



October 22, 2012

Mr. Mark Rogaczewski  
District III Supervisor  
Department of Environmental Quality – Land Quality Division  
2100 West 5<sup>th</sup> Street  
Sheridan, WY 82801

Attn: Document Control Desk  
U.S. Nuclear Regulatory Commission  
Mr. Drew Persinko, Deputy Director  
Decommissioning and Uranium Recovery Licensing Directorate  
Division of Waste Management and Environmental Protection  
Office of Federal and State Materials and Environmental Management Protection  
Mail Stop T-8F5  
11545 Rockville Pike  
Two White Flint North  
Rockville, MD 20852-2738

Re: Uranerz Energy Corporation Nichols Ranch ISR Project, WDEQ-LQD Permit to Mine No. 778 and NRC SUA-1597 Quarterly Report

Dear Mr. Rogaczewski and Mr. Persinko,

Pursuant to the Permit to Mine No. 778 and SUA-1597 License Condition 11.1, quarterly reporting is required. Review of WDEQ-LQD rules and regulations and the permit, compared to NRC license conditions shows similar reporting requirements in addition to the requirement to provide courtesy copies to each agency. Uranerz has therefore, in an effort to reduce redundant reporting and our environmental footprint with duplicate paper copies, combined the Wyoming Department of Environmental Quality – Land Quality Division quarterly report with the NRC License SUA-1597 quarterly report. If you have any questions regarding the provided information, please contact me at 307-265-8900 or by email at [mthomas@uranerz.com](mailto:mthomas@uranerz.com).

Sincerely,

A handwritten signature in black ink, appearing to read "M. P. Thomas", written over a horizontal line.

Michael P. Thomas  
Vice President Environmental, Safety, and Health  
Uranerz Energy Corporation

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MT/dk

Attachments

- 3rd Quarter 2012 Report (with Appendices)
- Extra Copy of Report for Buffalo Field Office BLM (as needed)

Cc: WDEQ-LQD, Cheyenne Wyoming

NRC: Ron Linton, NRC Project Manager

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## **3rd Quarter 2012 Report – Nichols Ranch ISR Project WDEQ-LQD Permit to Mine No. 778 and NRC License SUA-1597**

### **Introduction**

Uranerz Energy Corporation (Uranerz) received its Wyoming Department of Environmental Quality – Land Quality Division Permit to Mine No. 778 on December 29, 2010. On July 19, 2011 Source Material License SUA-1597 was issued to Uranerz by the NRC. Construction of the Nichols Ranch CPP and Production Area #1 commenced August 2, 2011. The following highlights activity that occurred during the quarter:

#### **Nichols Ranch Unit**

- Construction in the Central Processing Plant (CPP) continued during the report period.
- Concrete pads for the carbon dioxide and oxygen tanks were poured at the CPP.
- Installation of the main trunkline between the CPP and Production Area #1 (PA#1) began and is scheduled for completion in the 4<sup>th</sup> Quarter.
- Pipeline installation in the wellfield occurred during the quarter.
- Header house 3 was erected and overhead power lines were installed to header houses 1 through 3.
- Interim reclamation activities continued this quarter with the monitor well locations for PA#1 being seeded.
- Well installation continued in PA#1 and is discussed below.
- For your planning purposes, baseline monitor well sampling of PA#1 is near completion and submittal of Upper Control Limits (UCLs) and Restoration Target Values (RTVs) to the WDEQ-LQD and NRC is expected 4<sup>th</sup> Quarter 2012.
- Uranerz published, per Wyoming Statute 35-11-406, public notice for the Aquifer Reclassification at the end of August 2012.
- The deep disposal well license application is pending approval.

#### **Hank Unit**

- No activities took place at the Hank Unit.
- A draft EA was submitted to the Buffalo, Wyoming Bureau of Land Management (BLM) office for review at the end of September. It is anticipated that the BLM will complete their review of the EA by the end of October.

### **Monitoring**

Uranerz previously reported that baseline sampling of monitoring wells for PA#1 began during the 1<sup>st</sup> Quarter of 2012. Monitor well baseline sampling is performed in accordance with the WDEQ-LQD permit and NRC License Condition 11.3 and 11.4. As stated above, baseline sampling is near

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completion and upon receipt of sampling results, UCLs and RTVs will be calculated and submitted to the WDEQ-LQD and NRC.

### **Excursion Parameters, Corrective Actions, Well Status**

There was no injection of fluids in the 3rd Quarter of 2012, hence there was no excursion monitoring and there are no excursions to report for the period.

### **Well Installation**

Forty-seven (47) Class III wells were drilled and completed. Well completion details are available at the mine site and will be provided in the annual report.

