POWER RESOURCES

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

October 27, 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, Incident # 061023-0820
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 phone October 23, 2005. Power Resources, Inc. (PRI) had a release of Deep Disposal Well Fluid at the Smith Ranch Uranium Project in Converse County, Wyoming. It is estimated that 7,041 gallons was spilled with 3,100 gallons recovered resulting in 3,941gallons released to the ground. The release was detected at approximately 06:00 on October 21, 2005 in Mine Unit-3 at bell hole 3-6-7. The release of fluid resulted from a failure of a 6"x6"x6" Carbon Steel "T" within the bell hole. The fluids and soils were collected and were sent to an outside laboratory for analysis, however the fluid is not considered hazardous material under RCRA, and is not reportable under SARA.

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

Deep Disposal Well Line 3-6-7 Bellhole "T" Joint Failure

A. DESCRIPTION OF THE EVENT AND MITIGATIVE ACTIONS TAKEN

On October 21, 2006 at approximately 06:00 a.m., personnel discovered a Deep Disposal Line leak from Bellhole 3-6-7 in Wellfield 3. The release occurred when a 6"x6"x6" Carbon Steel "T" failed in the bellhole. Upon discovery, the plant was immediately shut down until repairs could be completed.

An estimated 7,041 gallons of Deep Disposal Well Fluid filled the bellhole to the plant supply line level, approximately three feet (3') off the floor of the bellhole. The fluids then followed the supply line for approximately fifty feet (50') down grade and surfaced to be absorbed into the ground. The released fluid ponded in the bellhole and flowed approximately 1200 feet to be ponded in one low lying area, where approximately 3,100 gallons were recovered from the two ponded areas. Soil and water samples were be taken to determine potential environmental effects in the spill area. The released fluid did not enter waters of the state.

The uranium concentration of the Deep Disposal Well Fluid was 1.8 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 the SE ¼, SW ¼, Section 26, T36N, R74W and affected approximately 0.11 acres. The exact location and extent of the spill is shown on the attached map.

Repairs were completed by Saturday afternoon, October 21 and the transfer line was placed back into service.

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

Cause

The release occurred when a welded joint in a Carbon Steel "T" failed. An oval shaped hole approximately 3"X1" was found in the failed "T" weld after removal from the bell hole.

Recurrence Prevention

Our PRI Spill Committee met on Monday, October 23, 2006 to discuss this spill and to recommend any corrective actions that should be taken. The results of our discussions and recommendations are as follows:

All steel fittings will be replaced in the Deep Disposal #2 line and cleanout line with poly fittings.

Change Programmable Logic Control (PLC) at Smith Ranch 1 (SR-1) to 505 to enable radio communication between the Satellite and Central Processing Plant (CCP).

Install flow meters at both the CPP and SR-1 that will allow PRI to observe flows at the Deep Disposal Well and CPP to ensure solutions are being transmitted uninterrupted.