

# **HYDRO RESOURCES, INC.**

(A Subsidiary of Uranium Resources, Inc.)

Building A, Suite 110  
Lewisville, Texas 75067  
Telephone: (972) 219-3330  
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PO Box 888  
Crownpoint, New Mexico 87313  
Telephone (505) 786-5845  
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June 9, 2011

Ron C. Linton, Project Manager  
Uranium Recovery Licensing Branch  
Decommissioning and Uranium Recovery Licensing Directorate  
Division of Waste Management and Environmental Protection  
Office of Federal and State Materials and Environmental Management Programs  
Mailstop 8FS  
United States Nuclear Regulatory Commission  
Washington, D.C. 20555-0001

Re: Docket No.: 040-08968  
License No.: SUA-1580  
Request for Additional Information dated May 16, 2011

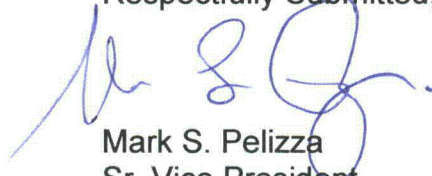
Dear Mr. Linton:

Attached is Hydro Resources, Inc.'s (HRI) response to the subject Request for Additional Information (RAI) in connection with Decommissioning Cost Estimates for the Crownpoint Uranium Project. This RAI is formatted using a question-and-answer (Q&A) approach.

Please be advised that the electronic files that have been provided in response to RAI 1 are company proprietary. Pursuant to the provisions of 10 CFR 2.390(a)(4) and based on the attached Affidavit, HRI respectfully requests that the electronic files used to respond to RAI 1 and all its subsections be protected from public disclosure.

Please feel free to contact me with questions pertaining to this matter.

Respectfully Submitted,



Mark S. Pelizza  
Sr. Vice President  
Health, Safety, Environment and Public Affairs

**Hydro Resources, Inc.**  
**License SUA-1580**  
**Response to NRC Request for Additional Information**  
**June 3, 2011**

**RAI 1 Provide cost estimates in spreadsheet form, specifically:**

(Please note that all electronic files used in response to this RAI will carry the notation of "10 CFR Section 2.390(a)(3); Privileged and Confidential" and are accompanied by the Affidavit (Attachment 1) referenced in the transmittal letter above).

**RAI 1.1 Provide supporting calculations for all updated sections including electronic copies of the spreadsheet models.**

A compact disc (CD) with the electronic Microsoft Excel files containing all calculations for the Section 8, Section 17, Crownpoint and Unit 1 locations restoration action plans (RAP) is attached. Each location is clearly marked as separate Excel files. To help in the review of these electronic files, HRI encourages NRC Staff to contact the HRI engineer who is responsible for the calculation in the event that additional clarification is required.

**RAI 1.2 Provide definitions of "BBLs" and "SXS", as these were not provided in the "Abbreviations/Acronyms" page.**

The "ABBREVIATIONS&ACRONYMS" tabs in the files described in RAI 1.1 have been amended to include the requested definitions as follows.

- BBLs is defined as barrels (42 gallons).
- SXS of cement is defined as a sack of cement (94 lbs. ea.).
- SXS of gel is defined as a sack of bentonite gel (50 lbs. ea.).

Included in the RAI 1.1 electronic submittal CD is a worksheet titled "Cement and Gel Required to Plug Hole" for calculating SXS of cement and SXS of gel required to plug cased wells with a specified casing internal diameter and depth.

**RAI 2 Justify unit costs, references and assumptions related to tremie piping, specifically:**

**RAI 2.1 Provide the basis (e.g. copy of contract rates) for cement and pump hoist contractors' costs.**

The per well contract rates are *estimated* from conservative hourly rates as follows:

**Cement Contractor Hourly Rates**

Site	\$/Hole <sup>†</sup>	Holes/Day	Hours/Day	\$/Hour
Sec. 8 & 17	\$450.00	6	10	\$270.00
CP & U1	\$850.00	4	10	\$340.00

**Pulling Unit/Rig Contractor Hourly Rates**

Site	\$/Hole <sup>†</sup>	Holes/Day	Hours/Day	\$/Hour
Sec. 8 & 17	\$375.00	6	10	\$225.00
CP & U1	\$1,050.00	4	10	\$420.00

† 800 ft. at Churchrock; 2000 ft. at U1/CP. Prorated according to depth.