### **Mechanical Integrity Testing**

The WDEQ-LQD Permit to Mine No. 778 requires mechanical integrity test (MIT) results, for wells, to be reported quarterly. NRC License Condition 11.1B requires a summary of MIT results semi-annually; however, the MIT information remains the same regardless of the reporting timeframe and will therefore just be a more frequent reporting than required. The MIT procedure is followed pursuant to Section 3.6 of WDEQ-LQD Mine Plan, Volume V (NRC License Application Volume I, Section 3.4). Results of the MITs are maintained on site and include the signature of the individual responsible for conducting the test.

Fifty-seven (57) Class III wells were tested for mechanical integrity during the report period at the Nichols Ranch Unit. Wells testing with a pressure at or below 10% in a 10-minute timeframe have passed the MIT. Fifty-five (55) of the fifty-seven (57) wells tested passed. MIT results are attached as Appendix A. A quality assurance (QA) review has been established for MIT data prior to submission of the quarterly reports. The QA has been implemented in the standard operating procedure. Review of the MIT data yielded three wells MIT'd earlier in the year not captured in their respective quarterly report. The three wells include N1A-006, N1A-016 and N1A-082. All three passed MIT and testing results are also in Appendix A.

The format of column designations, in Appendix A was established based on WDEQ-LQD criteria. The first column is a simple line designation for ease in review. In the seventh column titled Lower\_Pckr\_Depth, the "Pckr" is an abbreviation for "packer" which is an expandable plug used to isolate a section in a well.

### **Defective Wells and Well Repair**

Two Class III wells failed initial MIT during the report period (Wells N1B-037 and N1B-073.1) and have been scheduled for abandonment in early 4<sup>th</sup> quarter. The status of the two wells will be reported in the 4th quarter report.

Plug and abandonment of wells is performed in accordance Permit to Mine No. 778, Volume V, Mine Plan Section 3.8 in accordance with Wyoming Statute 35-11-404 (described in NRC License

Application Volume I Section 6.1). Well abandonment reports will be submitted in the WDEQ-LQD Annual Report as required by Permit to Mine No. 778.

## **APPENDIX**

Appendix A – MITs for Nichols Ranch Production

## **CERTIFICATION**

This certification is required by WDEQ-LQD Non-Coal Rules and Regulations Chapter 11.

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for known violations.



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Michael P. Thomas  
Vice President Environmental, Safety, and Health  
Uranerz Energy Corporation

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**WDEQ - Quarterly Report/3rd QTR 2012 -  
MITs for Nichols Ranch Production**

Appendix A



#	Well Name	Date Tested	Casing Type	Bottom Casing (top of completion ft)	Duration (minutes)	Lower_Pckr_Depth (feet)	Initial_Pressure (psi)	Final_Pressure (psi)	Pressure_Loss (net)	Next Test Date	Pass-Fail
1	N1A-016	3/21/2012	PVC	542	10	530	180	171	9	3/21/2017	PASS
2	N1A-006	3/21/2012	PVC	542	10	530	180	171	9	3/21/2017	PASS
3	N1A-082	5/18/2012	PVC	536	10	520	180	165	15	5/18/2017	PASS
4	N1B-024	7/2/2012	PVC	572	10	560	180	166	14	7/2/2017	PASS
5	N1B-027	7/2/2012	PVC	571	10	560	180	171	9	7/2/2017	PASS
6	N1A-045.1	7/3/2012	PVC	561	10	550	180	176	4	7/3/2017	PASS
7	N1B-031	7/3/2012	PVC	578	10	560	180	171	9	7/3/2017	PASS
8	N1B-037	7/5/2012	PVC	625	1	400	180	162	18	7/5/2017	FAIL
9	N1B-047	7/10/2012	PVC	578	10	560	180	167	13	7/10/2017	PASS
10	N1B-030	7/18/2012	PVC	594	10	580	180	165	15	7/18/2017	PASS
11	1A-10	7/23/2012	PVC	587	10	570	180	168	12	7/23/2017	PASS
12	1A-84	7/24/2012	PVC	564	10	550	180	167	13	7/24/2017	PASS
13	1A-23	7/24/2012	PVC	567	10	560	180	170	10	7/24/2017	PASS
14	1A-77	7/24/2012	PVC	572	10	560	180	171	9	7/24/2017	PASS
15	1A-43	7/25/2012	PVC	559	10	550	180	170	10	7/25/2017	PASS
16	N1B-057	7/26/2012	PVC	580	10	570	180	169	11	7/26/2017	PASS
17	N1B-040	7/27/2012	PVC	602	10	590	180	165	15	7/27/2017	PASS
18	N1B-039	7/27/2012	PVC	655	10	650	180	163	17	7/27/2017	PASS
19	N1B-041	7/30/2012	PVC	640	10	620	180	164	16	7/30/2017	PASS
20	N1B-051	7/30/2012	PVC	584	10	570	180	166	14	7/30/2017	PASS
21	N1B-032	7/31/2012	PVC	574	10	560	180	169	11	7/31/2017	PASS
22	N1B-034	8/1/2012	PVC	633	10	610	180	164	16	8/1/2017	PASS
23	N1B-054	8/1/2012	PVC	598	10	580	180	165	15	8/1/2017	PASS
24	N1B-049	8/1/2012	PVC	611	10	600	180	167	13	8/1/2017	PASS

