



April 29, 2014

Department of Environmental Quality – Land Quality Division
District III Supervisor
2100 West 5th Street
Sheridan, WY 82801

Attn: Document Control Desk
Director
Office of Federal and State Materials and Environmental Management Programs,
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

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. A comparison of quarterly reporting requirements between Wyoming Department of Environmental Quality – Land Quality Division (WDEQ-LQD) permit and the NRC License SUA-1597 shows similar requirements. Uranerz has therefore, in an effort to reduce redundant reporting and our environmental footprint with duplicate paper copies, combined the WDEQ-LQD quarterly report with the NRC License SUA-1597 quarterly report. It is worth noting that the report format for this quarterly report has been revised to more closely follow the WDEQ-LQD Chapter 11 requirement list.

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If you have any questions regarding the provided information, please contact me at 307-265-8900 or by email at mthomas@uranerz.com.

Sincerely,



Michael P. Thomas
Vice President Regulatory and Public Affairs
Uranerz Energy Corporation

MT/dk

Attachments

1st Quarter 2014 Report

cc: Dorrn Larner, Project Manager, WDEQ-LQD (via email)
Ron Linton, Project Manager, NRC (via email)
Linda Gersey, Lead Inspector, NRC (via email)

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1st Quarter 2014 Report

Nichols Ranch ISR Project WDEQ-LQD Permit to Mine No. 778 and NRC License SUA-1597

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TABLE OF CONTENTS

	<u>Page</u>
1.0 Introduction.....	3
2.0 Monitoring.....	3
2.1 Injection Fluid Characteristics.....	3
2.2 Injection Pressure and Flow Rates or Volumes (Class III Wells).....	3
2.3 Monitor Well Sampling Results.....	3
2.3.1 Excursion Status.....	4
3.0 Mechanical Integrity Testing.....	4
4.0 Defective Wells, Well Repair and Plugging.....	4
5.0 Certification.....	5

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1.0 Introduction

Uranerz Energy Corporation (Uranerz) received its Wyoming Department of Environmental Quality – Land Quality Division (WDEQ-LQD) Permit to Mine No. 778 on December 29, 2010. On July 19, 2011 Source Material License SUA-1597 was issued to Uranerz by the Nuclear Regulatory Commission (NRC). Quarterly reports are required by WDEQ-LQD Non-Coal Rules and Regulations Chapter 11, Section 15 and NRC License SUA-1597 Condition 11.1.

The following highlights Uranerz activities during the quarter:

Nichols Ranch Unit

- Construction and start-up preparations were completed in the Central Processing Plant (CPP).
- Wellfield development in Production Area #1 (PA#1) continued during the quarter, and activities included:
 - Header Houses 1 through 3 were completed and testing finished.
 - Work on Header House 4 progressed and is almost complete. Wells related to the house are installed and notification of completion was submitted to WDEQ-LQD on February 26, 2014.
 - Construction of the wellfield access road was finished.
- The NRC completed a follow-up visit in January 2014 for the pre-operational inspection to approve start-up. Approval to start up is pending and Uranerz was not able to operate and produce during the period.
- New well installation did not occur during the quarter. Well completion details are available at the mine site and are provided in the annual report to the WDEQ-LQD.

Hank Unit

- No activities took place at the Hank Unit.
- The Environmental Assessment (EA) submitted to the Buffalo Wyoming Bureau of Land Management (BLM) office pends approval. Approval has been delayed due to the BLM Section 106 consultation process which must be completed in order to approve the EA.

2.0 Monitoring

2.1 Injection Fluid Characteristics

There was no injection of production fluid during the period.

2.2 Injection Pressure and Flow Rates or Volumes (Class III Wells)

There was no injection of production fluid during the period.

2.3 Monitor Well Sampling Results

Monitor well sampling is performed during operation to detect and correct conditions leading to a potential excursion. Monitor well sampling and analysis is performed according to the Mine Plan, Volume VIII, Section 3.14.7.8.10 and the NRC License Condition 11.5. The monitor wells in wellfields in production operation are sampled twice a month at least 10 days apart for water levels and the Upper Control Limit (UCL) parameters chloride, conductivity, and alkalinity.

There was no production during the period. The PA#1 wellfield will be sampled when production begins.