Note that HRI assumed cementing equipment with larger capacities would be required at higher hourly costs at the Crownpoint and Unit 1 sites than the Churchrock sites because of the greater well depths. Moreover, in the case of the cement placement, because of depth considerations a pulling unit (pump hoist) and tremie tube is assumed at the Sec. 8 & 17 sites at \$225.00 per hour and at the Crownpoint and Unit 1 sites a drill rig and drill pipe is assumed at \$420.00 per hour.

To validate these rate assumptions HRI reviewed current cement contractor's costs in Texas. Presently, HRI (URI) is paying \$400.00 per hole for a cementing unit and personnel through Cinco-E Inc. in Hebbronville, Texas. This rate is significantly less than the \$450 per hole rate estimated above.

Drilling Inc. in Milan, New Mexico quoted current hourly rates for a drilling rig with cementing capability at \$300.00 per hour. The price of a pulling unit capable of performing the Section 8 & 17's well plugging with tremie tube is quoted by Coyote at \$150.00 per hour. The hourly rates listed in the spreadsheet above are \$420 per hour for the drill rig and \$225 per hour for the pulling unit, both of which well-exceed the hourly rates quoted by Coyote Drilling Inc.

**RAI 2.2 Clarify the connection between Backhoe & Operator cost per hour and Engineer/geologist cost as stated in the assumptions within respective spreadsheet entries.**

Backhoe & operator, and engineer/geologist per well vs. hourly costs are reconciled in the following Tables. HRI noted an error in the formula for the per well cost of engineer/geologist in the Crownpoint and Unit 1 spreadsheets. These have been corrected in the RAI 1.1 electronic submittal.

**Backhoe**

Site	\$/Hole	Holes/Day	Hours/Day	\$/Hour
Sec. 8 & 17	\$62.92	6	10	\$37.75
CP & U1	\$94.38	4	10	\$37.75

**Engineer/Geologist**

Site	\$/Hole	Holes/Day	Hours/Day	\$/Hour	\$/Year
Sec. 8 & 17	\$32.05	6	10	\$19.23	\$49,998.00
CP & U1	\$48.08	4	10	\$19.23	\$50,003.20

**RAI 2.3 Clarify whether the materials used for well plugging include costs of transportation.**

All costs are delivered price FOB destination.

**RAI 2.4 Provide or clarify the basis (e.g. a quote or contract) and supporting calculations for the cost of cement per sack and the cost of cement/gel.**

The cost within the revised RAPs for cement is higher than the quote in the original RAP because of inflated costs with time. The revised RAPs provided the cost estimates for cement per sack at \$6.83 and the cost estimate for cement gel at \$5.60, which were based on prevailing rates one year ago. More recent quotes are attached to Attachment 2, Ron Grant's Memorandum. The recent rate quotes are consistent with those estimated in the revised RAPs.

**RAI 2.5 Clarify whether the estimate includes the cost of piping for the tremie pipe, disposal of tremie pipe and well casing.**

Note that tremie pipe will only be used at Churchrock. At Crownpoint and Unit 1 steel drill stem will be used because of depth.

Tremie pipe was considered an incidental expense, small enough to be discounted as compared to the overall plugging cost. It is not considered in disposal cost since it will be left cemented in the wellbore when it has no future use. The well head casing will be buried at the well location by the backhoe.

**RAI 2.6 Provide a basis for the assumption of the number of wells plugged per work day.**

Attachment 2 is a Memorandum prepared and sealed by Mr. Grant, a Licensed Professional Engineer, where he explained that this assumption is based on his best professional judgment. HRI's staff has extensive experience plugging wells and they believe that these rates are reasonable based on the respective depths.

