



July 20, 2012

Attn: Document Control Desk
Director
Office of Federal and State Materials and
Environmental Management Programs
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Re: Quarterly Report Uranerz Energy Corporation Nichols Ranch ISR Project SUA-1597

Dear Mr. McConnell,

This letter and attachment serves as the 2nd Quarter 2012 quarterly report for the Uranerz Energy Corporation Nichols Ranch ISR Project that is required by License Condition 11.1 in SUA-1597. If you have any questions regarding the provided information, please contact me at 307-265-8900 or by email at mthomas@uranerz.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael P. Thomas", written in a cursive style.

Michael P. Thomas
Vice President Environmental, Safety, and Health
Uranerz Energy Corporation

MT/dk

Attachment
2nd Quarter 2012 Report (with Appendices)

cc: Ron Linton, NRC Project Manager

FSME20

July 20, 2012

Mr. Mark Rogaczewski
District III Supervisor
Department of Environmental Quality – Land Quality Division
2100 West 5th Street
Sheridan, WY 82801

Attn: Document Control Desk
U.S. Nuclear Regulatory Commission
Mr. Keith McConnell, Deputy Director
Decommissioning and Uranium Recovery Licensing Directorate
Division of Waste Management and Environmental Protection
Office of Federal and State Materials and Environmental Management Protection
Mail Stop T-8F5
11545 Rockville Pike
Two White Flint North
Rockville, MD 20852-2738

Re: Uranerz Energy Corporation Nichols Ranch ISR Project, WDEQ-LQD Permit to Mine No. 778 and NRC SUA-1597 Quarterly Report

Dear Mr. Rogaczewski,

Pursuant to the Permit to Mine No. 778 and SUA-1597 License Condition 11.1, quarterly reporting is required. Review of WDEQ-LQD rules and regulations and the permit, compared to NRC license conditions shows similar reporting requirements in addition to the requirement to provide courtesy copies to each agency. Uranerz has therefore, in an effort to reduce redundant reporting and our environmental footprint with duplicate paper copies, combined the Wyoming Department of Environmental Quality – Land Quality Division quarterly report with the NRC License SUA-1597 quarterly report. If you have any questions regarding the provided information, please contact me at 307-265-8900 or by email at mthomas@uranerz.com.

Sincerely,



Michael P. Thomas
Vice President Environmental, Safety, and Health
Uranerz Energy Corporation

MT/dk

Attachments

2nd Quarter 2012 Report (with Appendices)

Cc: WDEQ-LQD District 3 (3 sets)

1st set for District 3

2nd set copy for District 1

3rd set copy to send to Buffalo Field Office BLM (as needed)

NRC: Ron Linton, NRC Project Manager

USA OPERATIONS

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2nd Quarter 2012 Report – Nichols Ranch ISR Project WDEQ-LQD Permit to Mine No. 778 and NRC License SUA-1597

Introduction

Uranerz Energy Corporation (Uranerz) received its Wyoming Department of Environmental Quality – Land Quality Division Permit to Mine No. 778 on December 29, 2010. On July 19, 2011 Source Material License SUA-1597 was issued to Uranerz by the NRC. Construction of the Nichols Ranch CPP and Production Area #1 commenced August 2, 2011.

The following highlights activities that occurred at the Nichols Ranch Unit during the quarter:

