



Matt Mead, Governor

Department of Environmental Quality

To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.



Todd Parfitt, Director

January 23, 2013

Mr. John Cash – VP Regulatory Affairs
Exploration and Geology
Lost Creek ISR, LLC
5880 Enterprise Drive, Suite 200
Casper, WY 82609

Re: **Summary of the thirteenth Weekly Inspection of Lost Creek ISR LLC's Permit 788**

Dear Mr. Cash:

On January 23, 2013 the thirteenth weekly Inspection of the Lost Creek ISR (LCI) project was conducted. The resulting 5-page Inspection report is attached. No action items resulted from this week's Inspection.

There are no concerns with the Lost Creek site at this time. If you have any questions, please contact Melissa Bautz in the Lander Land Quality Division office at (307) 332-3047.

Sincerely,

Melissa L. Bautz, P.G.
Natural Resources Analyst
Land Quality Division - District 2 (Lander)

Enclosure 5-page Inspection Memorandum

MLB:mlb

cc: Mark Newman – BLM – P. O. Box 2407, Rawlins, WY 82301
Tanya Oxenberg – US Nuclear Regulatory Commission – Federal and State Materials and Environmental Management Programs – Uranium Recovery Licensing Branch, Mail Stop T-8F5, Washington, D.C. 20555-0001
Mark Moxley - WDEQ-LQD, District II → Permit 788 Inspection File
LQD Cheyenne → Permit 788 Inspection File
Chron

Lander Field Office • 510 Meadowview Drive • Lander, WY 82520 • <http://deq.state.wy.us>

ABANDONED MINES
(307) 332-5085
FAX 332-7726

AIR QUALITY
(307) 332-6755
FAX 332-7726

LAND QUALITY
(307) 332-3047
FAX 332-7726

SOLID & HAZARDOUS WASTE
(307) 332-6924
FAX 332-7726

WATER QUALITY
(307) 332-3144
FAX 332-7726

Wyoming Department of Environmental Quality (WDEQ)- Land Quality Division (LQD)
Inspection Memorandum

File: Lost Creek ISR, LLC – Permit 788

Date of Inspection: January 23, 2013

Date of Report: January 23, 2013 *MLB*

Participants: Eric Stonaker, Site Safety Officer, Lost Creek ISR/Ur-Energy
Mike Lueders – Mine Manager, Lost Creek ISR/Ur-Energy
Catherine Bull, Project Engineer, Lost Creek ISR/Ur-Energy
Mark Newman, Geologist, BLM
Melissa Bautz – WDEQ-Land Quality Division, Geologist

Report Prepared by: Melissa Bautz – WDEQ-Land Quality Division, Geologist

Subject: Thirteenth Weekly Inspection

Background

WDEQ/LQD Permit 788 was approved on October 21, 2011. In the fall of 2012, the Project's EIS was completed and on October 5, 2012 the BLM issued a Record of Decision (ROD) authorizing commencement of work at the Project. Groundbreaking began at the Lost Creek Project on October 8, 2012. Beginning October 16, 2012 LQD District 2 started weekly inspections of site. Today's Inspection was the thirteenth site Inspection since the approval of Permit 788.

Inspection

The primary activities occurring at the Lost Creek site during this Inspection were 1) *infrastructure construction* and 2) *Mine Unit 1 pattern area construction*. This Report is divided into those two categories. The temporary office complex (four office trailers) south of the Plant Site is now the official site office for the Lost Creek Project. Anyone visiting the site is expected to check in at this location. Lost Creek ISR (LCI) personnel have requested that all vehicles be backed into the parking spaces outside the offices with the keys left in the vehicle. This is being requested for safety and/or emergency purposes. Since the last Inspection, the power lines have been connected to the site.

Infrastructure Construction

Construction of the Plant Site was the only *infrastructure* activity occurring during this Inspection.

Plant and Pond Sites

The Pond Site construction (dozer work) has been completed. The next stage of Pond construction includes compaction, liner installation, and the installation of the leak detection system. These remaining activities related to Pond construction will not be conducted until the spring of 2013, when the ground is no longer frozen. The diversion ditch has been constructed around the east edge of the Ponds as well.

