POWER RESOURCES

Smith Ranch - Highland
Uranium Project
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September 15, 2003

Mr. John Wagner, Cheyenne Office Program Manager
Land Quality Division
Wyoming Department of Environmental Quality
Herschler Building
122 West 25th Street
Cheyenne, WY 82002

40-8964

RE: Permit to Mine 633
In Situ Uranium Wellfield Release Report

Dear Mr. Wagner:

As reported to Mr. Steve Ingle of the Land Quality Division on September 8, 2003, Power Resources, Inc. (PRI) had a release of wellfield injection fluid at the Smith Ranch Project in Converse County, Wyoming. The release occurred on September 6, 2003 at a header house in Wellfield 4 and resulted from the failure of an injection pipeline. Wellfield injection fluid typically contains concentrations above background of uranium, radium and selenium but is not considered a hazardous material under RCRA, nor is it reportable under SARA.

In accordance with Chapter IV, Section 4(a)(iv) of the Water Quality Division Rules and Regulations, attached please find a report describing the release and the steps taken to prevent a recurrence.

Please call if you have any questions.

Sincerely,

Bill Kearney

W.F. Kearney
Manager-Health, Safety
& Environmental Affairs

WFK/sab

cc: John Lusher - NRC Project Manager
R. Knode
S.A. Bakken
M.D. Bryson
File SR 4.4.1
File SR 4.3.3.1
File SR 4.6.4.2
File SR 4.6.4.4

UMSS01

ATTACHMENT

POWER RESOURCES, INC.
HIGHLAND URANIUM PROJECT
URANIUM IN SITU WELLFIELD FLUID RELEASE REPORT

FAILURE OF 6-INCH PVC INJECTION PIPELINE IN HEADERHOUSE 4-7

A. DESCRIPTION OF EVENT AND MITIGATIVE ACTIONS TAKEN

At approximately 7:40 AM on September 6, 2003, a Satellite Operator discovered fluid leaking from Headerhouse 4-7 in Wellfield 4. The headerhouse was immediately shut down and the source of the leak investigated. It was determined that a Schedule 80 PVC elbow had separated from the six-inch injection pipeline just prior to the Injection Header Manifold. In addition, the low pressure and sump water detection devices that monitor the headerhouse for leaks did not shut down the headerhouse and activate the alarm as designed. This allowed the release to go undetected until the Operator discovered the leak.

The extent of the spill is shown on the attached map. Approximately 20,800 gallons of injection fluid was released. The injection fluid contained approximately 1.1 mg/L of natural uranium. The fluid did not enter any "Waters of the State". The release occurred in the NW¼, Section 35, T36N, R74W and affected approximately 0.25 acres. The fluid flowed down a wellfield road and soaked into the ground before any sampling or recovery activities could be initiated.

The entire area affected by the spill is contained within the fenced wellfield area. Two soil samples were obtained from the affected area to assess any impacts to soil (see attached map). The soil samples will be analyzed by Energy Labs Inc. of Casper, Wyoming for selenium, uranium, and radium-226. Depending on the results of the soil analyses, the need for any soil cleanup will be assessed. Nonetheless, the area will be reevaluated during decommissioning of the wellfield to ensure that applicable decommissioning standards for soil are not exceeded.