- The concrete, building and site earthwork is complete for the main facilities. Major construction in the maintenance and office buildings is complete enabling Uranerz to move in office equipment and other internal items. A majority of the equipment, pumps, valves, tanks, vessels, pipe, fittings, electrical equipment, and instrumentation has been delivered to site. The structural piping supports are being installed and the plant process piping is scheduled to begin in July.
- In the wellfield, fusing of the wellfield trunkline commenced and two header house structures were erected.
- Interim reclamation activities began this quarter with the area around the main facility and the pipeline between the central plant and the staging area being seeded. Two topsoil stockpiles were also seeded. This will also be reported WDEQ-LQD Annual Report.
- Baseline sampling for Production Area #1 (PA#1) continued during the report period with an anticipated completion expected during the 3rd Quarter. For your planning purposes, once completed, the Upper Control Limits (UCLs) and Restoration Target Values (RTVs) will be calculated and submitted to the WDEQ-LQD and NRC.
- Well installation continued in PA#1 and is discussed below.
- Uranerz met with WDEQ-LQD in March and NRC in May to discuss the Jane Dough amendment area.
- Uranerz re-evaluated the access road between the cement silo and the first cattle guard into the PA#1 wellfield area and has elected to postpone installation until such time that it will be needed. This area will be used by light duty vehicles to perform required monitor well sampling. Uranerz will notify WDEQ-LQD if activity needs change prior to commencing as requested by WDEQ-LQD in comments to the 1st Quarter 2012 report.
- The WDEQ Water Quality Division (WDEQ-WQD) submitted the Deep Disposal Well proposal out to public comment and the EPA in May 2012. The EPA has requested additional information and the WDEQ-WQD will be responding as necessary.
- No activities took place at the Hank Unit.

MONITORING

Uranerz previously reported that baseline sampling for PA#1 began during the 1st Quarter 2012. Baseline sampling of the wellfield is performed in accordance with the WDEQ-LQD permit and NRC License Condition 11.3 and 11.4. It is anticipated that the baseline sampling will be completed during the 3rd Quarter 2012. Upon receipt of sampling results, UCLs and RTVs will be calculated and submitted to the WDEQ-LQD and NRC.

Excursion Parameters, Corrective Actions, Well Status

There was no injection of fluids in the 2nd Quarter of 2012, hence there was no excursion monitoring and there are no excursions to report for the period.

WELL INSTALLATION

Fifty-seven (57) Class III wells were drilled and completed.

Mechanical Integrity Testing

The WDEQ-LQD Permit to Mine No. 778 requires mechanical integrity test (MIT) results for wells be reported quarterly. NRC License Condition 11.1B requires a summary of MIT results semi-annually; however, the MIT information remains the same regardless of the reporting timeframe and will therefore just be a more frequent reporting than required.

Ninety-five (95) Class III wells were tested during the report period at the Nichols Ranch Unit. MIT results are attached as Appendix A. The Appendix format of column designations was established based on WDEQ-LQD criteria. The first column in Appendix A is a simple line designation for eas in review. Also, in Appendix A the column titled Lower_Pckr_Depth, the "Pckr" is an abbreviation for Packer which is an expandable plug used to isolate section in a well. Two (2) wells failed MIT during the quarter and are discussed in the following section.

Defective Wells and Well Repair

As mentioned above, two production wells failed initial MIT during the report period (Wells 1-A15 and 1-B9) and were abandoned. The well status is attached in Appendix B.

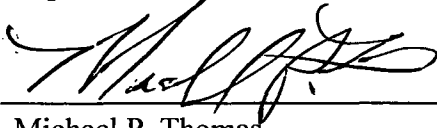
Wells MRN-2, MRN-3, and MRN-34 that had been scheduled for abandonment in the quarter were completed. Plug and abandonment of wells is performed in accordance Permit to Mine No. 778. Abandonment reports will be submitted in the WDEQ-LQD Annual Report as required by Permit to Mine No. 778.

APPENDICES

Appendix A – MITs for Nichols Ranch Production

Appendix B - Well Status

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based upon my inquiry of the person or persons who manage the system, or the those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including, the possibility of fine and imprisonment for known violations.



