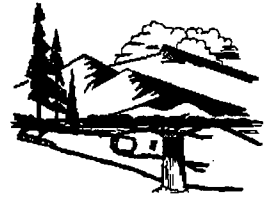




Department of Environmental Quality

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 27, 2012

Mr. Steven J. Pratt, Director
Ground Water Program
US EPA Region 8
1595 Wynkoop Street
Denver, CO 80202

Re: Uranerz Energy Corporation, Nichols Ranch ISR Project
Groundwater Reclassification, Exemption Boundary Revision

Dear Mr. Pratt:

In accordance with the 1983 Underground Injection Control (UIC) program Memorandum of Agreement (MOA) between the State of Wyoming and the United States Environmental Protection Agency (US EPA), the Wyoming Department of Environmental Quality (WDEQ) provided the following materials related to the above-referenced in-situ mining project for your review: definition of the permit area and map, description of regional and site specific geology, including the mineralized zone, description of the groundwater within the permitted area, including map and description of groundwater used, and mine plan, including extraction techniques and process detail. This original document was provided on October 12, 2010.

On December 29, 2010, Uranerz Energy Corporation (Uranerz) was granted Mining Permit No. 778 from the Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD) for the operation of an in-situ uranium project in Campbell and Johnson Counties, Wyoming. This permit was issued with the provision that the initial horizontal boundary of the aquifer reclassification areas would be defined as the perimeter monitor well rings to be installed at the minimal distances of 500 feet from the outer edges of the wellfields. This defined the horizontal boundary of each aquifer proposed to be reclassified to Class V (mineral-commercial).

However, Permit Condition No. 1 was attached to Mining Permit No. 778 that required Uranerz to submit a science-based model to the Land Quality Division that would support a revised aquifer reclassification boundary that is within limits imposed by current Land Quality Division Non-Coal Rules and Regulations Chapter 11 requirements. The components of the revised aquifer reclassification boundary are discussed in the attached Statement of Basis, Section II, Geographic Extent of Aquifer. The aquifer reclassification boundary will be extended a distance of 209 feet beyond the monitoring well ring.

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By letter dated January 14, 2011, the USEPA responded to the original request stating that the US EPA "has no objection with the WDEQ's proposed reclassification of a portion of the Wasatch "F Sand" and Wasatch "A Sand" aquifers as Class V (mineral commercial) Groundwater of the State". The letter further stated that "please consider that a full review is required by EPA, if a new aquifer reclassification is submitted to the EPA for increasing the aquifer exemption area."

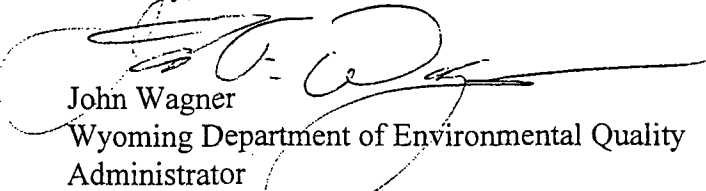
Attached to this letter is a copy of the Revised Statement of Basis (SOB) for the Water Quality Division's (WQD) proposed reclassification of groundwater within the mine unit to Class V (Mineral Commercial) containing WDEQ's findings regarding the current use of the affected aquifer as a drinking water source and the presence of commercially producible minerals within that aquifer. Please note that there have been several changes made to the attachments provided for the Revised Statement of Basis.

As the revised aquifer reclassification boundary is larger than the previously proposed and published boundary, WDEQ's Land Quality Division is requiring re-publication of the public notice.

In accordance with the MOA and Wyoming's UIC program description as accepted for program delegation by US EPA, please review these materials for conformance with Wyoming's groundwater classification criteria and the US EPA's regulations at 40 CFR 146.4.

You may contact Kevin Frederick, Groundwater Section Manager, at (307)777-5985 if you have any questions. We look forward to your review and response.

Sincerely,



John Wagner
Wyoming Department of Environmental Quality
Administrator
Water Quality Division

JFW/WDF/KDF/rm/12-0546

Attachments: *Revised Statement of Basis, Figure 1, Figure 2*

cc: John Corra, WDEQ Director (w/o enclosures)
Nancy Nuttbrock, LQD Administrator (w/ enclosures)
Alan Bjornsen, NRC, Env. Project Manager, Mail Stop T-8F5, Washington, DC 20555-0001 (w/o enclosures)
Kevin Frederick, Groundwater Section Manager, WQD/Cheyenne (w/o enclosures)
Don Fischer, WQD/GPC District Supervisor, Sheridan (w/ enclosures)