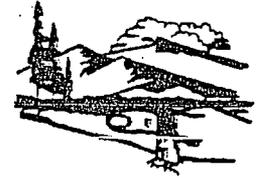




# Department of Environmental Quality



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

May 14, 2010

Ms. Jean Lawlor  
Cameco Resources, Inc.  
400 East First Street  
Casper, WY 82601

**RE: North Butte ISL Operation, Permit No. 632**

Dear Ms. Lawlor:

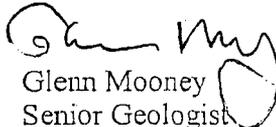
Attached is a copy of my report on the 2010 Annual Inspection of the North Butte ISL Operation. This inspection was conducted May 5, 2010, in your presence and that of others of Cameco.

My report also contains a review of the 2009 Annual Report for Permit No. 632. My review of this report did not turn up any issues for which responses are needed. This closes out my review of the Annual Report.

I have reviewed the reclamation bond and propose to recommend to the Director that it be increased to \$1,745,000.00 based on information provided by Cameco for the expanded drilling program to be conducted this summer.

Please feel free to call if you have any questions.

Sincerely,

  
Glenn Mooney  
Senior Geologist

\gm

Attachment

cc: Cheyenne File  
NRC-MD w/attach.

632ANevlet10.10gm

NM5501

MTK  
5/14/10

1866 SOUTH SHERIDAN AVENUE • SHERIDAN, WY 82801

AIR, LAND AND WATER DIVISIONS  
(307) 673-9337 • FAX (307) 672-2213



## ANNUAL INSPECTION REPORT

**SUBJECT:** Cameco Resources' North Butte Project

**PERMIT NO.:** 632

**INSPECTOR:** Glenn <sup>cm</sup>Mooney and Mark Taylor, Land Quality Division

**PERSON CONTACTED:** Jean Lawlor, John Schmuck, Jacob Carnes and Jeff Holmgren, Cameco Resources, Inc.

**DATE OF INSPECTION:** May 5, 2010

### Introduction

Cameco Resources' North Butte Project lies on the south slopes of the North Pumpkin Butte in far west-central Campbell County.

PRI purchased the North Butte property from Pathfinder Mines Corporation in 2001 and Permit No. 632 was transferred to PRI on November 29, 2001. On November 26, 2008, the permit and license were transferred into the name of Power Resources Inc. d/b/a Cameco Resources.

### Exploration Camp

The old Cleveland-Cliffs exploration camp on the west side of the permit area is nearly gone. Only an old mobile home remains. An existing water well and small water storage lagoon have been used to produce and store water for drilling programs.

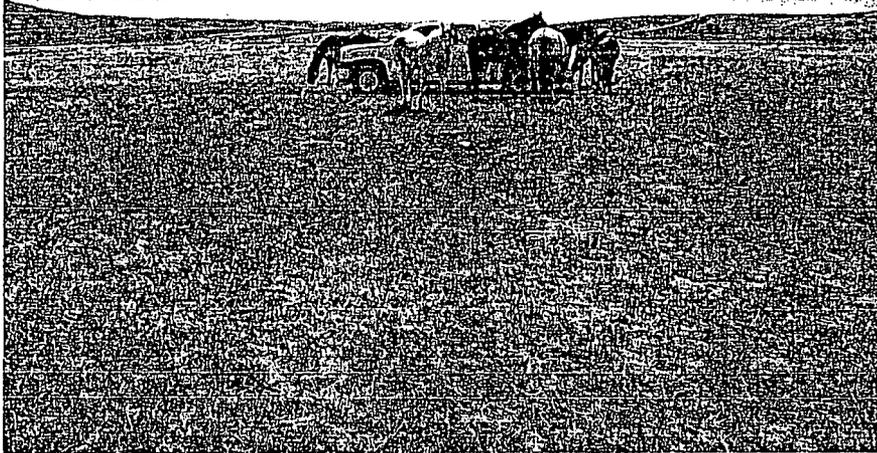
The road leading to the trailer area has been upgraded by Anadarko which is developing the area for coal bed methane (CBM) development. The road has been extended up the hill toward North Butte with another branch running of to the east. The borrow ditches along the road and other disturbances have been seeded with good initial results.

### Well Field

The old road between the exploration plan and the well field had been replaced by a number of upgraded roads. Power, water and gas lines had been buried along many of the roads. Grass has been seeded along the disturbed areas and is beginning to provide stabilization.

As noted below, some 27 monitor wells were plugged and abandoned in December, 2009. The locations of these wells have been graded, although they have not yet been seeded.

MSR  
Strick



Looking south at partially reclaimed monitor well location in first well field area

### **Signs**

The permit identification sign remains in place along the access road that enters the permit area from the southwest. It contained the necessary information.

### **Compliance**

There are no outstanding violations at the North Butte Project. No new violations were noted as a result of this inspection.

