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September 10, 2009

Mr. Lowell Spackman, District I Supervisor
Land Quality Division
Wyoming Department of Environmental Quality
122 W. 25th Street
Cheyenne, WY 82002

RE: Highland Uranium Project, Permit to Mine No. 603, Follow-up Letter to Cameco
Resources Letter Dated July 27, 2009

Dear Mr. Spackman:

Power Resources, Inc. d/b/a/ Cameco Resources (CR) is herein providing an update regarding monitoring well (MW) FM-8. WDEQ was provided verbal notification on July 22 and written notification on July 27 that MW FM-8 would be replaced and that additional information regarding the results of the pending investigation would be forthcoming. CR completed both field work and administrative activities regarding MW FM-8 since last reported. The Wellfield Operations and Drilling departments installed the replacement well and abandoned the original well, as well as the administrative apparent cause investigations were performed.

On July 22, 2009 CR discovered an anomalous sample result from sampling collected July 7, 2009 for MW FM-8 which indicated that two of the Upper Control Limits (UCLs) were exceeded, as shown in the table below. At the time of this exceedance, Wellfield Operations was investigating and evaluating the viability of MW FM-8.

Sample Date	Chloride (mg/L)	Alkalinity (mg/L CaCO ₃)	Conductivity (µMhos/cm)
	UCL 18	UCL 180	UCL 972
7/7/2009	10	182	1065

As a result of the investigation into MW FM-8 a replacement monitoring well, FM-8A, was installed and completed August 4, 2009. Per discussion with Pam Rothwell on August 12, MW

FM-8 was scheduled to be plugged and abandoned. On August 14 the MW FM-8 was abandoned in accordance with WDEQ regulations and state statutes.

MW FM-8A will continue to be sampled semi-monthly in accordance with WDEQ/LQD Chapter 11 Non Coal Rules and Regulations and mining Permit No. 603. A water sample was collected from MW FM-8A for routine analysis August 17, 2009. Sampling analysis indicates that water quality of MW FM-8A appears to be similar to that of the original monitoring well. UCL values will be assigned to MW FM-8A following an assessment of additional sampling. A separate report will be submitted discussing the assessment of sampling results.

CR also assessed the area of influence comparing the water quality sampling results of MW FM-8A to those of surrounding wells. Water sample analysis of adjacent MWs FM-6, FM-7, FM-9 and FM-10 indicates that UCL parameters for these wells trend below the approved UCL values. As reported in permit 603 Quarterly Reports, monitoring well FM-9 alkalinity levels exceed the UCL parameter; however, the chloride and conductivity levels are well below the UCLs. The table below illustrates sample results from MW FM-8A and neighboring monitoring wells.

UCL Value...		Chloride	Alkalinity	Conductivity
		18 mg/L	180 mg/L	972 uMhos/cm
Well ID	Date			
FM6	8/6/2009	2	147	779
FM7	8/6/2009	2	147	730
FM8	8/11/2009	3	170	706
FM8A	8/17/2009	3	104	590
FM9	8/12/2009	8	218	608
FM10	8/4/2009	3	160	618

As noted in the CR letter dated July 27, 2009, apparent cause investigations were performed to determine why this event was not previously identified. Two areas from the investigations are being addressed: 1) reporting requirements of potential excursions, and 2) clarification of circumstances indicating a well may need to be re-drilled. Through the investigation process it was discovered that the procedure of definitively identifying monitoring wells for re-drill was not clearly assigned to one party. A procedure will be developed to clarify the circumstances which may indicate that a monitoring well may be re-drilled.

The need for CR to report that a sample exceeding UCLs was not confirmed is being taken very seriously. However, over 1,600 monitoring well sample results alone are assessed monthly, and comparatively CR has demonstrated a very low rate of error. Improvements to the program continue to be evaluated for implementation. CR is considering several actions to facilitate the

programs growth by bolstering oversight review which includes report modification, additional supervisory/management review, and supplemental consultation and retraining with CR personnel.

This process has significantly matured over the last several months and continues to mature. Some actions taken to date include an additional monthly audit, development and implementation of corrective action procedures, the hiring of another Environmental Coordinator and the addition of another Environmental Coordinator position. CR is confident that steps being taking to improve these processes are the key to prevent recurrence of these events.

If you have questions, please contact me at (307) 358-6541, Ext. 429.

Sincerely,



Wayne Anderson
Manager, Environment, Health and Safety

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