**RAI 3 Clarify the basis and scope of the disposal fees in estimating the per cubic foot disposal cost, specifically:**

**RAI 3.1 Clarify whether the rates stated in the contract would be applicable specifically to HRI's Crown Point ISR project.**

Currently, HRI's sister company URI, Inc. operates ISR facilities in Texas that generate 11e.(2) byproduct material. The contract with Denison Mines at the White Mesa Mill is the contract that is actively used by URI. As such, all prices therein provide an real case example and HRI's best estimate of disposal costs at this time. HRI would contract with Denison or other NRC licensed disposal site before operations begin at the Crownpoint ISR project pursuant to LC 9.6 and adjust the financial assurance amount according to LC 9.5. Any 11e.(2) byproduct material disposal agreement will be submitted to NRC as part of its final package prior to commencement of operations.

**RAI 3.2 Clarify the connection between these various disposal rates in the contract and the disposal fees stated in assumptions 4 and 5 in the Transportation and Disposal spreadsheet.**

Attachment 3 is a Memorandum prepared and sealed by Dain McCoig, a Licensed Professional Engineer, which addresses the methods that were used to derive all of the transportation and disposal assumptions in the RAPs.

All disposal assumed a *bulk* rate at \$145 per ton as specified in 10.A.(i) of the Denison contract. URI's historic weight within a 30 cubic yard transport is about 20 tons (\$1,975.45 at \$145 Ton). The breakdown is further described in cubic feet within the Transportation and Disposal Worksheet (RAI 1.1). For the sake of calculations, all of HRI's costs were broken down into volume assumptions.

Dennison has found the bulk rate acceptable because URI ships all materials in bulk and in Supersack containers. Supersacks have the benefit of flexibility; in other words waste can be packaged, lifted and formed to the transport using such Supersacks. Using Supersacks, URI, Inc. has avoided the using drums for packaging 11e.(2). They also facilitate unloading at the waste site.

**RAI 3.3 Clarify if the disposal fees referenced in RAI 3.2 include costs of byproduct material sample analysis.**

Historically, URI, Inc. has performed, and Denison has accepted, a one-time toxicity characteristic leaching procedure (TCLP) analysis for its 11e.(2) byproduct material. The analysis is obtained during normal operations. Therefore reoccurring sample analysis cost estimates were not included in the revised RAPs.

**RAI 3.4 Clarify if disposal fees include the Utah State Radioactive Waste Tax.**

URI's cost estimates were based upon actual invoices from Denison Mines for 11e.(2) from our Texas facilities. These invoices include the "State of Utah Radioactive Waste Tax." This tax is \$0.10 per cubic foot of waste. Our shipments have ranged between 20 and 30 cubic yards which accounts for \$81 to \$54 per shipment.

**RAI 4 Clarify the basis and scope of the transportation cost; specifically:**

**RAI 4.1 Provide supporting calculations to verify the assumed transportation costs.**

Transportation assumed a 200 mile trip from HRI's Crownpoint ISR project sites to the White Mesa Mill at \$4.76 per mile. The "all up" per mile amount is based on actual costs and explained in the McCoig Memo.

**RAI 4.2 Clarify that HRI would be responsible for the costs of certain insurance policies.**

URI hires third party transportation companies to ship our 11e.(2) waste. The transportation company provides its own insurance for its employees and equipment as listed in Section 7.B of URI's Denison 11e.2 byproduct material disposal contract. URI receives a bid on the shipments which would cover all of the transportation company's costs, including insurance. There is no additional fee for insurance.

**RAI 5 Clarify the disposal costs relied on in Transportation and Disposal spreadsheets.**

As stated in RAI 3.2, HRI will use Supersacks to package 11e.(2) waste. This method obviates the need to package material in 55 gallon drums and eliminates the need for the higher cost option.