### **Annual Report**

The 2009 Annual Report for Permit No. 632 was received January 27, 2010. The Report stated that the only activities during 2009 were the drilling of two core holes and the survey of all wells on the property. This survey led to the abandonment of 27 monitor wells. The details of the abandonment work were described in the Report. A list of wells abandoned was provided in the Report.

The Report described the collection of groundwater level data from three wells installed with pressure transducers at the request of the NRC. The NRC is concerned about the effects of nearby CBM production on the proposed mining units. No data was provided at this time.

**Bond**

The existing bond for Permit No. 632 is Letter of Credit No. [REDACTED] written by the [REDACTED] in the amount of \$442,000.00.

A revised estimate was carried out based in the number of wells and total footage supplied by Cameco, along with other information supplied by Cameco. Costs were extracted from the most recent Land Quality Guideline 12 and used to construct the attached spreadsheet.

A major increase in the bond results from the need to cover the costs of abandoning some 250 exploration/delineation drill holes from a drilling program planned for this summer.

This resulted in the bond total increasing to \$1,745,000.00 (rounded). This amount differs by only \$10,000.00 from the estimate provided to the NRC. The difference comes from the need to bond exploration drill sites at the cost of \$31.00 each, as opposed to the \$5.00 per site for well abandonment. Contingencies were also added to the cost estimate provided to the Land Quality Division.

A recommendation will be made to the Director to increase the bond to \$1,745,000.00.

\gm

**Attachment**

632an510.10gm

**PRI'S NORTH BUTTE ISL OPERATION, PERMIT NO. 632**  
**2010 Reclamation Bond Estimate**

**MISC. SURFACE RECLAMATION**

**1. Exploration Camp (and Assoc. Road)**

I.	A. Trailer Removal			
	No. Trailers			1
	Removal Cost (\$/Trailer)	\$	1,000.00	
	Trailer Removal Cost	\$	1,000.00	
	B. Fence Removal			
	Length (ft.)			300
	Removal Cost (WDEQ Guideline 12)	\$	0.50	
	Total fence Removal Costs	\$	150.00	
	C. Seeding/Revegetation			
	Area (acres)			1
	Discing/Seeding (\$/acre)	\$	500.00	
	Mulching (\$/acre)	\$	300.00	
	Total Seeding/Revegetation Costs	\$	800.00	
	<b>Total Exploration Camp Reclamation Costs</b>	<b>\$</b>	<b>1,950.00</b>	

**2. Two-Track Roads**

	Area (acres)			8
	Discing/Seeding (\$/acre)			500
	Mulching (\$/acre)			300
	<b>Total Two-Track Reclamation Costs</b>	<b>\$</b>	<b>6,400.00</b>	

**TOTAL MISCELLANEOUS RECLAMATION COSTS** **\$ 8,350.00**

**WELL AND DRILLHOLE PLUGGING AND ABANDONMENT**

**A. Well Plugging**

II.	Well Casing Diameter (in)			5	
	# Wells (based on 2009 field survey)			87	
		Unit Cost	Units	Quantity	Subtotal
	Plugging of Wells ≤ 500' Deep	\$ 4.00	lin. ft.	8000	\$ 32,000.00
	Plugging of Wells ≥ 500' Deep	\$ 6.28	lin. ft.	39000	\$ 244,920.00
	Removal of Top Portion of Casing	\$ 15.00	ea.	87	\$ 1,305.00
	Install concrete cap	\$ 7.50	ea.	87	\$ 652.50
	Site Grading and seeding	\$ 5.00	site	87	\$ 435.00
	<b>SUBTOTAL WELL PLUGGING AND SITE RECLAMATION COSTS</b>				<b>\$ 279,312.50</b>

**B. Drillhole Plugging and Site Reclamation**

	Plug exploratory/delineation boreholes, 250' to max depth 700'	\$ 6.28	lin. Ft.	175000	\$ 1,099,000.00
	Install concrete surface hole plug/cap	\$ 7.50	hole	250	\$ 1,875.00
	Site grading (small site)	\$ 30.00	site	250	\$ 7,500.00
	Seeding (small site)	\$ 1.00	site	250	\$ 250.00

**SUBTOTAL DRILLHOLE PLUGGING AND SITE RECLAMATION COSTS** **\$ 1,108,625.00**

**TOTAL WELL, CORE HOLE PLUGGING AND SITE RECLAMATION COSTS** **\$ 1,387,937.50**

PRI'S NORTH BUTTE ISL OPERATION, PERMIT NO. 632

2010 Reclamation Bond Estimate

TOTAL SURFACE RECLAMATION AND WELL/COREHOLE PLUGGING

\$ 1,396,287.50

CONTINGENCIES

(LQD Guideline 12 recommends a contingency of 25%

III. on bond subtotals greater than \$500,000.)

\$ 349,071.88

SUBTOTAL

\$ 1,745,359.38

TOTAL -ROUNDED

\$ 1,745,000.00