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**LOST CREEK ISR,  
LLC**

December 20, 2013

Mrs. Melissa Bautz  
State of Wyoming  
Department of Environmental Quality  
Land Quality Division  
510 Meadowview Drive  
Lander, WY 82520

**Re: Responses to Letter of Violation Dated December 13, 2013, Item 6  
Permit 788**

Dear Mrs. Bautz,

Please find below responses to items 6 a and b from your December 13, 2013 letter. Once LQD and Lost Creek agree on the language, Lost Creek will submit an NSR for official inclusion in the Permit document.

**6. Submit an NSR Package, no later than December 31, 2013, that includes the following:**

- a. Change the Permit language throughout Section OP3.6 of the Operations Plan of the Permit to indicate that an “instantaneous bleed (overproduction) at a rate of 0.5% to 1.5% of production will be in effect in the well field at all times”. This text change will result in changes primarily within Section OP 3.6 of the Operations Plan for Permit 788**
- b. Add new language into the Section OP3.6 of the Permit that states that a cone of depression (hydrologic sink) will be maintained in all well fields even when production is required to stop temporarily. This section should include an explanation of exactly how that will occur. This language should acknowledge that it will be necessary for production to stop sporadically over the lifetime of the operation, language describing how a bleed (cone of depression) will be maintained during those time period is needed in the Permit.**

Responses

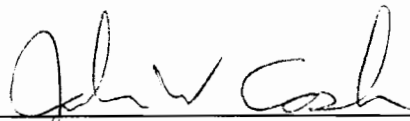
- 6a. The language currently in the Permit is correct, however, Lost Creek proposes the following language be added to the end of the second paragraph of Section 3.6 to provide greater clarity regarding how the bleed will be maintained.

*"The bleed rate will not fall below 0.5% over any given seven consecutive day average."*

- 6b. The company proposes the following language be added to the end of the second paragraph of section OP 3.6:

*"A hydrologic cone of depression will be maintained for each wellfield from shortly after the beginning of production until the beginning of restoration stability. During the life of a wellfield there will be times when there is no pumping for a variety of reasons including but not limited to: maintenance, extreme weather, etc. During these times of inactivity, which typically last less than one week, the cone of depression generated from routine operations will be sufficient to prevent outward migration of mining fluid; especially since the natural groundwater flow is on the order of 6 feet per year. If the average bleed rate falls below 0.5% over any seven consecutive days, for any reason, the company will notify LQD and submit a corrective action plan that will ensure a cone of depression is maintained. A potentiometric water level map of the affected horizon will be generated and submitted to LQD once every two weeks until the bleed is re-established."*

Sincerely,



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John W Cash  
Vice President, Lost Creek ISR, LLC

During that same time frame, October 4 to December 5, there were also 16 different days where no wellfield operations occurred at all (production or injection). This was due primarily to operational issues associated with the plant where it was disadvantageous to operate the wellfield. Since December 5, 2013, the wellfield has been operated with a 0.7% average bleed. The total cumulative bleed for all wellfield operations, to date, equals 0.6%.

Currently, the second disposal well, LCDW-4 has been approved for operations at the original injection pressure (355 psi). A permit revision was requested for a revised injection pressure of 838 psi based on post permit test work. The original injection pressure is unacceptable for normal operations. The revised injection pressure will allow for normal operations and should allow for normal plant and wellfield operations. This permit revision is expected in the near future.

**Item 5: Provide an explanation of how the plant capacity and disposal capacity problems are currently being handled and how the future capacity problems will be addressed or avoided in the future. Include injection test results for the new disposal well.**

#### **Current Water Handling:**

Figure 1, "Project Water Balance – December 18, 2013" details the current operating status of production systems at the Lost Creek Project. A more detailed discussion of the components of interest follows:

Mine Unit 1 (MU-1) production is currently operating at approximately 675 gpm, at a recent average, from header houses (HH) 1, 2 and 3. A bleed of approximately 0.7% (approximately 5 gpm) is being removed from the production stream and run through a secondary ion exchange or "guard" column for additional uranium capture. This bleed stream is then transferred to the waste water tanks and/or the lined storage ponds.

Similarly, the waste water generated from filtering and washing the precipitated yellowcake as well as any wash-down water in the plant is captured and pumped to the waste water tanks and/or the lined storage ponds.

The reverse osmosis (RO) units are being used to treat the storage pond water. They are being fed with approximately 60 gpm of stored water. The ROs generate a stream of concentrate (approximately 52 gpm) which is sent to the storage ponds and/or the waste water tanks and a stream of clean permeate (approximately 8 gpm). The permeate stream is dealt with in two possible ways:

1. Makeup water for chemicals, wash water, plant process water; or
2. Injected in MU-1, HH-4 as previously discussed with WDEQ and approved through the NRC Safety and Environmental Review Panel (SERP).

Waste water, consisting of wellfield bleed, plant process water and RO concentrate is currently being injected into LCDW-1 at a rate of approximately 7 gpm.