**RAI 6 Clarify whether the costs of radioactive waste disposal should be included for Building D&D of Unit 1 and Crown Point, and Surface Reclamation of Church Rock Section 17.**

The disposal of radioactive wastes is not included in the Building Decommissioning and Disposal sheets for Unit 1 and Crown Point because it was assumed that the buildings themselves would not be contaminated or would be decommissioned. The Surface Reclamation estimate for Church Rock Section 17 does not include the costs of radioactive waste disposal because the section will consist of wellfields only. All water from the Section 17 site will be processed on Section 8. Wellfield costs, including soils are listed on the worksheet entitled Wellfield D&D.

**ATTACHMENT 1**  
**Mark S. Pelizza Affidavit**

## HYDRO RESOURCES, INC.

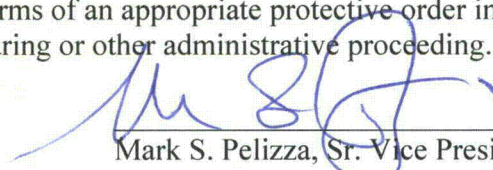
### AFFIDAVIT OF MARK S. PELIZZA, SENIOR VICE-PRESIDENT

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1. My name is Mark S. Pelizza and I am the Senior Vice-President of Hydro Resources, Inc. (HRI). I am authorized to execute this affidavit on behalf of Strata and may bind Strata to the statements contained herein;
  2. This affidavit is attached to HRI's submission of a response to the United States Nuclear Regulatory Commission's (NRC) May 16, 2011, requests for additional information (RAI) regarding HRI's revised restoration action plans (RAP) for its Uranium Recovery License for its proposed Crownpoint in situ leach uranium recovery (ISR) project to be located in Church Rock and Crownpoint in the State of New Mexico;
  3. As part of these RAI responses, HRI will be submitting electronic files via compact disc (CD) that include data, information, and other items that qualify for withholding pursuant to 10 CFR § 2.390;
  4. Portions of the license application submitted by HRI also include confidential and/or proprietary business information that could be misused and exploited by other companies or individuals and that should be subject to protection from public disclosure pursuant to 10 CFR § 2.390(a)(4):
    - i. Pursuant to NRC regulations at 10 CFR § 2.390, HRI has labeled pages of its license application, including its TR and ER, that pertain to confidential and/or proprietary business information requiring protection from public disclosure with the mandatory statement: "10 CFR Section 2.390(a)(4); Privileged and Confidential;"
    - ii. The following portions of HRI's RAI responses contain information relating to confidential and/or proprietary business information requiring protection from public disclosure, and HRI hereby requests that such portions be withheld from public disclosure:
- CD REFERENCED IN RAI 1.1
5. For the following reasons, HRI asserts that the aforementioned portions of its RAI responses regarding confidential and/or proprietary business information and should be withheld from public disclosure as privileged and confidential information:
    - i. The data and information contained in the above-mentioned portions have been held in confidence by HRI. HRI does not provide such information to public or private entities;



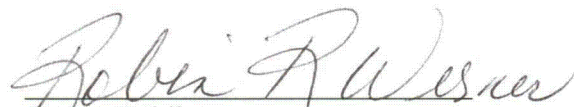
- ii. The data and information contained in the above-mentioned portions of the RAI responses are customarily held in confidence by businesses and other organizations seeking to protect information related to confidential and/or proprietary business information;
- iii. The data and information contained in the above-mentioned portions of the RAI responses are being transmitted to NRC Staff in the attached license application in confidence. Indeed, any such data and information shown to NRC Staff were only revealed in a non-public context;
- iv. The data and information regarding historic and cultural resources or confidential and/or proprietary business information listed in HRI's RAI responses are not available in any public sources;
- v. Release of the data and information contained in the above-mentioned portions of the RAI responses may cause substantial harm to cultural resources on private and public property or HRI as a corporate entity for the following reasons:
  - a. Confidential and/or proprietary business information deal with Microsoft Excel based model used to calculate reclamation costs.
- vi. HRI fully understands that withholding the designated data and information does not deprive any independent party from inspecting the confidential information under the terms of an appropriate protective order in the context of an NRC licensing hearing or other administrative proceeding.

  
 \_\_\_\_\_  
 Mark S. Pelizza, Sr. Vice President  
 Hydro Resources, Inc.

