



# Department of Environmental Quality



To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.

Dave Freudenthal, Governor

John Corra, Director

July 10, 2008

Mr. Stephen P. Collings  
President  
Cameco Resources  
141 Union Blvd., Suite 330  
Lakewood, Co 80228

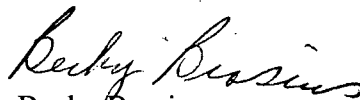
**RE: Notice of Violation, Docket No. 4231-08, Permit No. 603 & 633, Power Resources, Inc.**

Dear Mr. Collings:

This office received two checks, #00078858 and 00078859, each in the amount of \$500,000, on July 9, 2008, along with a signed Settlement Agreement for the above Notice of Violation. Thank you for your cooperation and prompt response in this matter.

If you should have any questions, please feel free to contact Lowell Spackman of the Land Quality Division District 1 office at 307-777-7052.

Sincerely,

  
Becky Brosius  
Administrative Assistant  
Land Quality Division

Enclosure

xc: District 1 w/o attachment  
Doug Mandeville, NRC w/attachment  
Dan Jackson, EPA, Region 8 w/attachment  
Kevin Frederick, DEQ/WQD, w/o attachment

Herschler Building • 122 West 25th Street • Cheyenne, Wyoming 82002 • <http://deq.state.wy.us>

ADMIN/OUTREACH  
(307) 777-7758  
FAX 777-3610

ABANDONED MINES  
(307) 777-8145  
FAX 777-6462

AIR QUALITY  
(307) 777-7391  
FAX 777-5616

INDUSTRIAL SITING  
(307) 777-7368  
FAX 777-6937

LAND QUALITY  
(307) 777-7756  
FAX 777-5864

SOLID & HAZ. WASTE  
(307) 777-7752  
FAX 777-5973

WATER QUALITY  
(307) 777-7781  
FAX 777-5973



**WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY  
LAND QUALITY DIVISION**

**SETTLEMENT AGREEMENT**

The Wyoming Department of Environmental Quality, Land Quality Division (DEQ) and Power Resources, Inc. (PRI) doing business as Cameco Resources enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in Notice of Violation (NOV) Docket No. 4231-08, dated March 7, 2008, regarding Highland, Permit 603, and Smith Ranch, Permit 633, insitu uranium mines. The NOV alleges non-concurrent restoration at both mines. DEQ rules and the respective mine permits require concurrent restoration or, if concurrent restoration is not possible, earliest possible restoration consistent with the orderly and economic development of the property. The Highland and Smith Ranch mines are located in Converse County.

Wyoming Statute (W.S.) §35-11-901(a)(ii) authorizes the DEQ to attempt to eliminate the cause of the violations by settlement, in lieu of litigation. To that end, PRI and the DEQ stipulate and agree as follows:

- 1/24 The DEQ pursuant to W.S. §35-11-104, is a department in the executive branch of the state government of Wyoming and is located in Cheyenne, Wyoming. DEQ is the agency responsible for administering the Wyoming Environmental Quality Act and the DEQ rules and regulations.
- 2/24 PRI is the permit holder and operator of DEQ Permits 603 and 633 for uranium mining operations located in parts of Townships 35 and 36 North, Ranges 73 to 75 West in Converse County.
- 3/24 DEQ rules and the Highland and Smith Ranch mine permits require concurrent restoration or, if concurrent restoration is not possible, earliest possible restoration consistent with the orderly and economic development of the property. Failure to comply with this requirement is a violation of DEQ rules and the respective mine permits.
- 4/24 PRI shall cease land application activities on or before October 15, 2009, unless PRI demonstrates wastewater disposed of via land application has an average selenium level of 0.1 mg/L or less.
- 5/24 PRI will bond Highland and Smith Ranch for eighty million dollars (\$80,000,000.00) within 45 days of the execution of this Settlement Agreement by increasing the bond for Highland, Permit 603, to \$48,000,000.00 and increasing the bond for Smith Ranch, Permit 633, to \$32,000,000.00.
- 6/24 PRI will submit Highland and Smith Ranch permit revisions for revised restoration plans including restoration schedules for the existing permit approved mine units by August 1, 2008. The revision will include discussion of extraction rates, number of pore volumes of groundwater sweep and reverse osmosis treatments, and a water balance demonstrating the volumes available to conduct restoration as well as the waste water capacity to support the disposal of these volumes.
- 7/24 PRI will submit by August 1, 2008, a capital improvement plan. The capital improvement plan will provide for a minimum of eight million dollars (\$8,000,000.00) to be spent by December 31, 2010 to accelerate restoration and reclamation activities.
- 8/24 DEQ will review the Highland and Smith Ranch revised restoration plans, restoration schedules, and the capital improvement plan within 45 days of receipt and either approve the permit revisions for insertion into the respective permits or provide review comments to PRI.
- 9/24 In the event DEQ issues review comments on the Highland and Smith Ranch revised restoration plans, restoration schedules, or capital improvement plan, PRI will respond to the DEQ within 45 days of receipt of the review comments.
- 10/24 Both PRI and the DEQ commit to finalizing the Highland and Smith Ranch revised restoration plans, restoration schedules, and capital improvement plan by December 31, 2008. Upon approval, the restoration plans and restoration schedule will be inserted into the respective

SETTLEMENT AGREEMENT BETWEEN DEQ AND PRI.

permits and the capital improvement plan will be filed with the Settlement Agreement. Upon approval, PRI also will recalculate the bond amount for Highland and Smith Ranch and submit this information to the DEQ for review no later than February 28, 2009.

