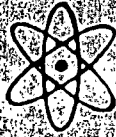


040089431100

40-8943

Ferret
Exploration
Company of
Nebraska, Inc.

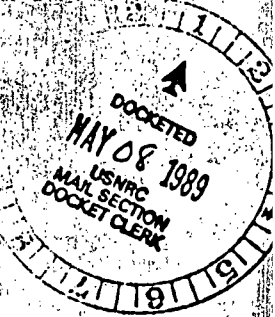


RETURN ORIGINAL TO PDR, HQ

May 4, 1989

Telephone: (303) 292-1236
Teletype: (303) 292-6461

Mr. Gary Konwinski
U.S. Nuclear Regulatory Commission
Uranium Recovery Field Office
Box 25325
Denver, Colorado 80225



Dear Mr. Konwinski:

This letter is in response to a letter dated April 4, 1989 sent to you by a John Petersen which expresses his "concern regarding the probability of ground water contamination" at the site of the Crow Butte uranium project in Dawes County, Nebraska. Moreover, Mr. Petersen alleges impropriety by individuals of my Company and our minority joint venture partner, Uranerz USA Inc., who he charges "have apparently agreed to suppress general knowledge of the structural interpretation so that mining and exploration may proceed unimpaired". As President of Ferret Exploration Company of Nebraska, I wish to rebut these libelous allegations and to correct certain misconceptions suggested by Mr. Petersen.

I have been President of Ferret Exploration Company of Nebraska, Inc. since its incorporation in 1981. In 1986, Ferret-Nebraska bought out its partner, Wyoming Fuel Company, and in 1987, Uranerz U.S.A. purchased its minority interest in the Crow Butte Joint Venture. My uranium experience dates back to 1954 and I have degrees in both mining engineering and geological engineering. Until Mr. Petersen's letter surfaced last week, neither I nor any member of my staff had ever heard of him. Moreover, Mr. Petersen was never in attendance at any of the joint venture meetings nor even visited the pilot plant site according to our records and knowledge.

Paul Adamek represents Uranerz, USA regarding exploration outside of the proposed commercial permit area. In this capacity, Paul Adamek requested that an exploration geology meeting be held in Crawford, Nebraska for the various geologists to discuss exploration ideas to aid future exploration. I presided over this session on September 1, 1988, to which ten geologists were invited, five of whom presented talks including Paul Adamek whose subject was "Structural Control of Mineralization, Crow Butte Project". I can categorically state

8907100251 890504
PDR ADDCK 04008943
PNU

DESIGNATED ORIGINAL

Certified By Mary C. Hood

DFOL
1/0


Add Intro
89-0648

Mr. Gary Konwinski
U.S. Nuclear Regulatory Commission
May 4, 1989
Page Two

that none of the other geologists expressed agreement with Adamek on the possibility of a structural control of mineralization, although they do not dispute the possibility that minor faults may occur in the Crow Butte area. In any event, the engineering and hydrogeological facts clearly demonstrate that the pilot plant performance and the classic text book examples of the pump tests render moot any geologic suppositions that Adamek may have, which Petersen has grossly overstated in his letter. Those suppositions have not been used as the basis for any subsequent exploration programs. As to the possible motives for John Petersen to write his letter, I can only surmise that it was in the context of a disgruntled former employee in retaliation for being dismissed from a job that he held for eleven years.

Steve Collings will be submitting further comments regarding John Petersen's allegations, which we hope will clarify any misconceptions of this unfortunate incidence. Please feel free to contact us for any additional information you may wish concerning this matter.

Sincerely yours,


Thor Gjelsteen
President

TG:md