State of Texas                    )  
   )  
 County of Denton                )

The foregoing Affidavit was affirmed and acknowledged before me this 3<sup>rd</sup> day of June, 2011, by Mr. Mark S. Pelizza a Senior Vice President of Hydro Resources, Inc.

Witness my hand and official seal.

  
 \_\_\_\_\_  
 Notary Public

My commission expires: 2-8-2012



**ATTACHMENT 2**  
**Ronald Grant Memorandum**

# URI, Inc.

A SUBSIDIARY OF URANIUM RESOURCES, INC

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## INTEROFFICE MEMORANDUM

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**TO:** MARK PELIZZA  
**FROM:** RONALD GRANT  
**SUBJECT:** RESPONSE TO NRC REQUEST FOR ADDITIONAL INFORMATION  
**DATE:** JUNE 07, 2011

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This Memorandum covers my opinion on several plugging related topics that were asked as questions recently by the Nuclear Regulatory Commission pertaining to the plugging costs in the amended RAPs for the Crownpoint Uranium Project that I prepared last year.

1. Cement and pump hoist contractors' costs were assembled based on my experience with similar projects. I estimated the per well contract rates from conservative hourly rate estimates as follows:

### Cement Contractor Hourly Rates

Site	\$/Hole	Holes/Day	Hours/Day	\$/Hour
Sec. 8 & 17	\$450.00	6	10	\$270.00
CP & U1	\$850.00	4	10	\$340.00

### Pulling Unit / Rig Contractor Hourly Rates

Site	\$/Hole	Holes/Day	Hours/Day	\$/Hour
Sec. 8 & 17	\$375.00	6	10	\$225.00
CP & U1	\$1,050.00	4	10	\$420.00

HRI assumed cementing equipment with larger capacities would be required at higher hourly costs at the Crownpoint and Unit 1 sites than the Churchrock sites because of the greater well depths. Moreover, in the case of the cement placement, because of depth considerations a pump hoist and tremie tube is assumed at the Sec. 8 & 17 sites at \$225.00 per hour and at the Crownpoint and Unit 1 sites a drill rig and drill pipe is assumed at \$420.00 per hour.

To validate the reasonableness of these rate assumptions, I reviewed current cement contractor costs in Texas. Presently, HRI (URI) is paying \$400.00 per hole (700 ft. hole) for a cementing unit and personnel through Cinco E Inc. in Hebbronville, Texas. This rate is less than the \$450 per hole and the \$850 per hole rate estimated at our New Mexico sites for cement contractor rates.

Coyote Drilling Inc. in Milan, New Mexico quoted current hourly rates for a drilling rig with cementing capability at \$300.00 per hour. The price of a pulling unit capable of



performing the Sec's 8 & 17 plugging with tremie tube was quoted by Coyote at \$150.00 per hour. Quotations for these rates are attached. The hourly rates listed in the spreadsheet above are \$420 per hour for the drill rig and \$225 per hour for the pulling unit, both which exceed the hourly rates quoted by Coyote Drilling Inc. As such my estimate is conservative.

2. Cost estimates for all materials used for well plugging include costs of transportation; delivered price FOB destination.

3. The revised RAPs provided the costs estimate for cement per sack at \$6.83 and the cost estimate for cement gel at \$5.60 which were based on prevailing rates one year ago. More recent quotes are attached. Cement is available in bulk at a cost of \$6.58 per 94 lb. sack. This is below the quoted \$6.83 per sack quoted in October, 2010 revised RAP of \$6.83. The quote for gel at \$12.65 per sack is considerably higher than the previous quote of \$5.60, but this increase is countered by the reduced cement cost because much more cement is used when plugging a well than gel.

4. Cost quotes for tremie pipe for several different sizes from ¾ inch to 2 inch is attached. Cost varies from \$0.16 per foot to \$0.59 per foot. Actual pipe used will be determined in the field using the piping that is most economical on a circulation time vs. cost of tremie pipe basis.