11/24 PRI will accelerate restoration activities in accordance with the following schedule:

Commencement Date	Site Reference	Restoration Activity
August 1, 2008	Mine Unit C	Accelerate restoration by replacing the membranes on the existing reverse osmosis unit thereby increasing the restoration capacity of the unit by 70 gpm, which is anticipated to result in an increase in the annual average flow rate to approximately 390 gpm. PRI will maintain the pertinent flow rate data on site.
October 1, 2008	Mine Unit 1	Accelerate restoration by increasing reverse osmosis treatment capacity by 200 gpm, which is anticipated to result in an increase in the annual average flow rate to approximately 390 gpm. PRI will maintain the pertinent flow rate data on site.

12/24 Subject to PRI fully complying with this Settlement Agreement, Permit 603 and Permit 633, and other applicable laws and regulations, PRI may maintain uranium mining activities at an annual production level equal to PRI's average annual production of  $U_3O_8$  for the years 2006 and 2007 (not more than 2,000,000 pounds annually), and PRI may file applications for permit revisions to bring Mine Units 9, 10, 11, 12, K, and/or J-Extension into production as necessary to maintain this level of production. DEQ will not authorize PRI to increase  $U_3O_8$  production at Highland and Smith Ranch mines over the average annual production for 2006 and 2007 before March 1, 2009.

13/24 PRI agrees to pay a penalty of nine hundred thousand dollars (\$900,000) as stipulated settlement as partial resolution to this matter in lieu of litigation under W.S. § 35-11-901(a)(ii). PRI will pay five hundred thousand dollars (\$500,000) directly to the DEQ upon execution of the signed Settlement Agreement. Four hundred thousand dollars (\$400,000) will be suspended if PRI satisfies the terms of the Settlement Agreement. In the event PRI does not satisfy the terms of the Settlement Agreement, four hundred thousand dollars (\$400,000) will be due within thirty (30) days notice by the DEQ. Payment to the DEQ shall be by check and made payable to the Wyoming Department of Environmental Quality/Land Quality Division, and shall be sent to: Donald R. McKenzie, Administrator, WDEQ, LQD, Herschler Building, 3 Fl-West, 122 West 25th Street, Cheyenne, WY 82002.

14/24 Upon execution of the signed Settlement Agreement, PRI also will pay five hundred thousand dollars (\$500,000.00) to the DEQ to fund future, unspecified Supplemental Environmental Projects (SEP's). SEP's shall be determined by the DEQ and shall address groundwater restoration, protection, monitoring, or pollution reduction issues related to in situ uranium mining. Payment of the SEP funds shall be made by check and made payable to the Wyoming Department of Environmental Quality.

15/24 PRI's full compliance with this signed Settlement Agreement including payment by PRI as specified above shall constitute full satisfaction for and resolution of all claims by the DEQ against PRI based on the violations alleged in NOV Docket No. 4231-08. Contingent upon PRI compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against PRI for these particular violations cited in this Settlement Agreement. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket No. 4231-08.

- 16/24 PRI waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described here in, in the event that PRI fails to fulfill its obligations under this Settlement Agreement.
- 17/24 Neither party shall be liable for failure to perform under this Agreement if such failure to perform arises out of causes beyond the control and without the fault or negligence of the nonperforming party. Such causes may include, but are not limited to, acts of God or the public enemy, fires, floods, epidemics, quarantine restrictions, freight embargoes, and unusually severe weather. This provision shall become effective only if the party failing to perform promptly notifies the other party of the extent and nature of the problem, limits delay in performance to that required by the event, and takes all reasonable steps to minimize delays.
- 18/24 Nothing in this agreement precludes DEQ from taking additional enforcement action, including the issuance of a NOV, and/or pursuing additional penalties, should PRI violate Wyoming Statutes or applicable rules and regulations in the future.
- 19/24 This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.
- 20/24 Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and the DEQ do not waive sovereign immunity by entering into this Settlement Agreement with PRI and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
- 21/24 Each party is responsible for its own costs, including attorney fees through the signing of this Settlement Agreement.
- 22/24 This Settlement Agreement is binding upon PRI successors and assigns, and upon the DEQ.
- 23/24 The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.
- 24/24 This Settlement Agreement shall become binding when signed by all parties.

FOR POWER RESOURCES, INC.:

Signed: Stephen P. Collings  
Title: President

Date: July 8, 2008

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

John V. Corra  
John V. Corra, Director, DEQ

7/7/08  
Date

Donald R. McKenzie  
Donald R. McKenzie, Administrator, LQD

07-07-08  
Date

xc: Becky Brosius, NOV Files (603 & 633), Lowell Spackman, LQD, Doug Mandeville, NRC