January 14, 2002

Mr. Ron Hochstein
President and Chief Executive Officer
International Uranium (USA) Corporation
Independence Plaza, Suite 950
1050 Seventeenth Street
Denver, Colorado 80265

SUBJECT: MATERIALS LICENSE SUA-1358 -- WHITE MESA URANIUM MILL
QUESTIONS AND CONCERNS REGARDING ALTERNATE FEED MATERIAL
STORAGE

Dear Mr. Hochstein:

As discussed with you and David Frydenlund on December 13, 2001, we have several
questions and concerns regarding your current practice of stockpiling alternate feed on the ore
pad. It is our understanding that material has not been run through the mill since the summer
of 2000 and, since that time, a large volume of alternate feed material has been received and is
currently being stockpiled on the ore pad. We have the following concerns and questions
relative to this situation:

1. Potential dust control of these alternate feed piles and the consideration of radon and
   airborne contamination, including cumulative impacts.

2. Potential groundwater contamination concerns from the alternate feed material lying
   uncovered on an un-lined surface on the ore pad, including cumulative impacts.

3. What would be the cost of disposing of the stockpiled material should the mill be shut-
   down prior to another processing run? Has this cost estimate been factored into in the
current surety?

Please address these concerns and questions within 30 days from the receipt of this letter. If
you have any questions regarding this letter, please contact the NRG Project Manager, William
von Till, at (301) 415-6251.

In accordance with 10 CFR 2.790 of the NRC’s “Rules of Practice,” a copy of this letter will be
available electronically for public inspection in the NRC Public Document Room or from the
Publicly Available Records (PARS) component of NRC’s document system (ADAMS). ADAMS
is accessible from the NRC Web site at http://www.nrc.gov/NRC/ADAMS/index.html (the Public
Electronic Reading Room
Sincerely,

/RA/c/MXL2

Melvyn N. Leach, Chief
Fuel Cycle Licensing Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No. 40-8681

cc:  W. Sinclair, UT
     Tom Rice, Ute Mountain Ute Tribe
     Terry Brown, U.S. EPA Region VIII
     Loren Setlow, U.S. EPA Office of
         Radiation and Indoor Air (6608J)
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