5. The per day well count used in cost assessments were provided as my best engineering judgment that four wells could be plugged daily at Unit 1 and Crownpoint with a drilling rig, a cementer, and a work string, whereas 6 wells could be plugged daily at Churchrock Sections 8 and Section 17 using a pulling unit, a cementer and running PVC tremie pipe which would be left in the hole. At present I believe that other means such as using two pulling units at Crownpoint and Unit 1 will save cost and provide a higher daily plugging count than can be provided by using one rig contractor. There are other options for Churchrock which may reduce costs as well by using more than one pulling unit and providing a work string instead of expendable tremie pipe. However, for the purpose of the revised RAPs cost estimate, I believe my original, more conservative costing assumptions are appropriate.



*Ronald Edward Grant*

DATE: June 7, 2011

**Ron E. Grant**

---

**From:** Bobby N. Jemison  
**Sent:** Monday, June 06, 2011 8:21 AM  
**To:** Ron E. Grant  
**Subject:** FW: Drilling Mud Pricing

-----Original Message-----

**From:** Joel Stewart [mailto:joel@stewartbrothers.com]  
**Sent:** Friday, June 03, 2011 9:38 PM  
**To:** Bobby N. Jemison  
**Subject:** Re: Drilling Mud Pricing

Bobby,

Per our phone conversation the bulk cement price is \$145/Ton.

THIS IS CORRECTED  
QUOTE. PREVIOUS PRICE  
QUOTE WAS \$140 per TON

Thanks,

Joel

Sent from my iPhone

On Jun 3, 2011, at 3:01 PM, "Bobby N. Jemison" <bnjemison@uraniumresources.com> wrote:

> Thank you sir, I appreciate the help.

>

> -----Original Message-----

> **From:** Joel Stewart [mailto:joel@stewartbrothers.com]  
> **Sent:** Friday, June 03, 2011 3:42 PM  
> **To:** Bobby N. Jemison  
> **Subject:** Drilling Mud Pricing

>

> Bobby,

>

> Here is the gel pricing.

>

> **Extra High Yield Gel**  
> **\$12.65/bag**

THIS IS GEL QUOTE

>

> \$759/pallet (60 bags)

>

> Above pricing qualifies for 10% discount if paid within 30 days.

>

> \$9,108/truck load (900 bags)

> This includes pallets and shrink wrap.

> Truck load quantities, will be invoiced at time of delivery. Payment due in 30 days. Do not qualify for returns.

>

> **Bulk cement provided by C&E Concrete in Milan:**

> **\$140/ton delivered to Church Rock**

> Cement is actually coming from Albuquerque.

>

> Let me know if you have any questions.

>

> Thanks,

>

> **Joel H. Stewart**

> **Stewart Brothers Drilling Company**

> <http://www.stewartbrothers.com>

> P.O. Box 2067

> 306 Airport Road

# Coyote Drilling

WATERWELLS • EXPLORATION • ENVIRONMENTAL

BLUE WATER N.M.  
P.O. Box 3487 • Miami, NM  
87021  
(505) 876-2712



## FACSIMILE TRANSMITTAL SHEET

TO: Ronald Grant FROM: Winston Bohannon  
 COMPANY: URI INC DATE: 6/3/11  
 FAX NUMBER: 361-595-0423 TOTAL NO. OF PAGES INCLUDING COVER: 3  
 PHONE NUMBER:

RE: Requested quotes -

URGENT     FOR REVIEW     PLEASE COMMENT     PLEASE REPLY     PLEASE RECYCLE


any questions call Wes  
@ 505-240-1928

# QUOTATION

**FROM**

**Coyote Drilling, Inc.**  
 WATERWELLS • EXPLORATION • ENVIRONMENTAL

BLUE WATER NEM  
 P.O. Box 3467 • Milan, NM  
 87021  
 (505) 876-2512



INQUIRY NO. \_\_\_\_\_

DATE 6-3-11

TERMS \_\_\_\_\_

DELIVERY \_\_\_\_\_

**PRICES QUOTED ARE F.O.B.:**

**TO**

RONALD GRANT  
 @ URI INC.

