Completed 6/30/2011	To Be Completed By 10-29-11
CCD Tanks		\$ 500,000	\$ 500,000	
Secondary Impoundment Interim Cover		\$ 450,000	\$ 450,000	
Product Building	\$ 269,075	\$ 464,827		\$ 464,827
Secondary Crusher Building	\$ 14,617	\$ 25,251	\$ 25,251	
Secondary Crusher Conveyor	\$ 5,007	\$ 8,650	\$ 8,650	
Secondary Feed Building	\$ 1,758	\$ 3,037	\$ 3,037	
Secondary Control Building	\$ 18,015	\$ 31,121	\$ 31,121	
Storage Building South of Secondary Crusher	\$ 4,238	\$ 7,321	\$ 7,321	
Secondary Crusher Bag House	\$ 11,437	\$ 19,757	\$ 19,757	
Grind Leach Building (GLB)	\$ 319,837	\$ 552,518	\$ 552,518	
Pump House West of GLB	\$ 27,696	\$ 47,845	\$ 47,845	
Air Compressor Building West of GLB	\$ 4,016	\$ 6,938	\$ 6,938	
Grind Leach Conveyor	\$ 64,756	\$ 111,866	\$ 124,572	
Catalyst Building	\$ 138,413	\$ 239,108	\$ 239,108	
Catalyst Unloading Bin	\$ 8,948	\$ 15,458	\$ 15,458	
Catalyst Building to West	\$ 5,769	\$ 9,966	\$ 9,966	
Catalyst Building Pipe Rack	\$ 1,474	\$ 2,546	\$ 2,546	
Solvent Extraction Building	\$ 317,096	\$ 547,783		\$ 547,783
Boiler	\$ 21,737	\$ 37,551	\$ 37,551	
Fine Ore Bins	\$ 218,745	\$ 377,882		\$ 377,882
Rubber Shop	\$ 4,829	\$ 8,342	\$ 8,342	
Primary Crusher Day Bin, etc	\$ 14,614	\$ 25,246	\$ 25,246	
Old Mill Electric Shop	\$ 11,689	\$ 20,193	\$ 20,193	
Old Mill Office/Shop	\$ 14,896	\$ 25,733	\$ 25,733	
Schwartz Ore Crusher Area	\$ 6,772	\$ 11,699	\$ 11,699	
NaCl Storage	\$ 2,087	\$ 3,605	\$ 3,605	
Pipe Racks	\$ 144,809	\$ 250,158	\$ 250,158	
Zirc Product Building	\$ 77,435	\$ 133,769	\$ 133,769	
Silica (Sulfation) Building	\$ 41,326	\$ 71,391	\$ 71,391	
*Burdened Cost - Agreed to in Cotter letter dated June 30, 2011				
			\$ 2,631,773	\$ 1,390,492
Total Surety (June 2010 \$'s)	\$ 20,847,000			
Surety Bond	\$ 16,700,000			
Work Performed	\$ 4,022,265			
Difference	\$ 124,735			
Surety Bond plus Difference	\$ 16,824,735			
Inflation Rate, CPI-U	3.3%			
Surety June 30, 2011 Forward	\$ 17,379,951			
TCE Investigation	\$ 102,000			
Amount to be funded	\$ 781,951			