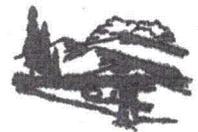




Department of Environmental Quality



MARCH 2011 INSPECTION REPORT
To protect, conserve and enhance the quality of Wyoming's
environment for the benefit of current and future generations.

Matt Mead, Governor

John Corra, Director

North of Glenrock, off Ross B.

April 28, 2011

Ms. Dawn Kolkman
Cameco Resources, Inc.
PO Box 1210
Glenrock, WY 82637

Subject: March 2011 Inspection Report, Cameco Resources, Permits 603 & 633

Dear Ms Kolkman:

Please find enclosed the above referenced report. The March inspection was conducted with assistance from your staff on March 23, 2011. Please review the report and respond to the compliance section at your earliest convenience.

If you have any questions, please do not hesitate to contact me at prothw@wyo.deq.wy.gov or 777-7048.

Sincerely,

Pam Rothwell

Pam Rothwell
District 1 Assistant Supervisor
Land Quality Division

Enclosure

cc: **Cameco Resources, Cheyenne, WY w/att**
Douglas Mandeville, NRC w/att

- MFL-1 inactive test, 100 ft. H₂O in PO 2, some additional data was going to DEW Land 2 plan to do NAs
- MFL-4 test water, H₂O slowly rising in DDW STR 2. Approx. 2.5' of water in well. Plan to start on production and inject wells in H₂O well.
- Map of disposal network will be included in the next Annual Report map and plan to include wave areas, top soil salvage, etc. It was agreed that CP will provide our station and pipelines to a map in the Permit Combination. At

MU1132A127

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- The information is requested through the mine site inspection discussion and will reference the request on the Index Sheets. Dave and Dawn will provide updates of the activities during monthly inspections;
- MU-F, CR is investigating option to mine patterns that were not mined in the approval of the wellfield package and also re-mine some of the other areas already mined. The ore grade indicates it may be economical at the current market price for the ore. CR needs 38 new delineation holes to complete the investigation. Re-mining will require refurbishment of HHs and pipelines
- Point of compliance Se sample for discharge to the irrigation circle; aqueous sample results provided during the inspection. Inspector requested the discharge sample from the Se Plant to PSR-2. The sample results were not provided during the inspection.
- Deep disposal wells – approvals for SHRUP #6 and #9 from WQD but CR is working on job hazard analysis protocols and sampling requirements with WQD
- SHRUP 6 is operating; SHRUP 9 waiting on Job Hazard Analysis; SHRUP 10 waiting approval from WQD; Vollman- waiting approval from WQD; Morton is operating
- MUs H, I, J, K, 2, 3, 9, 15 in production
- K-North – continuing with wellfield development; high winds blew liner from modu-tank, replaced with frac-tanks
- Highland Central Processing Plant – plans include dismantling and reconstruction to install two processing circuits; one for North Butte and one for toll milling; plans to begin demolition in 2011 and reconstruction in 2012
- Drill rigs in MU-10 (delineation and installing monitor well ring), MU-F (delineation), MU-I (delineation), MU-8 (delineation)
- Casing leak investigation, Scott Bakken and Erik Heide (Superintendent of Central Processing) are working on the investigation
- LQD will inspect approximately 30 plug and abandoned drill holes from the list reported in the 2010 Annual Report. CR will need 10 day advance notice to file digging permits
- Two stockpiles need additional information and will be followed up during subsequent

INSPECTION on 1/27/11 AR map indicates additional pile adjacent to 27A not found in field

MU-K-North

- straw waddles around topsoil stockpile, needs more stakes (Figure 1); located
- topsoil protection is inconsistent; inspector does not understand the use of waddles/toe ditches and when they are used; permit revision remains incomplete;
- development wells have PVC pipe risers (approximately 3-4 feet above ground) to assist in locating wells and better define visibility and avoid accidental damage to the wells (Figure 1);
- inspection of the modu-tank and spill area; no evidence of erosion resulting from the spill however, the CR staff on the inspection did not know the direction of the spill; during the close-out meeting it was stated that the spill was toward the Frac tanks which is away from the drainage; soil has been removed in the area of the spill (Figure 2);
- the liner from the modu tank was wrapped into a package for transport from the site (Figure 3);

- pump test was in progress; waiting for recharge of the aquifer (Figure 4);
- MU-F
- Four drill rigs in MU-F delineating the ore body;
- MU-E
- Inspection of SRHUP #9 well and pump house, confirmed the well is in operation with approximately 40GPM; Topsoil stockpile (TSP) #94 was inspected and found stable, seeded and mulched; sign was on northeast side opposite the area of activity;
 - Inspection of Topsoil Stockpiles;

TSP#	Stable slopes	Berm/ditch	Vegetation	Sign	Notes
7	✓	✓	✓	✓	Adjacent pile not located?
24	✓	✓	✓	✓	
27	✓	✓	✓	✓	
29	✓	✓	✓	✓	
30	✓	✓	✓	down	Soil added from bellhole disturbance (Figure 5)
31	✓	✓	✓	✓	
32	✓	✓	✓	✓	
33	✓	✓	✓	✓	
34	✓	✓	✓	✓	Combined w/ 35? GPS?
35	✓	✓	✓	✓	Combined w/ 34? GPS?
80	✓	✓	✓	✓	
81	✓	✓	✓	✓	
94	✓	✓	✓	✓	Relocate sign -southwest
95	✓	✓	✓	✓	Not seeded

- Two stockpiles need additional information and will be followed up during subsequent inspection; TSP 7 (AR map indicates additional pile adjacent to #7), not found in field and TSP 34 & 35 map have been combined as only one stockpile was located;
- Proposed Delineation Drilling – Section 19, Township 36N Range 73W
 Delineation drilling was proposed in the 2009-2010 Annual Report and is located adjacent to the west monitor well ring for MU-J. No delineation drilling was found in the area and later confirmed in the office that the drilling had not occurred to date. The LQD was made aware that the Domsalla mineral leases were not renewed in the area, but it is not clear where those leases are located and if they affect the existing production and or/restoration areas. It provides a proposed reclamation plan for the wellhead area.