WE ARE PLEASED TO QUOTE ON YOUR INQUIRY AS FOLLOWS

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	drilling rig per hour	@ 300.00	
	pulling unit per hour	@ 150.00	

QUOTED BY: \_\_\_\_\_



**PREFERRED PUMP**

**PREFERRED PUMP & EQUIPMENT LP**

13660 OLD FM 471 W  
SAN ANTONIO, TX 78253

Phone: 210-688-9301 210-688-0581 Fax

**QUOTE  
REPRINT**

Number	156352
Date	06/03/2011
Page	1

Ship To: TEMP	U.R.I. - HRI CHURCHROCK, NM NM 78363	Bill To: 883975	URI, INC 405 STATE HWY 121 BYPASS A110 LEWISVILLE, TX 75067
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Reference #	Expires	Qty	Terms	Yrs	Freight	Ship Via
PVC PIPE	06/23/11	129	NET 30 DAYS	12	PREPAID	NONE

Quoted By:	SGE	Quoted To:	RON GRANT
------------	-----	------------	-----------

Item	Description	Ordered	UM	Price	UM	Extension
WCP400075-J	PIPE 3/4" SCH 40 PVC 5200'/LIFT JET STREAM	900	FT	.160	FT	144.00
WCP400100-J	PIPE 1" SCH 40 PVC 4000'/LIFT JET STREAM	900	FT	.310	FT	279.00
WCP400150-J	PIPE 1-1/2" SCH 40 PVC 4060'/LIFT JET STREAM	900	FT	.499	FT	449.10
WCP400200-C	PIPE 2" SCH 40 PVC 2100'/LIFT CERTAINTTEED	900	FT	.591	FT	531.90

Customer Acceptance of Quote:  
Signature: \_\_\_\_\_  
Date: \_\_\_\_\_  
PO#: \_\_\_\_\_

Merchandise	Misc	Tax	Freight	Total
1404.00	.00	115.83	.00	1519.83



**ATTACHMENT 3**  
**Dain McCoig Memorandum**

# URI, Inc.

**To:** Mark Pelizza  
**From:** Dain McCoig  
**Date:** 06/02/2011  
**Re:** NRC RAI for Churchrock Section 8 Transportation & Disposal Costs

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URI, Inc. submitted bulk costs for disposal of material from the Churchrock facilities. It detailed two different methods for 11e2 disposal. The first was disposal of material packaged in 55 gallon drums and sent using a contract carrier to Denison Mines' White Mesa Mill in Utah. This method is presented due to original plans to dispose of material in this manner. Through experience in our Texas operations, this method is costly and inefficient. URI also provided costs for disposing of 11e2 material in bulk. This method allows URI to place its waste directly into its container vessel or to place them in large supersacks thus negating the need for drums. Much more material can be placed in a single shipment and at a significantly reduced cost. This procedure has been used in URI's Texas operations as its preferred method of disposal for the past 4 years. Shipping in bulk is also preferred by Denison Mines since we can unload the shipment by simply dumping the load as opposed to spending a few hours moving one drum at a time.

Since URI is currently shipping 11e2 material, we are privy to actual total costs incurred during disposal of this kind of waste. In October of 2010, I took the costs from the 10 most recent 11e2 shipments that URI made and averaged them. These included all of the costs incurred from Denison Mines. They included unloading costs, scanning/decontamination costs, and State of Utah Radioactive waste costs. The loads averaged were sent in the time frame of January 2008 through June 2010. The total invoices average \$2,170.45 per load. \$45 for unloading time and \$150 for scanning/decontamination are included in this cost and have been separated as line items in the detail. The Utah Radioactive waste tax was left in the cost per load since it is directly related to the amount of material per load. This brings the cost per load to \$1,975.45 or \$145.56 per ton. The average size of each load was 30 cubic yards.

Historically, URI has had a one-time third-party analysis of the waste done prior to shipment. This analysis is done during operations in order to acquire an actual sample of the material to be shipped. Denison Mines has historically agreed with this method continues to allow shipments based upon the single analysis from each location. Since this single analysis is done prior to actual shipments, its cost is not included in the shipping or disposal costs.