2.3.1 Excursion Status

There are no excursion control efforts to report this quarter.

3.0 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 represents a more frequent reporting than required. The MIT procedure is followed pursuant to Section 3.6 of WDEQ-LQD Mine Plan, Volume V and 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.

Twenty-one (21) Class III wells were tested for mechanical integrity during the report period. Wells testing with a pressure at or below 10% in a 10-minute timeframe have passed the MIT. Two wells failed MIT and is discussed in Section 4.0 below. MIT results are attached as 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.

4.0 Defective Wells, Well Repair and Plugging

Two wells, N1A-020 and N1B-089 failed MIT during the report period. N1A-020 is being assessed for repair or plug and abandonment in accordance with Chapter 11 Section 8(c). If not repaired the well will be plugged and abandoned. Well N1B-089 was originally MIT'd on November 6, 2012 and passed. During a pre-operational validation MIT on February 12, 2014 the well was noted to have failed testing the MIT; however, the documentation from the February 12, 2014 MIT was incomplete and lacking sufficient details to determine if the well truly failed MIT. Therefore, Uranerz is investigating the well N1B-089 and will perform another MIT to verify integrity, until that time the well is deemed as having failed MIT. If the well fails MIT it will be assessed for repair or plug and abandonment and if it cannot be repaired it will be plugged and abandoned.

Plug and abandonment of wells is performed in accordance with Permit to Mine No. 778, Volume V, Mine Plan Section 3.8, and 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. No plug and abandonment activities occurred during the quarter.

5.0 Certification

Certification is required by WDEQ-LQD Non-Coal Rules and Regulations Chapter 11, Section 2(g). 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.



Michael P. Thomas
Vice President Regulatory and Public Affairs
Uranerz Energy Corporation

WDEQ - Quarterly Report/1st QTR 2014
MITs for Nichols Ranch Production



Appendix A

#	Well Name	Date Tested	Casing Type	Bottom Casing (top of completion ft)	Lower Packer Depth (feet)	Initial Pressure (psi)	Final Pressure (psi)	Pressure Loss (net)	Next Test Date	Pass-Fail
1	MPN-4	01/23/2014	PVC	629	610	180	163	17	01/23/2019	PASS
2	MPN-6	01/23/2014	PVC	629	620	180	165	15	01/23/2019	PASS
3	N1A-019	03/24/2014	PVC	608	580	180	164	16	03/24/2019	PASS
4	N1A-020	03/20/2014	PVC	596	580	180	0	180	03/20/2019	FAIL
5	N1A-026	03/26/2014	PVC	600	600	180	165	15	03/26/2019	PASS
6	N1A-027	03/20/2014	PVC	602	580	180	169	11	03/20/2019	PASS
7	N1A-035	03/24/2014	PVC	590	580	180	167	13	03/24/2019	PASS
8	N1A-047	03/26/2014	PVC	583	560	180	170	10	03/26/2019	PASS
9	N1A-084	02/18/2014	PVC	564	550	180	164	16	02/18/2019	PASS
10	N1A-085	01/16/2014	PVC	564	550	180	163	17	01/16/2019	PASS
11	N1A-088	03/20/2014	PVC	608	580	180	174	6	03/20/2019	PASS
12	N1A-093	02/18/2014	PVC	593	580	180	171	9	02/18/2019	PASS
13	N1A-103	02/20/2014	PVC	609	580	180	165	15	02/20/2019	PASS
14	N1B-016	03/25/2014	PVC	626	610	180	169	11	03/25/2019	PASS
15	N1B-089	02/12/2014	PVC	633	570	180	0	180	02/12/2019	FAIL
16	N1C-003-1	03/25/2014	PVC	634	620	180	163	17	03/25/2019	PASS
17	N1C-026	02/12/2014	PVC	604	580	180	166	14	02/12/2019	PASS
18	N1C-030	02/13/2014	PVC	617	610	180	164	16	02/13/2019	PASS
19	N1C-032	02/13/2014	PVC	618	610	180	165	15	02/13/2019	PASS
20	N1C-028	02/19/2014	PVC	632	610	180	167	13	02/19/2019	PASS
21	N1C-029	02/20/2014	PVC	648	630	180	172	8	02/20/2019	PASS