Michael P. Thomas
Vice President Environmental, Safety, and Health
Uranerz Energy Corporation

**WDEQ - Quarterly Report/2nd QTR 2012 -
MITs for Nichols Ranch Production**

Appendix A



| # | Well Name | Date Tested | Casing Type | Bottom Casing | Lower_Pckr_Depth | Initial_Pressure | Final_Pressure | Pressure_Loss | Next Test Date | Pass-Fail |
|----|-----------|-------------|-------------|---------------|------------------|------------------|----------------|---------------|----------------|-----------|
| 1 | 1A-47 | 5/15/2012 | PVC | 583 | 570 | 180 | 163 | 17 | 5/14/2017 | PASS |
| 2 | 1A-63 | 4/13/2012 | PVC | 556 | 540 | 180 | 180 | 0 | 4/12/2017 | PASS |
| 3 | 1A-48 | 4/5/2012 | PVC | 564 | 550 | 180 | 178 | 2 | 4/4/2017 | PASS |
| 4 | 1A-43 | 4/9/2012 | PVC | 559 | 550 | 180 | 163 | 17 | 4/8/2017 | PASS |
| 5 | 1A-42 | 4/9/2012 | PVC | 553 | 540 | 180 | 169 | 11 | 4/8/2017 | PASS |
| 6 | 1A-52 | 4/5/2012 | PVC | 561 | 550 | 180 | 176 | 4 | 4/4/2017 | PASS |
| 7 | 1A-46 | 4/5/2012 | PVC | 563 | 550 | 180 | 178 | 2 | 4/4/2017 | PASS |
| 8 | 1A-69 | 5/14/2012 | PVC | 606 | 590 | 180 | 166 | 14 | 5/13/2017 | PASS |
| 9 | 1A-8.1 | 5/4/2012 | PVC | 558 | 540 | 180 | 164 | 16 | 5/3/2017 | PASS |
| 10 | 1A-36 | 5/14/2012 | PVC | 603 | 590 | 180 | 168 | 12 | 5/13/2017 | PASS |
| 11 | 1A-65 | 4/20/2012 | PVC | 563 | 550 | 180 | 172 | 8 | 4/19/2017 | PASS |
| 12 | 1A-76 | 5/15/2012 | PVC | 543 | 530 | 180 | 165 | 15 | 5/14/2017 | PASS |
| 13 | 1A-92 | 6/25/2012 | PVC | 517 | 510 | 180 | 165 | 15 | 6/24/2017 | PASS |
| 14 | 1A-73 | 6/15/2012 | PVC | 602 | 590 | 180 | 165 | 15 | 6/14/2017 | PASS |
| 15 | 1A-20 | 5/14/2012 | PVC | 596 | 590 | 180 | 170 | 10 | 5/13/2017 | PASS |
| 16 | 1A-75 | 6/13/2012 | PVC | 604 | 590 | 180 | 168 | 12 | 6/12/2017 | PASS |
| 17 | 1A-94 | 6/13/2012 | PVC | 598 | 580 | 180 | 166 | 14 | 6/12/2017 | PASS |
| 18 | 1A-74 | 6/13/2012 | PVC | 594 | 580 | 180 | 163 | 17 | 6/12/2017 | PASS |
| 19 | 1A-108 | 6/25/2012 | PVC | 538 | 520 | 180 | 164 | 16 | 6/24/2017 | PASS |
| 20 | 1A-59 | 5/1/2012 | PVC | 558 | 540 | 180 | 167 | 13 | 4/30/2017 | PASS |
| 21 | 1A-57 | 5/7/2012 | PVC | 567 | 550 | 180 | 170 | 10 | 5/6/2017 | PASS |
| 22 | 1A-84 | 5/7/2012 | PVC | 564 | 550 | 180 | 174 | 6 | 5/6/2017 | PASS |
| 23 | 1A-55 | 5/7/2012 | PVC | 554 | 540 | 180 | 165 | 15 | 5/6/2017 | PASS |
| 24 | 1A-50 | 5/7/2012 | PVC | 542 | 530 | 180 | 162 | 18 | 5/6/2017 | PASS |
| 25 | 1A-27 | 5/7/2012 | PVC | 602 | 590 | 180 | 165 | 15 | 5/6/2017 | PASS |
| 26 | 1A-23 | 5/8/2012 | PVC | 567 | 550 | 180 | 177 | 3 | 5/7/2017 | PASS |
| 27 | 1A-10 | 5/8/2012 | PVC | 591 | 580 | 180 | 171 | 10 | 5/7/2017 | PASS |