**Future Water Handling:**

Upon receipt of the permit revision for LCDW-4, the operational components will be operated as follows:

MU production will enter the plant and pass through the ion exchange (IX) columns. After the uranium has been captured on the IX resin, approximately 3% to 4% of the barren lixiviant will be redirected through the RO system and treated. The concentrate or waste discharge from the RO represents the required 0.5% to 1.5% of bleed and will be transferred to the waste water tanks and/or storage ponds. This will maintain a hydrologic cone of depression in the operating MU. Permeate, or clean water, will be added back to the injection lixiviant serving to continually clean up contaminants that may be liberated during the mining process or elevated chlorides from the IX process. In addition, the permeate may be used for makeup water for chemicals, wash water or plant process water.

Disposal wells LCDW-1 and LCDW-4 will be used to dispose of concentrated bleed solutions, plant process waste water and a portion of the fluids currently in the storage ponds. The eventual goal being the effective emptying of the storage ponds over time allowing for their use during disposal well testing and during disposal well maintenance events.

Permeate injection into the wellfield will cease once LCDW-4 is put into normal service.

**Item 6 a and b:**

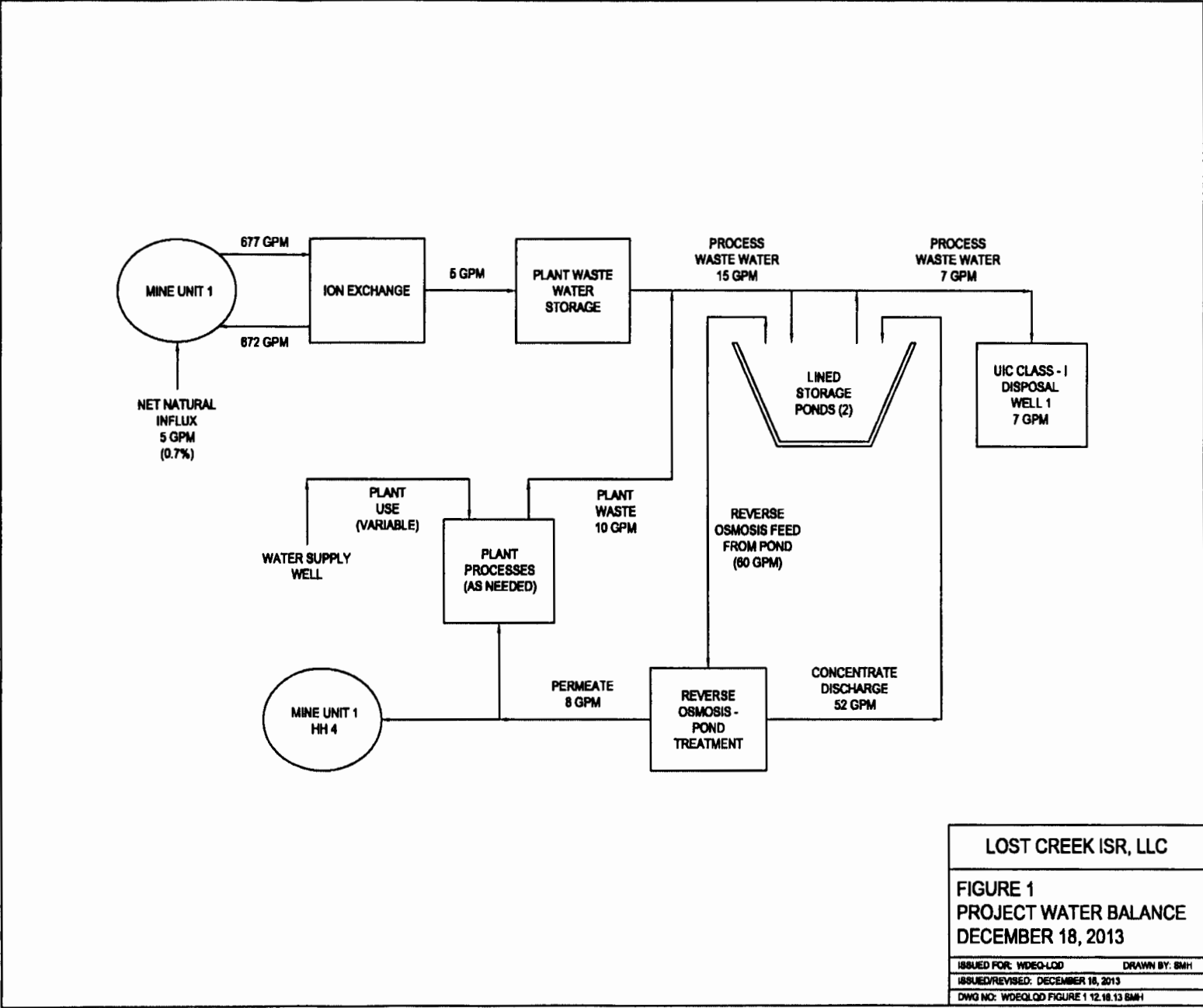
A response is forthcoming.

Sincerely,



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John W Cash  
Vice President, Lost Creek ISR, LLC



**LOST CREEK ISR, LLC**  
**FIGURE 1**  
**PROJECT WATER BALANCE**  
**DECEMBER 18, 2013**  
 ISSUED FOR: WDEQ-LQD DRAWN BY: SMH  
 ISSUED/REVISED: DECEMBER 18, 2013  
 DWG NO: WDEQLQD FIGURE 1 12.18.13 SMH

*Lost Creek ISR, LLC is a wholly-owned subsidiary of Ure-Energy Inc.*  
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