POWER
RESOURCES

Smith Ranch - Highland
Uranium Project
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December 18, 2006

Mr. Lowell Spackman, District 1 Supervisor
Land Quality Division
Wyoming Department of Environmental Quality
Herschler Building
122 West 25th Street
Cheyenne, WY 82002

RE: Permit to Mine No. 633
In Situ Uranium Wellfield Release Report

Dear Mr. Spackman:

As reported to Mr. Steve Ingle of Wyoming Department of Environmental Quality (WDEQ), Land Quality Division, Mr. Joe Hunter of WDEQ, Water Quality Division and Mr. Paul Michalak, NRC Project Manager, via e-mail and phone December 14, 2006. Power Resources, Inc. (PRI) had a release of Injection Fluid at the Smith Ranch Uranium Project in Converse County, Wyoming. It is estimated that 560 gallons was released to the ground and reported as released to the environment. The release was detected at approximately 11:30 on December 13, 2006 in Mine Unit-I by a Satellite Operator. The release of fluid resulted from the failure of a water trap not properly seated due from corrosion. The spill was located at I-1-14 in Wellfield I near Headerhouse I-1. The solutions did not threaten nor enter the waters of the State. The line was taken out of service and properly repaired. The known uranium content of the fluids was 2.0 ppm. Since the spill soaked into the ground, no water samples were collected; however the fluid is not considered hazardous material under RCRA, and is not reportable under SARA. Soil samples were collected at the site of the spill and at a distance for background comparison.

Power Resource's Spill Committee will meet to assess the spill and make recommendations. Power Resource's Spill Committee meets quarterly to discuss preventive measures to minimize the potential of releases from PRI's operations. The committee also meets as a result of all spills to assess and make recommendations to potentially mitigate re-occurrences.

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

Please call if you have any questions.

Sincerely,

John McCarthy
Manager-Health, Safety
& Environmental Affairs

Cc: Paul Michalak – NRC Project Manager
C. Foldenauer
M.D. Bryson
S. Hatten
File HUP 4.3.3.1
File SR 4.6.4.2
File SR 4.6.4.4
B. Johnson
P. Drummond
Joe Hunter – Water Quality Division

Attachment

Power Resources, Inc
Smith Ranch-Highland Uranium Project
URANIUM IN SITU WELLFIELD FLUID RELEASE REPORT

Water Trap Failure

A. DESCRIPTION OF THE EVENT AND MITIGATIVE ACTIONS TAKEN

On December 13, 2006 at approximately 11:30 a.m., a Satellite Operator discovered a leak at well I-1-14 in Wellfield I. The release of fluids resulted from a Water Trap that was not properly seated due to corrosion. Upon discovery, the line was immediately shut down until repairs could be completed.

An estimated 560 gallons of Injection Fluid was absorbed into the ground. As a result of absorption, water samples were not taken. The released fluid did not threaten nor enter waters of the state.

The uranium concentration of the fluid was 2.0 mg/l. The entire area will be reevaluated during the decommissioning of the wellfield to ensure that applicable decommissioning standards for soils are met. Although no adverse impacts are expected due to the small quantity of fluid involved, the small extent of the spill, and the low concentrations of uranium, soil samples were obtained at two locations within the wetted area and at an adjacent background site. The samples will be analyzed for uranium, radium 226, arsenic and selenium.

The release occurred in Mine Unit I and affected approximately 0.04 acres.

Repairs were completed by December 13, 2006 and the line was placed back into service.

B. CAUSE OF THE RELEASE AND THE STEPS TAKEN TO PREVENT RECURRANCE

Cause

The release occurred when a Water Trap failed as a result of corrosion preventing proper seating.

Recurrence Prevention

Our PRI Spill Committee will met to discuss this spill and to recommend any corrective actions that could be taken.