| # | Well Name | Date Tested | Casing Type | Bottom Casing | Lower_Pckr_Depth | Initial_Pressure | Final_Pressure | Pressure_Loss | Next Test Date | Pass-Fail |
|----|-----------|-------------|-------------|---------------|------------------|------------------|----------------|---------------|----------------|-----------|
| 28 | 1A-80 | 5/9/2012 | PVC | 550 | 540 | 180 | 166 | 14 | 5/8/2017 | PASS |
| 29 | 1A-58 | 5/8/2012 | PVC | 550 | 540 | 180 | 163 | 17 | 5/7/2017 | PASS |
| 30 | 1A-62 | 4/17/2012 | PVC | 576 | 560 | 180 | 170 | 10 | 4/16/2017 | PASS |
| 31 | 1A-19 | 5/5/2012 | PVC | 593 | 580 | 180 | 163 | 17 | 5/4/2017 | PASS |
| 32 | 1A-79 | 5/5/2012 | PVC | 549 | 530 | 180 | 169 | 11 | 5/4/2017 | PASS |
| 33 | 1A-88 | 5/9/2012 | PVC | 606 | 590 | 180 | 165 | 15 | 5/8/2017 | PASS |
| 34 | 1A-71 | 4/27/2012 | PVC | 548 | 530 | 180 | 166 | 14 | 4/26/2017 | PASS |
| 35 | 1A-68 | 4/26/2012 | PVC | 551 | 540 | 180 | 165 | 15 | 4/25/2017 | PASS |
| 36 | 1A-54 | 4/26/2012 | PVC | 556 | 540 | 180 | 177 | 3 | 4/25/2017 | PASS |
| 37 | 1A-51 | 4/20/2012 | PVC | 549 | 530 | 180 | 178 | 2 | 4/19/2017 | PASS |
| 38 | 1A-96 | 6/12/2012 | PVC | 539 | 520 | 180 | 17 | 0 | 6/11/2017 | PASS |
| 39 | 1A-66 | 5/8/2012 | PVC | 570 | 560 | 180 | 166 | 14 | 5/7/2017 | PASS |
| 40 | 1A-56 | 5/16/2012 | PVC | 566 | 550 | 180 | 175 | 5 | 5/15/2017 | PASS |
| 41 | 1A-64 | 5/17/2012 | PVC | 611 | 600 | 180 | 166 | 14 | 5/16/2017 | PASS |
| 42 | 1A-60 | 6/1/2012 | PVC | 552 | 520 | 180 | 162 | 18 | 5/31/2017 | PASS |
| 43 | 1A-25 | 5/23/2012 | PVC | 542 | 530 | 180 | 170 | 10 | 5/22/2017 | PASS |
| 44 | 1A-109 | 5/25/2012 | PVC | 553 | 540 | 180 | 164 | 16 | 5/24/2017 | PASS |
| 45 | 1A-9 | 5/24/2012 | PVC | 572 | 560 | 180 | 163 | 17 | 5/23/2017 | PASS |
| 46 | 1A-61 | 5/16/2012 | PVC | 565 | 550 | 180 | 176 | 4 | 5/15/2017 | PASS |
| 47 | 1A-61 | 5/16/2012 | PVC | 565 | 550 | 180 | 176 | 4 | 5/15/2017 | PASS |
| 48 | 1A-110 | 5/29/2012 | PVC | 558 | 550 | 180 | 176 | 4 | 5/28/2017 | PASS |
| 49 | 1A-90 | 5/22/2012 | PVC | 573 | 560 | 180 | 175 | 5 | 5/21/2017 | PASS |
| 50 | 1A-106 | 5/29/2012 | PVC | 621 | 610 | 180 | 180 | 0 | 5/28/2017 | PASS |
| 51 | 1A-35 | 5/16/2012 | PVC | 596 | 580 | 180 | 167 | 13 | 5/15/2017 | PASS |
| 52 | 1A-72 | 5/16/2012 | PVC | 551 | 540 | 180 | 178 | 2 | 5/15/2017 | PASS |
| 53 | 1A-33 | 5/22/2012 | PVC | 539 | 530 | 180 | 166 | 14 | 5/21/2017 | PASS |
| 54 | 1A-97 | 5/23/2012 | PVC | 541 | 530 | 180 | 166 | 14 | 5/22/2017 | PASS |
| 55 | 1A-85 | 5/18/2012 | PVC | 564 | 550 | 180 | 170 | 10 | 5/17/2017 | PASS |
| 56 | 1A-15 | 5/2/2012 | PVC | 549 | 540 | 180 | | 0 | 5/1/2017 | FAIL |
| 57 | 1A-41 | 6/1/2012 | PVC | 575 | 560 | 180 | 166 | 14 | 5/31/2017 | PASS |