B. CAUSE OF THE RELEASE AND STEPS TAKEN TO PREVENT A RECURRENCE

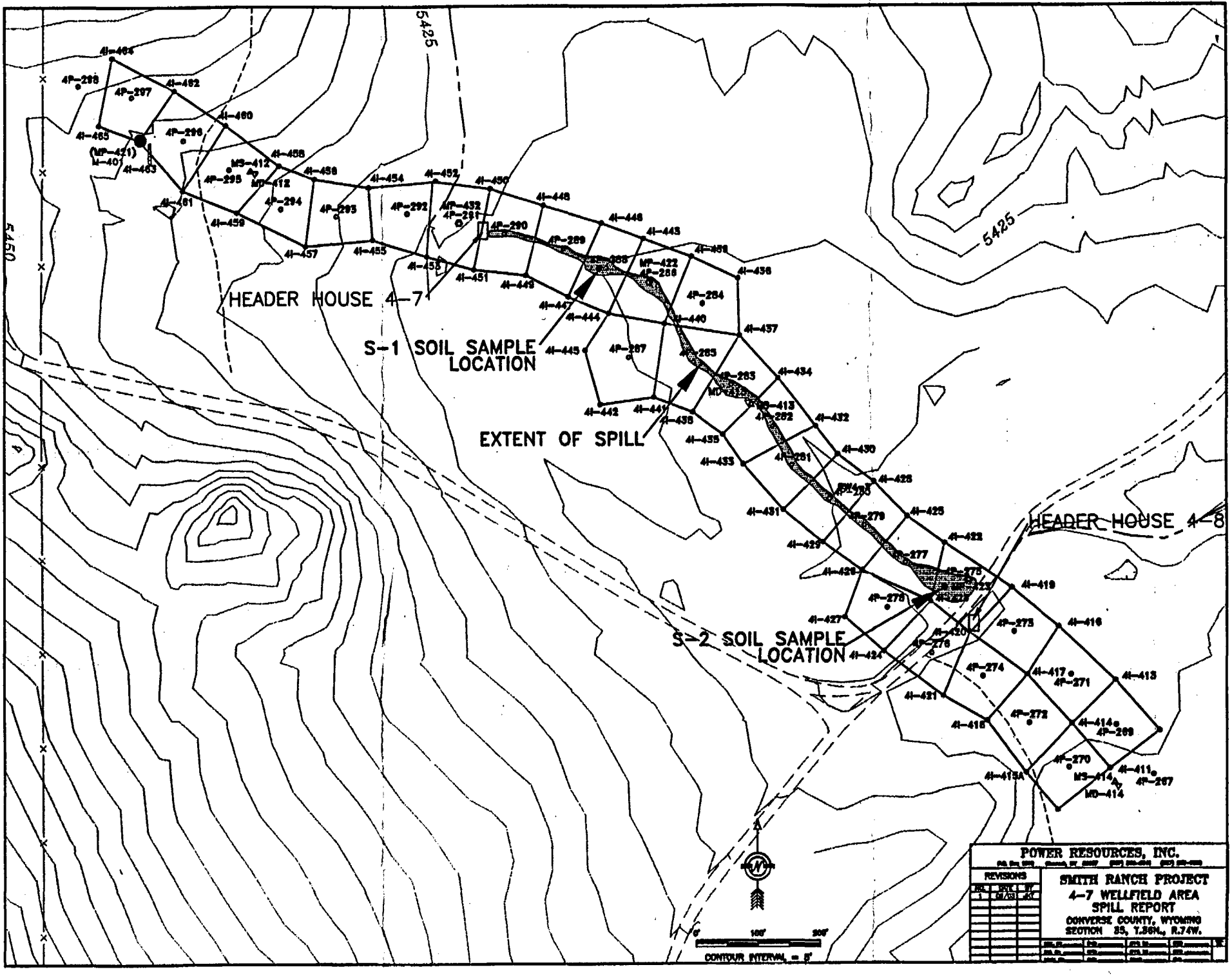
Cause

The release was caused by the separation of a Schedule 80 PVC elbow along the injection pipeline due to an apparent inferior glue joint. In addition, the low pressure and sump water detection devices used on this pipeline did not shut down the headerhouse and activate the alarm as designed, allowing the release to go undetected until the Operator discovered the leak. Under normal operating conditions, the headerhouse would have been shut down immediately via a shunt trip and the Wellfield Operators notified in a

timelier manner via a flashing red light on the headerhouse and/or an observed pressure change in the satellite facility.

Recurrence Prevention

The inferior glue joint was most likely a result of human error during construction activities. PRI personnel are routinely instructed on the proper procedures to be used on PVC materials during headerhouse construction. PRI is also in the process of redesigning the safety circuit shunt trip and alarm system to ensure that any future spill occurrences are detected in a timelier manner.


HEADER HOUSE 4-7
S-1 SOIL SAMPLE LOCATION
EXTENT OF SPILL
S-2 SOIL SAMPLE LOCATION
HEADER HOUSE 4-8
5425
5450
CONTOUR INTERVAL = 5'
POWER RESOURCES, INC.
REVISIONS
SMITH RANCH PROJECT
4-7 WELLFIELD AREA
SPILL REPORT
CONVERSE COUNTY, WYOMING
SECTION 35, T.36N., R.74W.