COMPLIANCE AND ASSESSMENT

- 1 LQD will review responses to review of Third Quarter Monitoring Report with regard to actions being taken on excursions (CM-32 and DM-3). CR will continue to update progress to control the excursions in the monthly excursion reports, however, LQD

may request additional information through review of responses. LQD is concerned with the extent of the excursion of CM-32 and may require additional wells to delineate the extent toward the exemption boundary. Guideline 8 sample results should be forwarded to LQD as soon as possible.

2. LQD requests the number of pore volumes through MU-D at the time of the inspection.
3. LQD requests the proposal for mine-wide disposal network be included in the next annual report and also in the Permit Combination (TFN 5 6/100). CR agrees to provide updates during the inspections of disturbance and activities related to the proposal.
4. CR was installing delineation drill holes in MU-F to investigate re-mining and mining in areas not previously developed. The delineation drilling was not proposed prior to drilling but is said to be included under the miscellaneous 1000 holes approved in the surety during the revised surety in 2010. The LQD is not satisfied with this method of drill hole approval as it does not provide sufficient documentation for drilling proposals prior to the drilling activity. CR will report the MU-F drilling in the 2010-2011 Annual Report, however, the drill holes were not reported in the 2009-2010 Annual Report as proposed drilling. The LQD will not allow a bond for undefined drilling in the surety. The drilling proposals must be proposed and approved prior to drilling. LQD's reason for this strict control of drilling activities is a result of past record keeping of drill holes and surety both on permit and under DN 236.
5. It is anticipated that wellfield refurbishment will be necessary in MU-F which will require a permit revision for new wells and infrastructure repairs/replacements.
6. The surface spill at MU-K-North which resulted from the accident of the modu-tank during the wellfield pump test is considered a reportable spill and should be reported (WDEQ/WQD Chapter 4, Section 3 and 4). Please provide the spill report to the appropriate agencies including LQD.
7. LQD requests the sample data for the discharge water leaving the Selenium Plant going to PSR-2.
8. LQD requests CR provide a proposed reclamation plan for the Highland Processing Plant which should address the plans to replace the existing facility with a new facility. LQD requests to review the plans prior to initiating demolition/dismantling and reconstruction.
9. CR is installing sediment control around randomly selected topsoil stockpiles using straw waddles and/or ditch/berms. The methodology is not strictly regulated however,

Figure 1 MU-K-North topsoil protection with straw waddles.

the effectiveness of the chosen method is important. If waddles are used they should be staked approximately every 2-3 feet. On flat areas, it may be sufficient to stake the waddles every 4-6 feet. CR should error on the conservative side to ensure maximum protection.

- 10 Please relocate the topsoil sign on TSP#94 for maximum visibility and protection of the pile.
- 11 CR intends to GPS TSP 7 and TSP 34 or 35 to verify the location and volume of soil. LQD will review the information during subsequent inspections.
- 12 Information regarding the termination of leases in existing wellfields should be provided to the LQD. Please advise LQD of lease terminations within the permit boundary.

PHOTOS



Figure 1 MU-K-North topsoil protection with straw waddles



Figure 2 Area of Modu-tank spill, topsoil stripped, Frac tanks replaced the Modu-tank

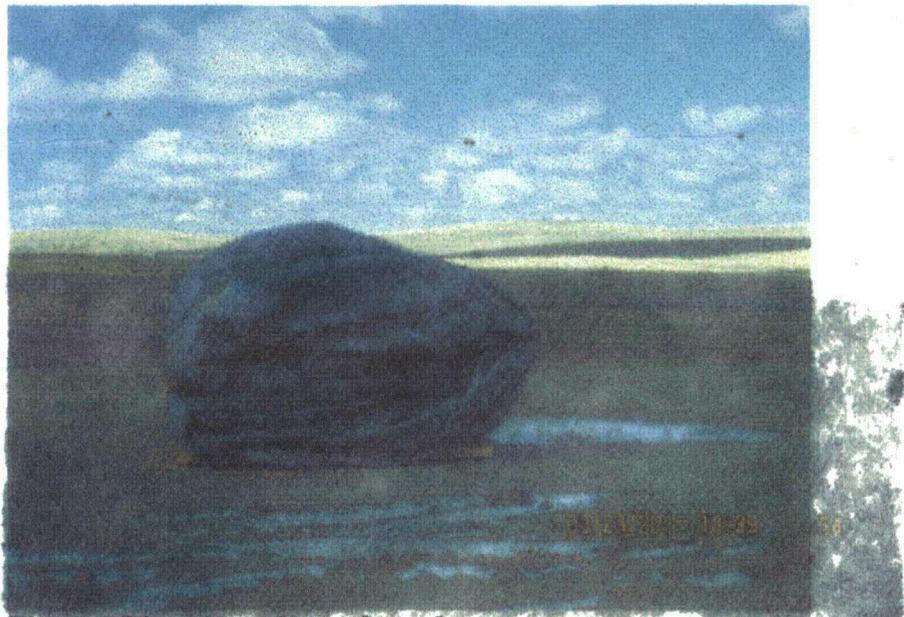


Figure 3 L-jack from the modu tank



Figure 4 MU-K-North pump test well



Figure 5 Topsoil addition to TSP 30