



Smith Ranch - Highland
Uranium Project
P. O. Box 1210
Glenrock, Wyoming USA 82637
Casper: 307-235-1628
Douglas: 307-358-6541
Fax: 307-358-4533

December 11, 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 6, 2006. Power Resources, Inc. (PRI) had a release of mixed Monitor Well, Restoration and Mine Waste Water Fluid at the Smith Ranch Uranium Project in Converse County, Wyoming. It is estimated that 10,000 gallons was released to the ground with 9,000 gallons recovered and disposed of in the evaporation pond, resulting in 1,000 gallons unrecoverable and reported as released to the environment. The release was detected at approximately 11:00 on December 5, 2006 in Mine Unit-C by a Satellite Operator. The release of fluid resulted from frozen and subsequently broken pvc line that tied into a cleanout line. The spill was located in Wellfield C at Headerhouse C-22. The solutions did not threaten nor enter the waters of the State. The line was taken out of service and the poly line repaired. The known uranium content of the fluids was 1.0 ppm. Water samples were collected and sent to our laboratory for analysis; however the fluid is not considered hazardous material under RCRA, and is not reportable under SARA.

Power Resource's Spill Committee met December 6, 2006 at 1400 hours to assess the spill and make recommendations. The Committee recommended that our Standard Operation Procedures should be reviewed and amended as necessary to include insuring the headerhouse heaters are operational and the cleanout valve is in the closed position when not in use. A recommendation to convert all PCV connections with brass bushings and the use of expandable lines rather than PVC is being assessed.

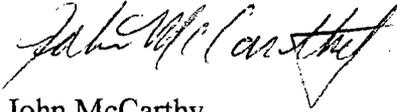
Power Resource's Spill Committee meets quarterly to discuss preventive measures to minimize the potential of releases from PRI's operations. The committee also meets as a result of all spills to assess and make recommendations to potentially mitigate re-occurrences.



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
S. Hatten File HUP 4.3.3.1
B. Johnson P. Drummond

C. Foldenauer M.D. Bryson
File SR 4.6.4.2 File SR 4.6.4.4
Joe Hunter – Water Quality Division

Attachment

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

PVC line Freezing and Failure

A. DESCRIPTION OF THE EVENT AND MITIGATIVE ACTIONS TAKEN

On December 5, 2006 at approximately 11:00 a.m., a Satellite Operator discovered a leak in Wellfield C. The release of fluids resulted from a frozen and subsequently broken PVC line that tied into a cleanout line. Upon discovery, the line was immediately shut down until repairs could be completed.

An estimated 1,000 gallons of mixed Monitor Well, Restoration and Mine Waste Fluid was absorbed into the ground, with 9,000 gallons recovered and disposed of the evaporation pond. Water samples were taken to determine potential environmental effects in the spill area. The released fluid did not threaten nor enter waters of the state.

The uranium concentration of the fluid was 1.0 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 will be 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 C and affected approximately 0.26 acres.

Repairs were completed by December 5, 2006 and the clean-out line was placed back into service.

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

Cause

The release occurred when a PVC line tied to the cleanout line failed as a result of freezing and subsequent breakage.

Recurrence Prevention

Our PRI Spill Committee did met December 6, 2006 to discuss this spill and to recommend any corrective actions that could be taken and is discussed in the cover letter.