The shipping costs were again based upon current costs from URI's Texas facilities. Based upon the average cost of \$5,685.85 per shipment on a trip of 1,195 miles, this came to a cost of \$4.76 per mile. This cost includes all expenditures from carrier, Personnel and vehicle insurance, permits for transporting LSA class 7 material (i.e. 11e2), DOT requirements, fuel surcharge, demurrage and scale fees.

Attachment 1, KVD 11e2 Shipment Records details the costs used to make these calculations.

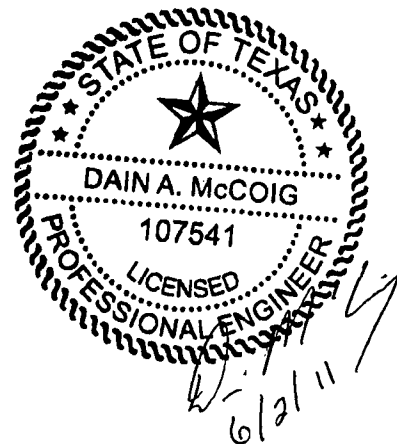


Dain McCoig - Manager South Texas Operations

URI, Inc.

641 East FM 1118, Kingsville, TX 78363

Texas P.E. #107541



KVD 11E2 Shipment Records												
CUM. Ship. To White Mesa	ANNUAL Ship. To White Mesa	Date	Shipment ID	Shipping Method	Number of Containers	Net Weight (lbs)	Quantity (cubic yards)	Cost (Denison Mines)	Cost (Carrier)	Total Cost 1-001-23-288	Remaining Quantity on Denison Contract (cubic yards)	Contents
						619,950	512.7	\$ 48,464.54	\$ 129,801.92	\$ 178,266.46	5,000.0	<- Start
<b>Totals</b>											4,487.3	
11	1	2008-01-16	08KVD-001	Bulk	na	45,100	30	\$ 3,444.25	\$ 5,700.00	\$ 9,144.25	4,757.3	Mixed Supersacks, equipment
12	2	2008-01-16	08KVD-002	Bulk	na	26,360	30	\$ 2,132.45	\$ 5,700.00	\$ 7,832.45	4,727.3	Mixed Supersacks, equipment
13	3	2008-01-21	08KVD-003	Bulk	na	27,660	30	\$ 2,223.45	\$ 5,700.00	\$ 7,923.45	4,697.3	Mixed Supersacks, equipment
14	4	2008-01-21	08KVD-004	Bulk	na	30,740	30	\$ 2,439.05	\$ 5,700.00	\$ 8,139.05	4,667.3	Mixed Supersacks, equipment
15	5	2008-06-18	08KVD-005	Bulk	na	30,410	30	\$ 2,578.15	\$ 5,700.00	\$ 8,278.15	4,637.3	Mixed Supersacks, equipment
16	6	2008-11-04	08KVD-006	Bulk	na	21,560	30	\$ 1,707.20	e \$ 5,700.00	\$ 7,407.20	e 4,607.3	Bulk: Fiberglass Trunkline
17	7	2008-11-04	08KVD-007	Bulk	na	26,980	30	\$ 2,086.60	e \$ 5,700.00	\$ 7,786.60	e 4,577.3	Bulk: Fiberglass Trunkline
18	1	2009-01-10	09KVD-001	Bulk	na	25,660	30	\$ 1,994.20	e \$ 5,700.00	\$ 7,694.20	e 4,547.3	Mixed Supersacks, equipment
19	1	2010-01-12	10KVD-001	Super Sacks	19	15,560	30	\$ 1,287.20	e \$ 5,547.99	\$ 6,835.19	e 4,517.3	Mixed Supersacks, equipment
20	2	2010-06-23	10KVD-002	Super Sacks	27	21,400	30	\$ 1,811.94	e \$ 5,710.52	\$ 7,522.46	e 4,487.3	Mixed Supersacks, equipment

1) "e" = estimate.

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