| # | Well Name | Date Tested | Casing Type | Bottom Casing | Lower_Pckr_Depth | Initial_Pressure | Final_Pressure | Pressure_Loss | Next Test Date | Pass-Fail |
|----|-----------|-------------|-------------|---------------|------------------|------------------|----------------|---------------|----------------|-----------|
| 58 | 1A-89 | 5/21/2012 | PVC | 547 | 530 | 180 | 166 | 14 | 5/20/2017 | PASS |
| 59 | 1A-21 | 6/6/2012 | PVC | 593 | 580 | 180 | 170 | 10 | 6/5/2017 | PASS |
| 60 | 1A-91 | 6/8/2012 | PVC | 550 | 540 | 180 | 165 | 15 | 6/7/2017 | PASS |
| 61 | 1A-78 | 5/17/2012 | PVC | 540 | 530 | 180 | 164 | 16 | 5/16/2017 | PASS |
| 62 | 1A-83 | 5/17/2012 | PVC | 547 | 530 | 180 | 171 | 10 | 5/16/2017 | PASS |
| 63 | 1A-107 | 6/22/2012 | PVC | 549 | 540 | 180 | 166 | 14 | 6/21/2017 | PASS |
| 64 | 1A-104 | 6/22/2012 | PVC | 557 | 540 | 180 | 162 | 18 | 6/21/2017 | PASS |
| 65 | 1A-111 | 6/22/2012 | PVC | 552 | 540 | 180 | 164 | 16 | 6/21/2017 | PASS |
| 66 | 1A-100 | 6/22/2012 | PVC | 549 | 540 | 180 | 163 | 17 | 6/21/2017 | PASS |
| 67 | 1A-93 | 5/29/2012 | PVC | 593 | 580 | 180 | 174 | 6 | 5/28/2017 | PASS |
| 68 | 1A-105 | 6/6/2012 | PVC | 554 | 540 | 180 | 180 | 0 | 6/5/2017 | PASS |
| 69 | 1A-67 | 6/12/2012 | PVC | 608 | 590 | 180 | 167 | 13 | 6/11/2017 | PASS |
| 70 | 1A-101 | 6/7/2012 | PVC | 586 | 570 | 180 | 166 | 14 | 6/6/2017 | PASS |
| 71 | 1A-87 | 6/7/2012 | PVC | 528 | 510 | 180 | 163 | 17 | 6/6/2017 | PASS |
| 72 | 1A-102 | 6/5/2012 | PVC | 536 | 520 | 180 | 166 | 14 | 6/4/2017 | PASS |
| 73 | 1A-11 | 6/4/2012 | PVC | 606 | 590 | 180 | 166 | 14 | 6/3/2017 | PASS |
| 74 | 1A-103 | 6/4/2012 | PVC | 645 | 600 | 180 | 164 | 16 | 6/3/2017 | PASS |
| 75 | 1A-15.1 | 6/1/2012 | PVC | 549 | 540 | 180 | 174 | 6 | 5/31/2017 | PASS |
| 76 | 1A-77 | 5/30/2012 | PVC | 572 | 560 | 180 | 178 | 2 | 5/29/2017 | PASS |
| 77 | 1A-112 | 6/22/2012 | PVC | 553 | 540 | 180 | 164 | 16 | 6/21/2017 | PASS |
| 78 | 1B-22 | 5/18/2012 | PVC | 544 | 520 | 180 | 165 | 15 | 5/17/2017 | PASS |
| 79 | 1B-42 | 6/26/2012 | PVC | 585 | 570 | 180 | 164 | 16 | 6/25/2017 | PASS |
| 80 | 1B-36 | 6/26/2012 | PVC | 568 | 550 | 180 | 167 | 13 | 6/25/2017 | PASS |
| 81 | 1B-9 | 4/4/2012 | PVC | 626 | 610 | 180 | 155 | 25 | 4/3/2017 | FAIL |
| 82 | 1B-28 | 6/27/2012 | PVC | 563 | 550 | 180 | 179 | 1 | 6/26/2017 | PASS |
| 83 | 1B-22 | 6/15/2012 | PVC | 621 | 610 | 180 | 162 | 18 | 6/14/2017 | PASS |
| 84 | 1B-25 | 6/26/2012 | PVC | 557 | 540 | 180 | 163 | 17 | 6/25/2017 | PASS |
| 85 | 1B-23 | 6/14/2012 | PVC | 623 | 610 | 180 | 170 | 10 | 6/13/2017 | PASS |
| 86 | 1B-19 | 6/25/2012 | PVC | 570 | 560 | 180 | 168 | 12 | 6/24/2017 | PASS |

