

CROW BUTTE RESOURCES, INC.

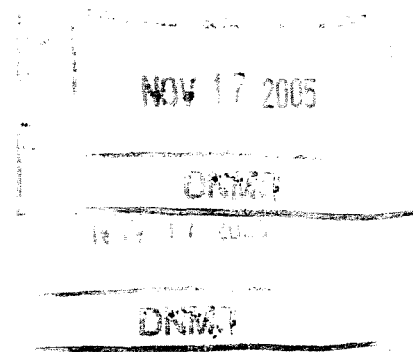
86 Crow Butte Road
P.O. Box 169
Crawford, Nebraska 69339-0169



(308) 665-2215
(308) 665-2341 – FAX

October 28, 2005

Mr. Jack E. Whitten
Chief
Nuclear Materials Licensing Branch
U.S. Nuclear Regulatory Commission
Region IV
611 Ryan Plaza Drive, Suite 400
Arlington, Texas 76011-4005



Re: Source Materials License SUA-1534
Docket No. 40-8943
NRC Inspection Report 040-08943/05-001

Dear Mr. Whitten:

By letter dated October 20, 2005, Region IV of the Nuclear Regulatory Commission (NRC) provided the referenced inspection report. The report was based on a facility inspection conducted on September 22, 2005 at the Crow Butte Uranium Project near Crawford, Nebraska. Based upon our review of the inspection report, Crow Butte Resources (CBR) believes that the discussion of the groundwater monitoring program in section 5.2e of the report requires a few clarifications.

1. The first paragraph states that the inspectors reviewed CBR Procedure E-5, "Routine Monitor Well Sampling". In fact, Procedure E-5 is an obsolete CBR procedure and was not available for review at the time of the inspection. The correct reference was Chapter 3 of CBR Environmental, Health, and Safety Management System (EHSMS) Volume VI, *Environmental Manual*, which replaced the instructions in Procedure E-5 in July 2003.
2. The first paragraph on page 14 of the inspection report states that CBR, "...in accordance with its SOPs, must collect water level measurements before and after purging to show that drawdown was minimized and collect three sets of field parameters that meet the stabilization criteria..." This statement is incorrect. The instructions contained in Volume VI do not specifically require collection of water level measurements following well purging and sampling. These instructions also allow collection of one set of field parameters (pH and conductivity) for comparison with predetermined ranges for the particular monitor well. This was the method employed by CBR at the time of the inspection and was in accordance with our procedures contained in Volume VI.

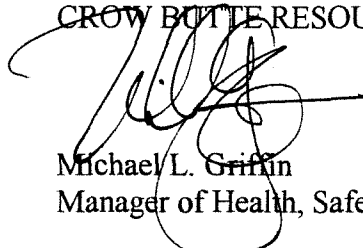


Mr. Jack E. Whitten
October 28, 2005
Page 2

3. The report identifies an Inspector Followup Item (IFI) 040-08942/0005-01 to review three items of concern at the next inspection, including a concern that "...*(t)he alternate purge method of pumping on (sic) purge volume and collecting one set of field parameters does not appear to be technically justified.*" CBR does not agree with this conclusion and discussed this issue during the inspection. CBR believes that our technical approach of comparing one set of field monitoring results with pre-established acceptable ranges for each low flowing monitor well is defensible and that the consistent monitoring results from our extensive groundwater monitoring program support this contention. CBR did agree during the inspection to review our program and take any indicated action to address the other two items of concern listed in the IFI. In particular, we agreed to look at post-purging water levels for low flowing monitor wells, which are those that require the alternate purging method.

If you have any questions, please feel free to call me at (308) 665-2215, extension 116.

Sincerely,
CROW BUTTE RESOURCES, INC.



Michael L. Griffin
Manager of Health, Safety, and Environmental Affairs

cc: Nebraska Department of Environmental Quality
Mr. Dave Miesbach, Groundwater Unit Supervisor
PO Box 98922
Lincoln, Nebraska 68509-8922