#	Well Name	Date Tested	Casing Type	Bottom Casing (top of completion ft)	Duration (minutes)	Lower_Pckr_Depth (feet)	Initial_Pressure (psi)	Final_Pressure (psi)	Pressure_Loss (net)	Next Test Date	Pass-Fail
25	N1B-064	8/2/2012	PVC	611	10	600	180	171	9	8/2/2017	PASS
26	N1B-046	8/2/2012	PVC	609	10	600	180	164	16	8/2/2017	PASS
27	1A-101	8/2/2012	PVC	586	10	580	180	164	16	8/2/2017	PASS
28	N1B-056	8/3/2012	PVC	610	10	590	180	177	3	8/3/2017	PASS
29	N1B-020	8/3/2012	PVC	565	10	560	180	163	17	8/3/2017	PASS
30	N1B-050	8/3/2012	PVC	617	10	610	180	173	7	8/3/2017	PASS
31	N1B-010	8/6/2012	PVC	634	10	620	180	168	12	8/6/2017	PASS
32	N1B-009.1	8/6/2012	PVC	641	10	630	180	164	16	8/6/2017	PASS
33	N1B-045	8/9/2012	PVC	649	10	640	180	165	15	8/9/2017	PASS
34	N1B-065	8/10/2012	PVC	649	10	630	180	166	14	8/10/2017	PASS
35	N1B-037.1	8/10/2012	PVC	626	10	610	180	170	10	8/10/2017	PASS
36	N1B-062	8/10/2012	PVC	633	10	620	180	165	15	8/10/2017	PASS
37	N1B-066	8/13/2012	PVC	587	10	580	180	168	12	8/13/2017	PASS
38	N1B-063	8/14/2012	PVC	603	10	590	180	173	7	8/14/2017	PASS
39	1A-112	8/24/2012	PVC	551	10	540	180	175	5	8/24/2017	PASS
40	N1B-059	8/27/2012	PVC	592	10	580	180	169	11	8/27/2017	PASS
41	N1B-053	8/30/2012	PVC	577	10	560	180	163	17	8/30/2017	PASS
42	N1B-035	8/30/2012	PVC	623	10	610	180	171	9	8/30/2017	PASS
43	N1B-069	8/31/2012	PVC	593	10	580	180	169	11	8/31/2017	PASS
44	N1B-061	8/31/2012	PVC	602	10	590	180	166	14	8/31/2017	PASS
45	N1B-075	9/5/2012	PVC	648	10	630	180	170	10	9/5/2017	PASS
46	N1B-067	9/5/2012	PVC	610	10	600	180	164	16	9/5/2017	PASS
47	N1A-022	9/7/2012	PVC	613	10	600	180	169	11	9/7/2017	PASS
48	N1A-053	9/7/2012	PVC	601	10	580	180	166	14	9/7/2017	PASS
49	N1A-086	9/7/2012	PVC	553	10	530	180	171	9	9/7/2017	PASS
50	N1B-083	9/10/2012	PVC	596	10	580	180	168	12	9/10/2017	PASS

#	Well Name	Date Tested	Casing Type	Bottom Casing (top of completion ft)	Duration (minutes)	Lower_Pckr_Depth (feet)	Initial_Pressure (psi)	Final_Pressure (psi)	Pressure_Loss (net)	Next Test Date	Pass-Fail
51	N1B-068	9/10/2012	PVC	611	10	600	180	163	17	9/10/2017	PASS
52	N1B-074	9/11/2012	PVC	624	10	614	180	173	7	9/11/2017	PASS
53	N1B-038	9/17/2012	PVC	644	10	630	180	173	7	9/17/2017	PASS
54	N1B-043	9/20/2012	PVC	631	10	620	180	168	12	9/20/2017	PASS
55	N1B-077	9/20/2012	PVC	594	10	580	180	163	17	9/20/2017	PASS
56	N1B-072	9/20/2012	PVC	642	10	630	180	170	10	9/20/2017	PASS
57	N1B-082	9/21/2012	PVC	645	10	630	180	163	17	9/21/2017	PASS
58	N1B-060	9/21/2012	PVC	643	10	630	180	175	5	9/21/2017	PASS
59	N1B-073.1	9/24/2012	PVC	637	1	620	180	162	18	9/24/2017	FAIL
60	N1B-044	9/25/2012	PVC	633	10	620	180	167	13	9/25/2017	PASS