



March 8, 2016

Mr. Dave Schellinger
Permit Coordinator
Wyoming Department of Environmental Quality - Land Quality Division
2100 West 5th Street
Sheridan, WY 82801

Re: Strata Energy Inc. Ross ISR Project
Spill Report, WDEQ-LQD Permit to Mine No. 802

Dear Mr. Schellinger:

In accordance with Wyoming Department of Environmental Quality - Land Quality Division (WDEQ-LQD) Non-Coal Rules and Regulations Chapter 11, Strata Energy Inc. (Strata) is required to submit a written report of any noncompliance within five days. This report includes the details of a spill of water from Pond 1 that occurred on March 3, 2016 at the Ross ISR Uranium Project.

On Thursday March 3, 2016 the Strata plant superintendent instructed the evening shift to use water from Cell 3 of Retention Pond 1 for the preparation of bicarbonate solution in the Ross Central Processing Plant (CPP). A single phase submersible pump with a nominal flow rate of 16 gpm was installed in Cell 3 to facilitate the transfer. Retention Pond 1 has three cells. Cells 1 and 2 contain clean water from precipitation. Cell 3 currently contains water that was used for testing the CPP piping during construction plus water that is pumped during swabbing of the injection wells and precipitation.

Water may be transferred to and from any cell in Retention Pond 1 and the CPP through two buried pipelines designated for "Brine" and "Permeate". The permeate pipeline was to be used on March 3 to bring the water from Cell 3 to the CPP. The permeate pipeline has two underground valves with one located between Cell 1 and Cell 2 and another between Cell 2 and Cell 3. These valves may be used to shut down a section of the pipeline to divert the flow of permeate or other solution flowing from the CPP into the selected cell. Because the operators were to pump water from the furthestmost cell (Cell 3) it was necessary to have both separating valves open. These valves are in valve sets beneath the surface and can be operated using a steel valve key.

The superintendent discussed the transfer with the operators and asked them to be sure that the above-mentioned valves were opened. At about 2130 on March 3 the Operator opened two valves that he thought were the two valves on the permeate pipeline leading to the CPP. Instead, he opened two valves that were about 15 feet apart from the correct valves. These two valves are installed on the branches leading from the main permeate pipeline towards Cell 1 and Cell 2 and, when closed, they isolate the branch ends that are located in valve manholes near Cells 1 and 2. The branch ends have



camlock connections to attach hoses for transferring water in the pond cells. These valves are also in valve sets beneath the surface.

After opening these valves the operator started the pump and returned to the CPP. The water started flowing through the main permeate pipeline but instead of flowing to the CPP as desired it flowed through the open valves and camlocks into the valve manholes near Cell 1 and Cell 2 and from these manholes to the surface. The surface is sloped away from the pond banks towards the west where a shallow trench is located between the Pond fence and the west site access road.

The operator, having noticed that no water was flowing into the CPP waste tank, left the CPP at 2240 to check on the pump. He noticed water spilling from the manholes. He immediately shut the valves near the manholes and stopped the pump. The water had flowed out of the manholes, down the slope to the west, under the Pond fence, and collected in the trench along the fence. The water was contained in the trench, which is located within the fenced security perimeter of the CPP site. The water did not leave the fenced site or enter a waterway.

The operators brought a water wagon that is normally used to collect water during well swabbing and recovered water from the trench into this tank and then transferred the water into Cell 3. Based on the advice of the Strata Radiation Safety Officer (RSO) the operators marked the extent of the spill in the trench and obtained water samples. The operators estimated that 200 – 300 gallons were recovered into the water wagon. The total volume of spilled water is conservatively estimated to be about 1200 gallons based a pumping time of 60 minutes and using the maximum flow rate of the pump of 20 gpm.

The cause of the spill was determined to be lack of an adequate procedure for the transfer of water from the pond to the CPP. In order to prevent a reoccurrence of this incident procedures will be developed and additional training provided to the operators.

A contributing factor that affected the size of the spill was that the operators did not check the transfer operation in a timely manner after the transfer was begun. Strata procedures will be revised to require that systems be visually checked after start up.

The water in Cell 3 consisted of water used for pressure and flow testing of the CPP during plant commissioning, water recovered from injection well swabbing activities, and precipitation. Two water samples were collected from the spill area. One sample was taken outside of the Pond 1 restricted area fence line and one sample was taken inside of the fence line near Cell 2, where the majority of the spill was generated. The samples were analyzed for uranium concentration by the Strata laboratory and the concentrations were found to be 0.56 ppm for the outside sample and 0.70 ppm for the inside sample. The samples will be sent to an outside accredited laboratory for analysis of natural uranium and Ra-226.



If you have any questions regarding the provided information, please contact me at 307-467-5995 or by email at mgriffin@stratawyo.com.

Sincerely,
STRATA ENERGY INC.

A handwritten signature in blue ink, appearing to read "Mike Griffin", is positioned above the printed name.

Mike Griffin
Vice President of Permitting, Regulatory and Environmental Compliance

Cc: John Saxton, USNRC