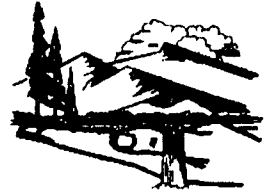




Department of Environmental Quality

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



Matthew H. Mead, Governor

John Corra, Director

June 8, 2012

Mr. Ken Garoutte
Manager, Safety, Health, Environment & Quality
Cameco Resources
P.O. Box 1210
Glenrock, WY 82637

**RE: LETTER OF CONFERENCE AND CONCILIATION (LCC)
Missed Sampling Notification (Vol), Mine Unit F, Cameco Resources Permit 603**

Dear Mr. Garoutte:

The Land Quality Division (LQD) received your letter of May 30, 2012 addressing the recently reported missed sampling events in MU-F. LQD is not clear on the resolution with these agencies and whether those resolutions also address the monitoring requirements for LQD.

Your letter discusses verbal notification given on May 17, 2012 for the missed sample events. Although, I agree the notification was received, it was not communicated that multiple wells were affected or that monitoring would be discontinued for an extended period. It appears, CR is making effort to comply with the FWS request to suspend monitoring (i.e., mining activity) within one-quarter (1/4) mile of a raptor nest until August 1, 2012 or until the nest(s) is no longer in use. However, this apparently requires discontinuing monitoring in five (5) adjacent monitor wells. This is not acceptable, even with the commitment to conduct trend analysis as discussed in the Permit (page OP-36). When LQD agreed to the permit revision in 2010 to allow trend analysis for missed samples, the discontinuation of monitoring in the production zone in multiple adjacent wells for an extended period was not considered. Discontinuing monitoring to this extent, carries serious operational risks which could result in undetected excursion of mining fluids.

This operation is being conducted under the permit provisions for non-coal operations required by the Wyoming Environmental Quality Act (WEQA) and the Wyoming DEQ/LQD Noncoal Rules and Regulations (WR&R). Therefore, under the "Conference and Conciliation" provisions of the WEQA § 35-11-701(c), the following corrections will be required.

- 1 The decision to discontinue monitoring at five adjacent monitoring wells for an extended time period (i.e., during raptor nesting activities) is considered a violation of Noncoal Rules and Regulations, Chapter 11, Section 14 (a)(i)(B), Section 14 (a)(ii)(A) and Section 14 (a)(iii)(B). Although Permit 603 includes a provision to allow trend analysis in the

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event of missed samples, the review and approval for that permit revision (approved July 8, 2010) did not consider discontinuation of monitoring in the production zone for multiple adjacent wells or for an extended time period.

- 2 CR must continue monitoring wells FM-46, FM-47, FM-48, FM-49 and FM-50 according to the approved monitoring plan. If monitoring must be discontinued per other regulatory requirements, CR must also discontinue mining related activities that require monitoring at these wells. If CR discontinues injection and recovery in the mining patterns affected by these monitor wells, an adequate bleed must be maintained to control mining fluids and prevent a potential excursion. CR will be required to demonstrate either: a) continuation of monitoring at these wells or b) if injection and recovery is temporarily discontinued, a maintenance bleed with weekly reports which include well specific pumping rates and fluid volumes and type of fluid in the affected pattern areas. The demonstration must be provided within seven (7) days of receipt of this LCC.
- 3 It is apparent that CR has sought regulatory guidance from the WGFD & FWS. However, CR has failed to include the LQD in the discussions with regard to regulatory requirements for operational monitoring. CR will need to provide a proposal for a permit update that discusses the resolutions and requirements of the FWS and WGFD for LQD review. CR should not assume one agency has primacy over another. CR must acquire mutual agreement from all agencies. This request must be received within 120 days of receipt of this LCC.
- 4 By not including LQD in discussions and decisions with the FWS and WGFD, CR is in jeopardy of not meeting all regulatory requirements. LQD will expect that CR is following all regulatory requirements for the LQD permitted insitu operation. Until LQD has reviewed the requested permit update in No. 3 above, LQD does not have information regarding those discussions or decision for regulatory consideration. Therefore, the approved permit and all applicable regulations have precedent in the operations at the mine.
- 5 Failure to comply with all the items listed above will result in a Notice of Violation.

If you have any questions, please contact me at 777-7048 or pam.rothwell@wyo.gov.

Sincerely,



Pam Rothwell

Permit Coordinator/District I Assistant Supervisor
Land Quality Division

cc: Cameco Resources, Cheyenne, WY
Doug Mandeville, NRC
Mr. Scott Gamo, WGFD
Mr. Mark Sattelberg, USFWS