During this Inspection the Plant Site was being prepared for the pouring of the floor. Specifically, a rebar grid was being installed and the onsite batch plant was erected. Ms. Bull anticipates the batch plant beginning to make concrete tomorrow or the next day (Friday, January 25th). Pouring of the Plant Site floor will commence when the batch plant begins to make concrete. The attached Photo Addendum depicts the conditions at the Plant Site. **There are no concerns with the Plant and Pond Sites.**

Deep Disposal Well (DDW) Sites

DDW-4: The completion rig has commenced perforation of DDW-4. Fracturing will occur after the well is perforated.

DDW-3: With the beginning of well-perforation at the DDW-4 site, the water storage tanks at the DDW-4 site are no longer being used to fill water trucks for the site's drilling efforts. Instead, drilling water is being solely derived from the water supply well and water storage pond at the DDW-3 drill pad. Since the last Inspection, the water supply well at the DDW-3 drill pad is now hooked up to electrical power. It had been running on a generator previously.

There are no concerns with any of the DDW sites.

Laydown Yard and Temporary fuel storage area

There are no concerns with the temporary fuel storage area or laydown yard.

Mine Unit 1 Pattern Area Construction

Drill Rigs

Well completion, well casing, exploration and pilot hole drilling continues in the MU1 and MU2 areas.

Perimeter Fence

Installation of a permanent MU1/MU2 perimeter fence is anticipated to be started tomorrow, January 24, 2013. The fencing materials have been staged on site since last week's Inspection.

Cement Weight for well construction

No cement weights were measured by LQD during this Inspection. However, the log book of cement weights, kept by the drilling foreman (Grant) was inspected. Cement weights are averaging around 14.0 ppg since the last Inspection. This is within the required range of 13.5 and 15.0 ppg. LCI personnel are commended for achieving the required cement weights consistently. LQD acknowledges that a higher cement weight puts more strain on pumping equipment.

There are no concerns with the MU1 Pattern Area construction efforts and activities.

Bond evaluation

The bond was not reevaluated as a result of this Inspection. However, the required bond for the Permit was recently increased as a result of the 2011/2012 Annual Report Review process. The required bond for Permit 788 has been increased from \$1,748,000 to \$8,599,000. As of the writing of this Inspection Report, the increased bond has been received at the LQD Cheyenne office.

Summary

This Inspection revealed that LCI personnel are following the approved Operations Plan for Permit 788. **No action items arose from this Inspection.**

Next Inspection

The next site Inspection is planned for Wednesday January 30, 2013 at about 10:00am. Please do not hesitate to contact Melissa Bautz regarding this Inspection Report at (307) 332-3047.

W/Photo Addendum (Pages 3 – 5)

*****END OF MEMORANDUM*****

Photo Addendum to accompany the January 23, 2013 Inspection at the Lost Creek Project – Permit 788



Photo Number 1: This depicts the water supply well immediately west of the DDW-3 drill pad. Note the power line next to the well. The well is now hooked up to electricity from the power line.



Photo Number 2: This depicts the "57 Rock" (an ASTM standard) underlain by geotextile. This combination will underlay all the concrete that is poured for the Plant Site floor (in addition to rebar).

Photo Addendum to accompany the January 23, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd



Photo Number 3: This is a closer view of the geotextile depicted in Photo Number 2 above.



Photo Number 4: This depicts an area in the future floor of the Plant Site that has been secured with rebar and is underlain with 57 Rock and geotextile fabric.



Photo Number 5: This depicts some copper grounding wire along the perimeter of the Plant Site.

Photo Addendum to accompany the January 23, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd



Photo Number 6: This depicts the future foundation for the "Radiation Protection Wall" for the Plant Site. This will become a grout-filled cinder-block wall separating the processing area (opposite and left sides of trenches depicted here) from the office area (the foreground of this picture).



Photo Number 7: This depicts the Fire Protection Riser at the southeast corner of the Plant Site. This is the main water line for fire suppression at the Plant. Prior to pouring concrete in and around this pipe, it must be reinforced to endure sudden pressure changes from being turned on in the case of an emergency.