

January 7, 2011

Mr. Glenn Catchpole
President & CEO
Uranerz Energy Corporation
P.O. Box 50850
1701 East E. Street
Casper, WY 82605-0850

SUBJECT: RESPONSE TO URANERZ AND UR-ENERGY LETTER WITH STATUS FOR NICHOLS RANCH AND LOST CREEK SUPPLEMENTAL ENVIRONMENTAL IMPACT STATEMENTS

Dear Mr. Catchpole:

We certainly appreciate and understand your concerns about delays in issuing the Final Supplemental Environmental Impact Statements (SEISs) for Nichols Ranch and Lost Creek In-Situ Uranium Recovery Projects. We want to address the major points set forth in your December 22, 2010, letter and provide more explanation to supplement our discussions during your recent visits with the Commissioners. I have summarized the status of these reviews below.

Schedules:

Uranerz Nichols Ranch application:

- Draft license sent to Uranerz on November 16, 2010.
- Meeting with Uranerz to discuss draft license on December 20, 2010.
- Letter from Uranerz regarding draft license conditions dated December 29, 2010.
- Final Supplemental Environmental Impact Statement (SEIS) issuance goal of January 28, 2011.
- Licensing decision by February 28, 2011 – must wait 30 days after publication of the *Federal Register* notice issued by the U.S. Environmental Protection Agency (EPA) of the filing of the final SEIS. (Contingent, in part, on coming to an agreement with Uranerz on license conditions).

Ur- Energy Lost Creek application:

- Draft license and Safety Evaluation Report (SER) nearing completion.
- Estimated submittal of draft license to Ur Energy by February 25, 2011.
- Final SEIS issuance goal of April 2011.
- Licensing decision goal of May 2011 – must wait 30 days after the publication of the *Federal Register* notice by the EPA of the filing of the final SEIS. (Contingent, in part, on coming to an agreement with Ur-Energy on license conditions.)

Delays:

In May 2010, the NRC recognized that the level of effort necessary to address EPA's concerns and their extensive number of comments was significantly beyond our original expectation. NRC decided to divert some staff and contractor resources from the Nichols Ranch and Lost Creek environmental reviews to focus on the Moore Ranch SEIS. This is so Moore Ranch could be completed with only a minimal delay, since it was the first of the three In Situ Recovery applications received. The diversion of some resources to the Moore Ranch review resulted in schedule delays for Nichols Ranch and Lost Creek reviews.

Although some resources were moved from the Nichols Ranch and Lost Creek SEIS, reviews work on those two applications did not stop. This was reflected in the third quarter (3/28/10-7/3/10) and fourth quarter (7/4/10-9/25/10) costs billed to Uranerz and Ur-Energy for the environmental reviews. While some of the more experienced NRC technical and legal staff focused on addressing the EPA comments and a number of public comments to revise the Moore Ranch SEIS, the Project Managers and contractor resources for Nichols Ranch and Lost Creek SEISs continued to work to revise the SEISs to address these comments so that they would be consistent with the Moore Ranch SEIS. In addition, there were significant comments from internal technical and legal reviewers on the Moore Ranch SEIS that had to also be addressed by the Project Managers and contractor resources for the Nichols Ranch and Lost Creek SEISs in parallel. The fees billed to Uranerz and Ur-Energy were down by comparison to Uranium One for the third quarter because the emphasis was in completing the Moore Ranch SEIS. During the fourth quarter, fees increased due to efforts to align both Nichols Ranch and Lost Creek SEISs with the Moore Ranch SEIS.

The primary concern you expressed during your visit to the NRC was the ongoing delay since the Moore Ranch SEIS was published. This is because since the Moore Ranch SEIS was published the NRC has been working to substantially revise the Nichols Ranch and Lost Creek SEISs in order to more closely align those SEISs with the Moore Ranch Final SEIS. The Moore Ranch SEIS is an acceptable starting point for the pending SEISs because it was found to be acceptable to the EPA (i.e., did not result in an inadequate finding or a candidate for referral to Counsel Environmental Quality).

By aligning these two SEISs more closely with the Moore Ranch Final SEIS, it is expected that the concerns and comments raised by EPA on the draft SEISs will be resolved. The NRC is making an extra effort to assure that successful resolutions to EPA comments that were developed in discussions with EPA during the finalization of the Moore Ranch SEIS are similarly reflected in the final Nichols Ranch and Lost Creek SEISs.

January 11-12, 2011 Uranium Recovery Workshop:

The NRC staff plans to hold the January 11-12, 2011, workshop in Denver, Colorado to focus on the safety part of the reviews. To date, the staff has issued a license for Moore Ranch, a draft license for Nichols Ranch, and a draft license and draft SER for Lost Creek is nearing completion. Therefore, we believe we are at an important junction regarding safety reviews and want to communicate with industry about this part of the process. We plan to hold another meeting later to discuss the environmental lessons learned after the Nichols Ranch and Lost Creek licensing decisions are made. The conduct of the workshop will not negatively impact completion of your two pending licensing actions.

Communication on the Schedule Delays

Although your letter did not mention the issue of our communications with you on the schedule delays raised during your recent visit, we recognize that our communication on the schedule delays could have been better. In response to your feedback, we plan to initiate regularly scheduled periodic meetings or teleconferences between NRC and applicant senior managers to discuss the status of projects and any issues or concerns that could affect the completion of the staff review.

There were earlier delays in responding to NRC staff questions and open issues during the review process. Since the publication of the Moore Ranch SEIS, the delays in processing the application have primarily been internal to the NRC. We ask for your cooperation in expeditiously reviewing draft licenses and coming to an agreement with the staff on license conditions. Ongoing changes to proposed license conditions for Nichols Ranch have even this week required further revisions to the SEIS to assure consistency with the final form of a potential license. Failure to promptly come to an agreement on these conditions, or late filed supplements to the application, could delay the licensing decision or result in denial of the license. While we are making progress towards the completion of these reviews, please note that a final decision on potential environmental impacts at these sites and whether the staff will grant a license has not been made.

G. Catchpole

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One final point, our Office Director, Dr. Charles Miller would very much appreciate the opportunity to meet with you when you decide to visit the Commission or our Deputy Executive Director for Operations. Dr. Miller's office has responsibility for the Uranium Recovery Program managed by my Division and he would certainly like to hear your concerns first hand.

Sincerely,

/RA/

Larry W. Camper, Director
Division of Waste Management
and Environmental Protection
Office of Federal and State Materials
and Environmental Management Programs

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Sincerely,

Larry W. Camper, Director
Division of Waste Management
and Environmental Protection
Office of Federal and State Materials
and Environmental Management Programs

IDENTICAL LETTER SENT TO:

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