| # | Well Name | Date Tested | Casing Type | Bottom Casing | Lower_Pckr_Depth | Initial_Pressure | Final_Pressure | Pressure_Loss | Next Test Date | Pass-Fail |
|----|-----------|-------------|-------------|---------------|------------------|------------------|----------------|---------------|----------------|-----------|
| 87 | 1B-21 | 6/15/2012 | PVC | 568 | 550 | 180 | 168 | 12 | 6/14/2017 | PASS |
| 88 | 1B-26 | 6/25/2012 | PVC | 555 | 540 | 180 | 166 | 18 | 6/24/2017 | PASS |
| 89 | 1B-16 | 4/4/2012 | PVC | 626 | 620 | 180 | 171 | 9 | 4/3/2017 | PASS |
| 90 | 1B-13 | 4/13/2012 | PVC | 569 | 550 | 180 | 167 | 13 | 4/12/2017 | PASS |
| 91 | A 98 | 5/18/2012 | PVC | 558 | 550 | 180 | 168 | 12 | 5/17/2017 | PASS |
| 92 | B-12 | 5/3/2012 | PVC | 563 | 550 | 180 | 170 | 10 | 5/2/2017 | PASS |
| 93 | B-18 | 5/3/2012 | PVC | 584 | 570 | 180 | 171 | 9 | 5/2/2017 | PASS |
| 94 | B-3 | 5/3/2012 | PVC | 604 | 590 | 180 | 164 | 16 | 5/2/2017 | PASS |
| 95 | B-6.1 | 5/4/2012 | PVC | 562 | 550 | 180 | 173 | 7 | 5/3/2017 | PASS |

Nichols Ranch ISR Project - 2nd Quarter 2012
MIT - Well Status
Monitor and Production Wells

Appendix B

| # | Well Name | Date Tested | Well Status | Action Date | Well Depth | Cement Volume Gallons | Comments |
|---|-----------|-------------|-------------|-------------|------------|-----------------------|----------|
| 1 | 1A-15 | 5/2/2012 | Abandoned | 5/10/2012 | 590 | 627 | |
| 2 | 1B-9 | 4/4/2012 | Abandoned | 5/25/2012 | 680 | 726 | |
| 3 | MRN-02 | 12/15/2011 | Abandoned | 4/3/2012 | 530 | 567 | |
| 4 | MRN-03 | 12/16/2011 | Abandoned | 4/4/2012 | 565 | 607 | |
| 5 | MRN-34 | 12/28/2011 | Abandoned | 4/3/2012 | 507 | 547 | |